

SIAN CHAY MEDICAL INSTITUTION
(Registered in Singapore)
UEN No. S62SS0055D
(Registered under the Charities Act, Chapter 37)

FINANCIAL STATEMENTS

31 December 2017

UHY LEE SENG CHAN & CO
Public Accountants and
Chartered Accountants

SIAN CHAY MEDICAL INSTITUTION
UEN No. S62SS0055D

FINANCIAL STATEMENTS

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SIAN CHAY MEDICAL INSTITUTION
(Registered in Singapore)

STATEMENT BY MANAGEMENT COMMITTEE

In the opinion of the Management Committee, the accompanying financial statements of Sian Chay Medical Institution (the "Institution") are drawn up so as to give a true and fair view of the state of affairs of the Institution as at 31 December 2017, and of its results, changes in funds and cash flows of the Institution for the financial year ended on that date and, at the date of this statement, there are reasonable grounds to believe that the Institution will be able to pay its debts as and when they fall due.

On behalf of the Management Committee,


Chairman
Hon. Treasurer

Singapore
12 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIAN CHAY MEDICAL INSTITUTION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sian Chay Medical Institution (the Institution), which comprise the balance sheet of the Institution as at 31 December 2017, the statement of income and expenditure and other comprehensive income, statement of changes in funds and statement of cash flows of the Institution for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Charities Act, Chapter 37 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, the state of affairs of the Institution as at 31 December 2017 and of its results, changes in funds and cash flows of the Institution for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institution in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Statement by Management Committee set out on page 1.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIAN CHAY MEDICAL INSTITUTION

Management Committee's Responsibility for the Financial Statements

The Management Committee is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Management Committee is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

The Management Committees' responsibilities include overseeing the Institution's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SIAN CHAY MEDICAL INSTITUTION**

- Conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the regulations enacted under the Act to be kept by the Institution have been properly kept in accordance with those regulations.

During the course of our audit, nothing has come to our attention that causes us to believe that during the financial year:

- (a) the use of the donation monies was not in accordance with the objectives of the Institution as required under Regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Institution has not complied with the requirements of Regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

UHY Lee Seng Chan & Co.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
12 March 2018

SIAN CHAY MEDICAL INSTITUTION

BALANCE SHEET

31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	13,691,941	10,202,905
Other receivables	5	175,919	138,284
Inventories	6	173,423	162,502
		<u>14,041,283</u>	<u>10,503,691</u>
Non-current assets			
Available-for-sale investments	7	1,028,720	1,919,618
Property, plant and equipment	8	1,562,834	1,505,582
		<u>2,591,554</u>	<u>3,425,200</u>
Total assets		<u>16,632,837</u>	<u>13,928,891</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	236,276	591,572
Finance lease liabilities	10	6,283	3,382
		<u>242,559</u>	<u>594,954</u>
Non-current liabilities			
Finance lease liabilities	10	21,889	14,466
Deferred income		32,574	32,574
		<u>54,463</u>	<u>47,040</u>
Total liabilities		<u>297,022</u>	<u>641,994</u>
NET ASSETS		<u>16,335,815</u>	<u>13,286,897</u>
FUNDS			
Capital fund	11	230,000	230,000
<u>Unrestricted fund</u>			
General fund		15,936,086	12,416,827
<u>Restricted fund</u>			
TCM medi fund	11	169,729	640,070
Total funds		<u>16,335,815</u>	<u>13,286,897</u>

The accompanying notes form part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

Financial year ended 31 December 2017

	Note	2017			2016 Total fund \$
		Unrestricted fund \$	Restricted fund \$	Total \$	
Income					
Voluntary income	12	8,795,333	1,000,000	9,795,333	11,588,367
Charitable income	13	1,357,928	-	1,357,928	1,050,753
Investment income	14	157,323	-	157,323	146,058
Other income	15	164,095	-	164,095	186,978
Total income		10,474,679	1,000,000	11,474,679	12,972,156
Expenditure					
Cost of generating voluntary income	16	1,221,481	-	1,221,481	1,028,029
Cost of charitable activities	17	702,425	508,936	1,211,361	966,526
Governance costs	18	18,151	-	18,151	19,392
Allowance for impairment loss on available-for-sale investments		1,000,000	-	1,000,000	-
Other expenses	19	4,122,465	961,405	5,083,870	3,944,074
Total expenditure		7,064,522	1,470,341	8,534,863	5,958,021
Surplus for the financial year		3,410,157	(470,341)	2,939,816	7,014,135
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Fair value gain on available-for- sale investments		109,102	-	109,102	919,346
Total comprehensive income for the financial year		3,519,259	(470,341)	3,048,918	7,933,481

The accompanying notes form part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF CHANGES IN FUNDS

Financial year ended 31 December 2017

	Capital fund \$	Unrestricted fund General fund \$	Restricted fund TCM medi fund \$	Total \$
Balance at 1 January 2016	230,000	4,123,416	1,000,000	5,353,416
Surplus for the year, representing total comprehensive income for the financial year	-	7,374,065	(359,930)	7,014,135
<u>Other comprehensive income</u>				
Fair value gain on available-for-sale investments	-	919,346	-	919,346
Balance at 31 December 2016	230,000	12,416,827	640,070	13,286,897
Surplus for the year, representing total comprehensive income for the financial year	-	3,410,157	(470,341)	2,939,816
<u>Other comprehensive income</u>				
Fair value gain on available-for-sale investments	-	109,102	-	109,102
Balance at 31 December 2017	230,000	15,936,086	169,729	16,335,815

The accompanying notes form part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF CASH FLOWS

Financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Surplus for the financial year		2,939,816	7,014,135
Adjustments for:			
Depreciation of property, plant and equipment		673,226	485,512
Allowance for impairment of available-for-sale investment		1,000,000	-
Gifts in kind		-	(1,000,272)
Property, plant and equipment written off		-	88,719
Interest expense		1,005	326
Interest income		(157,323)	(119,058)
Operating cash flows before working capital changes		4,456,724	6,469,362
Changes in working capital:			
Other receivables		(37,635)	11,884
Inventories		(10,921)	(50,055)
Trade and other payables		(355,297)	548,896
Net cash from operating activities		4,052,871	6,980,087
Cash flows from investing activities			
Purchase of property, plant and equipment (Note A)		(716,056)	(1,070,381)
Interest received		157,323	119,058
Changes in fixed deposits with maturity period of more than 3 months		(3,633,516)	(9,350,270)
Net cash used in investing activities		(4,192,249)	(10,301,593)
Cash flows from financing activities			
Repayment of obligations under finance lease		(4,097)	(742)
Interest paid		(1,005)	(326)
Net cash used in financing activities		(5,102)	(1,068)
Net change in cash and cash equivalents		(144,480)	(3,322,574)
Cash and cash equivalents at beginning of financial year		852,635	4,175,209
Cash and cash equivalents at end of financial year	4	708,155	852,635

Note A: During the financial year, the Institution acquired property, plant and equipment at an aggregate cost of \$730,478 (2016 : \$1,088,971) of which \$14,422 (2016 : \$18,590) was acquired under finance lease arrangement and the balance \$716,056 (2016 : \$1,070,381) was paid in cash.

The accompanying notes form part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

These notes form part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Sian Chay Medical Institution (the "Institution") was registered as a charity under the Singapore Charities Act (Chapter 37) on 19 March 1984 with its registered office located at 610 Geylang Road (Off Lorong 36), Singapore 389549. It is also approved as an Institution of Public Character (IPC) by the Ministry of Health.

The principal activities of the Institution are to provide free medical consultation or subsidised medication to the lower income and needy patients.

The financial statements of the Institution for the financial year ended 31 December 2017 were authorised for issue by the Management Committee on 12 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Charities Act Cap. 37 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies set out below.

The financial statements are presented in Singapore dollar, which is the functional currency of the Institution.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Institution's accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Management is of the opinion that there are no areas involving critical judgements and no areas where estimates and assumptions are significant to the financial statements.

The accounting policies adopted are consistent with those of the previous period except that in the current financial year, the Institution has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual period beginning on 1 January 2017. The adoption of these new/revised FRSs and INT FRSs does not have any effect on the financial performance or position of the Institution for the current or prior financial years.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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(b) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Institution's balance sheet when the Institution becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial. Loans and receivables are presented as "cash and cash equivalents" and "other receivables" on the balance sheet.

Impairment of financial assets

The Institution assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost

For financial assets carried at amortised cost, the Institution first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Institution determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

SIAN CHAY MEDICAL INSTITUTION

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If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Institution considers factors such as the probability of insolvency or significant financial difficulties of its members and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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Derecognition of financial assets

The Institution derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Institution neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institution recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institution retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institution continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities include accrued charges.

Other financial liabilities

Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing borrowings are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Institution derecognises financial liabilities when, and only when, the Institution's obligations are discharged, cancelled or they expire.

(c) PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is computed on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold properties	50 years
Motor vehicle	5 years
Air-conditioners	3 years
Renovation and fixtures	3 years
Others	3-5 years

Freehold properties comprise freehold land and building erected there. Freehold land is not depreciated.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognising of the asset is included in profit or loss in the financial year the asset is derecognised.

(d) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Institution's non-financial assets are reviewed for impairment at the end of each reporting period and whenever there is any indication that these assets may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the amount of the impairment loss (if any).

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purpose of impairment testing, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset or CGU in prior financial years. A reversal of impairment loss is recognised in profit or loss.

(e) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined primarily on a first-in-first-out basis and includes cost of purchase and other, all other costs incurred in bringing the inventories to their present location and condition. Where necessary, write-down is made for deteriorated, damaged, obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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(f) INCOME RECOGNITION

Revenue including donations and grants that provide core funding or are of general nature are recognised where there is (a) entitlement (b) certainty (c) sufficient reliability of measurement. Such income is only deferred when: donor specifies that the grant or donation must only be used in future accounting periods; or the donor has imposed conditions which must be met before the Institution has unconditional entitlement. The revenue amount from services is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the ordinary activities of the Institution and it is shown net of related sales tax, discounts and rebates.

Donations

Revenue from donations is recognised when received, except for committed donations that are recognised when the commitments are signed.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants and government subvention receipts in recognition of specific expenses are recognised as income to match them with the related costs that they are intended to compensate. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A grant related to assets, including non-monetary grants at fair value, is presented on the balance sheet by setting up the grant as deferred income. The deferred grants are recognised in the statement of income and expenditure and other comprehensive income over the period necessary to match the depreciation of assets to which the grants relate.

Gifts in kind

A gift in kind is included in the statement of income and expenditure and other comprehensive income based on an estimate of the fair value at the date of receipt of the gift of the non-monetary asset or the grant of a right to the monetary asset. The gift is recognised if the amount of the gift can be measured reliably and there is no uncertainty that it will be received.

Rendering of services

Revenue from rendering of services, which include acupuncture, tuina therapy treatment and cupping is recognised when the services are completed.

Investment and related revenue

Interest income is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental income from operating leases is recognised on a straight line basis over the lease term.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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(g) EMPLOYEE BENEFITS

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

Contributions to defined contribution plans are recognised in the same financial year as the employment that gives rise to the contributions.

(h) PROVISIONS

Provisions are recognised when the Institution has a present obligation (legal or constructive) as a result of a past event, it is probable that the Institution will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(i) LEASES

Finance leases - where the Institution is a lessee

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The lease obligations, net of finance charges, are included in borrowings. The finance charges are recognised in profit or loss over the lease period.

Operating leases - where the Institution is a lessor

Leases where the Institution retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is disclosed in Note 2(f) above.

Operating leases - where the Institution is a lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

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31 December 2017

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

(j) RELATED PARTIES

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Institution if that person:
 - (i) Has control or joint control over the Institution;
 - (ii) Has significant influence over the Institution; or
 - (iii) Is a governing board member, trustee or member of the key management personnel of the Institution or of a parent of the Institution.
- (b) An entity is related to the Institution if any of the following conditions applies:
 - (i) The entity and the Institution are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) The entity is an associate or joint venture of the Institution (or an associate or joint venture of a member of a group of which the Institution is a member) and vice versa.
 - (iii) The entity and the Institution are joint ventures of the same third party.
 - (iv) The entity is a joint venture of a third entity and the Institution is an associate of the third entity and vice versa.
 - (v) The entity is controlled or jointly controlled by a person identified in (a).
 - (vi) A person identified in (a) (i) has significant influence over the entity or is a governing board member, trustee or member of the key management personnel of the entity (or of a parent of the entity).

(k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and fixed deposits placed with financial institutions. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of fixed deposits with maturity period of more than three months.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(I) BORROWING COSTS

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Institution's accounting policies, which are described in Note 2, the Management Committee is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Institution's accounting policies

In the process of applying the Institution's accounting policies, management is of the opinion that any instances of application are not expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation of property, plant and equipment

Management Committee estimates the useful lives of property, plant and equipment to be as disclosed in Note 2(c). These are common life expectancies applied in the relevant industry. The carrying amounts of the Institution's property, plant and equipment are disclosed in Note 8. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Hence, future depreciation charges could be revised.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Impairment of available-for-sale investments

The Institution records impairment charges on available-for-sale investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Institution evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

4. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Cash at banks and on hand	708,155	852,635
Fixed deposits	12,983,786	9,350,270
	<u>13,691,941</u>	<u>10,202,905</u>

Fixed deposits have maturity period of 12 months and earn interest at rates ranging from 1.25% to 1.50% (2016 : 1.45% to 1.98%) per annum.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017	2016
	\$	\$
Cash and cash equivalents (as above)	13,691,941	10,202,905
Less: Fixed deposits with maturity period of more than 3 months	(12,983,786)	(9,350,270)
	<u>708,155</u>	<u>852,635</u>

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NOTES TO THE FINANCIAL STATEMENTS

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5. OTHER RECEIVABLES

	2017	2016
	\$	\$
Advance payment for purchase of property, plant and equipment	19,425	-
Interest receivable	80,411	90,200
Refundable deposits	58,676	48,084
Prepayments	17,407	-
	<u>175,919</u>	<u>138,284</u>

6. INVENTORIES

	2017	2016
	\$	\$
Medical supplies	<u>173,423</u>	<u>162,502</u>
Cost of inventories recognised in statement of income and expenditure and included in cost of charitable activities	<u>1,211,361</u>	<u>966,526</u>

7. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	\$	\$
Quoted equity shares, at fair value	1,028,720	919,618
Unquoted equity shares, at cost	1,000,000	1,000,000
Less: Allowance for impairment	(1,000,000)	-
	-	1,000,000
	<u>1,028,720</u>	<u>1,919,618</u>

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The fair values of quoted equity shares are based on the quoted closing market prices on the last market day of the financial year.

Unquoted equity shares are carried at cost less impairment loss. Their fair values cannot be reliably measured as unquoted investments do not have quoted market price in an active market and it is not practical to determine their fair values using valuation models without incurring excessive costs.

During the financial year, full impairment was made on investment in unquoted equity shares due to the bankruptcy of the owner of the investee.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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8. PROPERTY, PLANT AND EQUIPMENT

2017

	Freehold properties \$	Motor vehicle \$	Air conditioner \$	Renovation and fixtures \$	Other assets \$	Total \$
Cost						
Balance at beginning	415,603	93,666	41,432	1,847,404	567,095	2,965,200
Additions	-	-	5,650	549,129	175,699	730,478
Balance at end	415,603	93,666	47,082	2,396,533	742,794	3,695,678
Accumulated depreciation						
Balance at beginning	232,737	1,561	35,962	928,973	260,385	1,459,618
Charge for the financial year	-	18,733	5,501	488,122	160,870	673,226
Balance at end	232,737	20,294	41,463	1,417,095	421,255	2,132,844
Carrying amount						
Balance at 31 December 2017	182,866	73,372	5,619	979,438	321,539	1,562,834

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2016

	Freehold properties	Motor vehicle	Air conditioner	Renovation and fixtures	Other assets	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at beginning	415,603	-	41,432	1,209,944	307,111	1,974,090
Additions	-	93,666	-	721,230	274,075	1,088,971
Write-off	-	-	-	(83,770)	(14,091)	(97,861)
Balance at end	415,603	93,666	41,432	1,847,404	567,095	2,965,200
Accumulated depreciation						
Balance at beginning	232,737	-	31,860	572,182	146,469	983,248
Charge for the financial year	-	1,561	4,102	365,065	114,784	485,512
Write-off	-	-	-	(8,274)	(868)	(9,142)
Balance at end	232,737	1,561	35,962	928,973	260,385	1,459,618
Carrying amount						
Balance at 31 December 2016	182,866	92,105	5,470	918,431	306,710	1,505,582

Other assets include computers, diagnosis and office equipment, and furniture and fittings. Office equipment with aggregate carrying amount of \$24,223 (2016 : \$17,041) were acquired under finance lease arrangements.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$
Trade payables - third parties	75,997	-
Other payables - accruals	160,279	591,572
	<u>236,276</u>	<u>591,572</u>

Trade payables are non-interest bearing and are generally settled within 30 (2016 : Nil) days.

10. FINANCE LEASE LIABILITIES

	2017		2016	
	Minimum lease payments \$	Present value of minimum lease payments \$	Minimum lease payments \$	Present value of minimum lease payments \$
Within 1 year	7,582	6,283	4,276	3,382
After 1 year but not more than 5 years	24,155	21,889	16,034	14,466
Total minimum lease payments	<u>31,737</u>	<u>28,172</u>	<u>20,310</u>	<u>17,848</u>
Less: Amount representing finance charges	3,565	-	2,462	-
Present value of minimum lease payments	<u>28,172</u>	<u>28,172</u>	<u>17,848</u>	<u>17,848</u>

The effective borrowing rates range from 4.69% to 6.49% (2016 : 6.49%) per annum.

The fair values of finance lease obligations approximate their carrying amounts.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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11. FUNDS

Capital fund

The capital fund represents compensation received from the government in relation to the compulsory acquisition of the Institution's previous premises located at 124A Bencoolen Street in 1978.

TCM medi fund

The TCM medi fund was established on 3 September 2014 from monies donated by Lee Foundation to subsidise the Traditional Chinese Medicine (TCM) treatment expenses of the Pioneer Generation and CHAS Card patients for the period up to 2020.

12. VOLUNTARY INCOME

	2017	2016
	\$	\$
Unrestricted		
Tax deductible donations	5,929,272	7,583,116
Grants	217,997	300,000
Gifts in kind	-	1,000,272
Other donations	2,648,064	1,704,979
	<u>8,795,333</u>	<u>10,588,367</u>
Restricted		
TCM medi fund	1,000,000	1,000,000
	<u>9,795,333</u>	<u>11,588,367</u>

The Institution enjoys a concessionary tax treatment whereby qualifying donors are granted 2.5 times tax deduction for the donations made to the Institution. The IPC status was renewed for 2 years till 30 June 2019.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. CHARITABLE INCOME

	2017	2016
	\$	\$
Acupuncture treatment fees	307,696	201,056
Cupping therapy fees	5,645	-
Herb treatment fees	28,743	17,330
Tuina therapy fees	328,718	284,930
Patient registration fees	684,515	547,362
Others	2,611	75
	<u>1,357,928</u>	<u>1,050,753</u>

14. INVESTMENT INCOME

	2017	2016
	\$	\$
Interest income	157,323	119,058
Rental income [Note 22(b)]	-	27,000
	<u>157,323</u>	<u>146,058</u>

15. OTHER INCOME

	2017	2016
	\$	\$
Special employment credit	77,904	76,695
Temporary employment credit	17,316	16,402
Wage credit scheme	68,875	90,665
Others	-	3,216
	<u>164,095</u>	<u>186,978</u>

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

16. COST OF GENERATING VOLUNTARY INCOME

	2017	2016
	\$	\$
Cost of fund raising	1,221,481	1,028,029

17. COST OF CHARITABLE ACTIVITIES

	2017	2016
	\$	\$
Medicine and medical supplies		
Unrestricted	702,425	514,749
Restricted	508,936	451,777
	1,211,361	966,526

18. GOVERNANCE COSTS

	2017	2016
	\$	\$
Audit fees	18,151	19,392

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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19. OTHER EXPENSES

	2017	2016
	\$	\$
Unrestricted		
Advertisement	7,802	2,107
Bank charges	6,177	1,788
Brochures	9,337	2,965
Community relation	-	3,000
Community services	30,963	13,613
Community welfare	10,000	15,400
Compensation	-	20,000
Depreciation of property, plant and equipment	673,226	485,512
General expenses	44,256	23,172
Insurance	19,679	7,716
Interest expense on finance leases	1,005	326
GST input tax not claimable	190,115	-
Legal fee	-	10,278
License fee	2,917	-
Maintenance charges	109,587	76,596
Marketing communication expenses	126,118	48,104
Media	58,345	46,357
Medical records, receipts and stationery	31,711	19,272
Mementoes for donors	118,990	52,477
Office supplies	63,999	47,687
Operating lease expense [Note 22(b)]	198,423	238,869
Other equipment expensed off	15,193	15,714
Photo frames for photo gallery (all outlets)	21,065	16,082
Photography/Video services	11,125	4,750
Project expenses	72,052	2,340
Printing charges	24,844	27,071
Property tax	1,624	1,507
Property, plant and equipment expensed off	14,841	25,085
Property, plant and equipment written off	-	88,719
Recruitment	8,797	15,326
Signages for all outlets	9,444	12,742
Staff bonding/interaction	6,805	5,579
Staff training	30,612	11,143
Start-up costs of new outlets	24,365	10,212
Telephone and internet charges	33,577	23,442
Transport charges	30,684	30,216
Utilities charges	40,875	39,036
Website hosting and social media	26,717	14,689
Carried forward	2,075,270	1,458,892

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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	2017	2016
	\$	\$
Unrestricted (continued)		
Brought forward	2,075,270	1,458,892
Employee benefits expense		
- salaries, bonuses and related costs	1,826,487	1,380,152
- employer's contribution to Central Provident Fund	220,708	196,877
	<u>2,047,195</u>	<u>1,577,029</u>
	<u>4,122,465</u>	<u>3,035,921</u>
Restricted		
Employee benefits expense		
- salaries, bonuses and related costs	843,878	800,348
- employer's contribution to Central Provident Fund	117,527	107,805
	<u>961,405</u>	<u>908,153</u>
	<u>5,083,870</u>	<u>3,944,074</u>

20. INCOME TAX STATUS

No provision for taxation has been made in the financial statements as the Institution is exempt from income tax under Section 13(1)(zm) of the Income Tax Act, Chapter 134.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Other than disclosed elsewhere in the financial statements, the transactions with related parties on terms agreed between the parties during the financial year are as follows:

	2017	2016
	\$	\$
Short-term benefits paid to a key management personnel		
- salaries, bonuses and related costs	102,964	99,764
- employer's contributions to Central Provident Fund	7,215	7,197
	<u>110,179</u>	<u>106,961</u>

Key management personnel is the executive director. Members of the Management Committee are volunteers who do not receive any compensation from the Institution.

For 2017 and 2016, there is only one senior management staff whose remuneration is in the range of \$100,000 to \$150,000. Annual remuneration for the rest of the executives are below \$100,000.

22. COMMITMENTS

(a) Capital commitments

	2017	2016
	\$	\$
Capital expenditure for the purchase of property, plant and equipment	<u>23,154</u>	<u>176,487</u>

(b) Operating lease commitments - as lessee

	2017	2016
	\$	\$
Operating lease expense for the financial year (Note 19)	<u>198,423</u>	<u>238,869</u>

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At the end of the reporting period, the Institution has outstanding commitments for minimum lease payments in respect of premises under non-cancellable operating leases falling due as follows:

	2017	2016
	\$	\$
Within one year	113,663	144,000
Between one and five years	23,213	84,500
	<u>136,876</u>	<u>228,500</u>

The above operating leases have a tenure of 2 to 3 years with varying options to renew. They do not contain any escalation clauses and do not provide for contingent rents.

23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

Financial instruments as at the end of the reporting period are as follows:

	2017	2016
	\$	\$
Financial assets		
Available-for-sale investments	1,028,720	1,919,618
Loans and receivables	13,831,028	10,341,188
	<u>14,860,748</u>	<u>12,260,806</u>
Financial liabilities		
Financial liabilities at amortised cost	264,448	609,420
	<u>264,448</u>	<u>609,420</u>

(b) Financial risk management

The main risks arising from the Institution's normal course of operation are credit, interest rate and liquidity and equity price risks. The Institution's overall risk management strategy seeks to minimise potential adverse effects of these risks on the financial performance of the Institution.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the institution's activities.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the end of the reporting period, the Institution's maximum exposure to credit risk is represented by the carrying amount of each financial asset presented on the balance sheet. Cash is placed with banks which are regulated.

There is no financial asset that is past due and/or impaired.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Institution's financial instruments will fluctuate because of changes in market interest rate.

The Institution is exposed to interest rate risks through the impact of changes in interest rates on its fixed deposits.

Sensitivity analysis

At the end of the reporting period, an increase/decrease of 25 basis in interest rates of fixed deposits would increase/decrease net income for the financial year by \$32,460 (2016 : \$23,376).

Liquidity risk

Liquidity risk is the risk that the Institution will encounter difficulty in meeting financial obligations due to shortage of funds.

The Institution monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows.

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The following is the maturity profile of the financial liabilities of the Institution based on contractual undiscounted payments:

	1 year or less \$	1 to 5 years \$	Total \$
2017			
Trade and other payables	236,276	-	236,276
Finance lease liabilities	7,582	24,156	31,738
	<u>243,858</u>	<u>24,156</u>	<u>268,014</u>
2016			
Other payables	591,572	-	591,572
Finance lease liabilities	4,276	16,034	20,310
	<u>595,848</u>	<u>16,034</u>	<u>611,882</u>

Equity price risk

The Institution is exposed to equity price risk on quoted equity securities classified as available-for-sale investments as disclosed in Note 7 to the financial statements.

Sensitivity analysis

At the end of the reporting period, if prices of the quoted shares increase/decrease by 10% with all other variables being held constant, the increase/decrease in other comprehensive income would be \$102,872 (2016 : \$191,962).

24. FUNDS MANAGEMENT POLICIES AND OBJECTIVE

The institution regards its general fund as its reserves. The institution's funds management policies require it to maintain sufficient reserves to ensure long term financial sustainability and continuity for the purpose of providing free consultation and subsidised traditional chinese medication to the community.

The Institution aims to achieve its reserves at a level equal to about 3 times of its total annual expenditure so that its operational activities can continue in times of unforeseen difficulty. The institution is not subject to any externally imposed reserve requirement.

Fair values of financial instruments

Except as disclosed in the financial statements, the Institution has determined that the carrying amounts of financial assets and liabilities approximate their fair values because these instruments are short-term in nature.

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25. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that have been issued but are not yet effective for period beginning on 1 January 2017 have not been applied in preparing these non-statutory financial statements. The Management Committee expects that the adoption of these new standards, amendments and interpretations will have no material impact on the non-statutory financial statements in the period of initial application except for FRS 109, FRS 115 and FRS 116 described below:

FRS 109 Financial Instruments

FRS 109 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The Institution is currently assessing the impact of the new accounting standard and plans to adopt the standard when it becomes effective on 1 January 2018.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

When effective FRS 115 will replace all existing revenue recognition requirements under FRS.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Institution is currently assessing the impact of FRS 115 and plans to adopt the new standard on the effective date.

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Under FRS 116, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. When effective, FRS 116 will supersede all current lease accounting guidance, including FRS 17 Leases.

The Institution is currently assessing the impact of the new accounting standard and plans to adopt the standard when it becomes effective on 1 January 2019.