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THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

MANAGEMENTS' STATEMENT AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

MANAGEMENT'S STATEMENT AND FINANCIAL STATEMENTS

CONTENTS

GRP3A-MGR/3020765-4077414-FS/MGAR/NCSC/BYJK/ZA

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE
AND ITS SUBSIDIARY

MANAGEMENT'S STATEMENT

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, General Fund statements of income and expenditure, Zakat Trust Fund statements of income and expenditure, Building Fund statements of income and expenditure and statement of changes in funds of the Association as set out on pages 6 to 41 are drawn up so as to give a true and fair view of the financial position of the Group and of the Association as at December 31, 2018 and the financial performance and changes in funds of the Group and of the Association, and cash flows of the Group for the financial year ended on that date.

On behalf of the Management

....	....
Muhammad Imran Kuna Bin Abdullah	Ng Keng Khong
President	Vice President (Finance)

Singapore

Date: 2 6 MAR 2019

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Muslim Converts' Association of Singapore (the Association) and its subsidiary (the Group) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Association as at December 31, 2018, and the General Fund statements of income and expenditure, Zakat Trust Fund statements of income and expenditure, Building Fund statements of income and expenditure, and the statements of changes in funds of the Group and the Association and consolidated statement of cash flows of the Group, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 6 to 41.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Societies Act, Chapter 311 (the Societies Act), the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Association as at December 31, 2018 and the financial performance and changes in funds of the Group and of the Association and cash flows of the Group for the 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 Association 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Annual report, but does not include the financial statements and our auditor's report thereon. Other than the Management's statement, which we obtained prior to the date of this auditor's report, the other sections included in the Annual report are expected to be made available to us after that date.

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 identified above when it becomes available 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Societies Act, the Charities Act and Regulations and FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE

Auditor's Responsibilities for the Audit of 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 of 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE

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 to be kept by the Association have been properly kept in accordance with the provisions of the Societies Regulations enacted under the Societies Act and the Charities Act and Regulations.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

March 26, 2019

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION
December 31, 2018

	Note	Group		Association	
		2018	2017	2018	2017
		$	$	$	$
GENERAL FUND		1,921,424	1,944,838	1,985,291	2,008,705
ZAKAT TRUST FUND		4,720,103	4,745,675	4,656,236	4,681,808
BUILDING FUND		36,632,307	34,954,636	36,632,307	34,954,636
TOTAL FUNDS		43,273,834	41,645,149	43,273,834	41,645,149
REPRESENTED BY:					
Non-current assets					
Property, plant and equipment	7	8,127,642	8,337,728	8,127,642	8,337,728
Investment properties	8	14,529,321	13,010,289	14,529,321	13,010,289
Investment in subsidiary	9	-	-	-	-
Total non-current assets		22,656,963	21,348,017	22,656,963	21,348,017
Current assets					
Cash and cash balances		2,066,432	2,608,252	2,066,432	2,608,252
Fixed deposits and other financial assets at amortised cost	10	18,500,000	-	18,500,000	-
Fixed deposits and held-to-maturity financial asset	10	-	17,500,000	-	17,500,000
Financial assets at fair value through profit or loss	11	380,122	-	380,122	-
Held for trading investments	11	-	468,078	-	468,078
Trade receivables	12	20,290	10,295	20,290	10,295
Other receivables and prepayments	13	101,010	442,365	101,010	442,365
Amount due from subsidiary company	9	-	-	-	-
Inventories	14	47,684	40,561	47,684	40,561
Total current assets		21,115,538	21,069,551	21,115,538	21,069,551
Less: Current liabilities					
Trade payables		144	767	144	767
Other payables	15	498,523	771,652	498,523	771,652
Total current liabilities		498,667	772,419	498,667	772,419
Net current assets		20,616,871	20,297,132	20,616,871	20,297,132
Total net assets		43,273,834	41,645,149	43,273,834	41,645,149

See accompanying notes to financial statements.

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE
AND ITS SUBSIDIARY

GENERAL FUND
STATEMENTS OF INCOME AND EXPENDITURE
Year ended December 31, 2018

	Note	Group		Association	
		2018	2017	2018	2017
		$	$	$	$
INCOME	18	923,527	983,475	923,527	983,475
EXPENDITURE	19	(1,086,941)	(1,005,131)	(1,086,941)	(1,005,131)
Deficit of income over expenditure before transfer from Building Fund		(163,414)	(21,656)	(163,414)	(21,656)
Transfer from Building Fund	17	140,000	140,000	140,000	140,000
(Deficit)/Surplus after transfer from Building Fund, representing total comprehensive (loss) income for the year		(23,414)	118,344	(23,414)	118,344
Balance at beginning of year		1,944,838	1,826,494	2,008,705	1,890,361
Balance at end of year		1,921,424	1,944,838	1,985,291	2,008,705

See accompanying notes to financial statements.

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

ZAKAT TRUST FUND
STATEMENTS OF INCOME AND EXPENDITURE
Year ended December 31, 2018

	Note	Group		Association	
		2018	2017	2018	2017
		$	$	$	$
INCOME					
Donations from individuals		3,890,383	3,983,286	3,890,383	3,983,286
Fidyah		79,183	97,927	79,183	97,927
Grant/donations from MUIS		329,707	346,493	329,707	346,493
Other income		29,793	30,772	29,793	30,772
Total income		4,329,066	4,458,478	4,329,066	4,458,478
EXPENDITURE					
Administrative charges		481,908	476,272	481,908	476,272
Central provident fund contributions		180,488	180,720	180,488	180,720
Converts' welfare		359,087	348,894	359,087	348,894
Da'wah		309,256	368,945	309,256	368,945
Loss on disposal of property, plant and equipment		1,203	490	1,203	490
Depreciation of property, plant and equipment	7	463,433	432,864	463,433	432,864
Financial aid/zakat distributions		1,340,078	1,256,583	1,340,078	1,256,583
Salaries		1,105,835	1,122,886	1,105,835	1,122,886
Zakat project		33,350	34,659	33,350	34,659
Total expenditure		4,274,638	4,222,313	4,274,638	4,222,313
Surplus of income over expenditure before transfer to Building Fund		54,428	236,165	54,428	236,165
Transfer to Building Fund	16	(80,000)	(80,000)	(80,000)	(80,000)
(Deficit) Surplus after transfer to Building Fund, representing total comprehensive (loss) income for the year		(25,572)	156,165	(25,572)	156,165
Balance at beginning of year		4,745,675	4,589,510	4,681,808	4,525,643
Balance at end of year		4,720,103	4,745,675	4,656,236	4,681,808

See accompanying notes to financial statements.

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

BUILDING FUND
STATEMENTS OF INCOME AND EXPENDITURE
Year ended December 31, 2018

	Note	Group and Association 2018	2017
		$	$
INCOME			
Rental from investment properties	21	332,084	242,665
Gain on fair value adjustments of investment properties	8	1,519,032	320,000
Total income		1,851,116	562,665
EXPENDITURE			
Maintenance of building		54,174	30,382
Professional fees		750	46,238
Property tax		45,400	38,900
Administrative expenses		13,121	13,983
Total expenditure		113,445	129,503
Surplus of income over expenditure before transfer to General Fund and from Zakat Trust Fund		1,737,671	433,162
Transfer to General Fund	17	(140,000)	(140,000)
Transfer from Zakat Trust Fund	16	80,000	80,000
Surplus after transfer to General Fund and from Zakat Trust Fund, representing total comprehensive income for the year		1,677,671	373,162
Balance at beginning of year		34,954,636	34,581,474
Balance at end of year		36,632,307	34,954,636

See accompanying notes to financial statements.

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN FUNDS
Year ended December 31, 2018

	Group		Association	
	2018	2017	2018	2017
	$	$	$	$
Balance at beginning of year	41,645,149	40,997,478	41,645,149	40,997,478
(Deficit)/Surplus of income over expenditure from:				
General Fund	(23,414)	118,344	(23,414)	118,344
Zakat Trust Fund	(25,572)	156,165	(25,572)	156,165
Building Fund	1,677,671	373,162	1,677,671	373,162
Balance at end of year	43,273,834	41,645,149	43,273,834	41,645,149
Comprising:				
General Fund	1,921,424	1,944,838	1,985,291	2,008,705
Zakat Trust Fund	4,720,103	4,745,675	4,656,236	4,681,808
Building Fund	36,632,307	34,954,636	36,632,307	34,954,636
	43,273,834	41,645,149	43,273,834	41,645,149

See accompanying notes to financial statements.

THE MUSLIM CONVERTS' ASSOCIATION OF SINGAPORE AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended December 31, 2018

	Group	
	2018	2017
	$	$
Operating activities		
General fund - (deficit) surplus of income over expenditure	(23,414)	118,344
Zakat trust fund - (deficit) surplus of income over expenditure	(25,572)	156,165
Building Fund - surplus of income over expenditure	1,677,671	373,162
	1,628,685	647,671
Adjustments for:		
Depreciation	487,824	455,646
Interest income	(299,240)	(299,188)
Loss (Gain) on fair value adjustments of financial assets at fair value through profit or loss	87,957	(33,000)
Loss on disposal of plant and equipment	1,266	516
Net gain on fair value adjustments of investment properties	(1,519,032)	(320,000)
Operating surplus before working capital changes	387,460	451,645
Inventories	(7,123)	227
Trade receivables	(9,995)	9,378
Other receivables and prepayments	341,354	(347,626)
Trade payables	(623)	(22,754)
Other payables	(273,128)	148,450
Net cash from operating activities	437,945	239,420
Investing activities		
Interest received	299,240	299,188
Purchase of property, plant and equipment	(279,005)	(72,991)
Purchase of investment properties	-	(3,090,289)
Investments in other financial assets at amortised cost (Note 10)	(2,500,000)	(500,000)
Proceeds from other financial assets at amortised cost (Note 10)	4,000,000	4,000,000
Purchase of financial assets at fair value through profit or loss	-	(15,041)
Net cash from investing activities	1,520,235	620,867
Net increase in cash and cash equivalents	1,958,180	860,287
Cash and cash equivalents at beginning of year	16,108,252	15,247,965
Cash and cash equivalents at end of year	18,066,432	16,108,252

Cash included in the statement of cash flows comprises the following:

Cash and bank balances	2,066,432	2,608,252
Fixed deposits (Note 10)	16,000,000	13,500,000
Total	18,066,432	16,108,252

See accompanying notes to financial statements.

1 GENERAL

The Muslim Converts' Association of Singapore (the "Association") is registered under the Societies Act, Cap. 311 and the Charities Act, Cap. 37 with its registered address and principal place of operations at 32 Onan Road, The Galaxy, Singapore 424484. The financial statements are expressed in Singapore dollars, which is the functional currency of the Association and the presentation currency for the consolidated financial statements.

The principal activities of the Association are to provide religious guidance and other assistance to its members.

The principal activities of the subsidiary are set out in Note 9 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position, General Fund statement of income and expenditure, Zakat Trust Fund statement of income and expenditure, Building Fund statement of income and expenditure and statement of changes in funds of the Association for the year ended December 31, 2018 were authorized for issue by the management on March 26, 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Societies Act, Charities Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2018, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below:

FRS 109 Financial instruments

FRS 109 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the financial statements are described below.

The Group applied FRS 109 with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under FRS 39.

The significant accounting policies for financial instruments under FRS 109 are as disclosed below.

(a) Classification and measurement of financial assets and financial liabilities

The Group has applied the requirements of FRS 109 to instruments that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The classification of financial assets is based on two criteria: the Group's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. There are no changes in classification and measurement of the Group's financial assets and financial liabilities, except as disclosed in Notes 10 and 11.

(b) Impairment of financial assets

FRS 109 requires an expected credit loss model as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Effects arising from the adoption of FRS 109 have not resulted in any material adjustment to allowance recognised upon application.

Standards issued but not effective

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group were issued but not effective:

- FRS 116 *Leases* (Applied to annual periods beginning on or after January 1, 2019)

The Group does not expect any significant impact arising from FRS 116 upon adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Association and subsidiary controlled by the Association. Control is achieved when the Association:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Association reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Association obtains control over the subsidiary and ceases when the Association loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of income and expenditure from the date the Association gains control until the date when the Association ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Association's financial statements, investment in subsidiary is carried at cost less any accumulated impairment in net recoverable value that has been recognised in the statements of income and expenditure.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets (before January 1, 2018)

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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments other than those financial instruments at "at fair value through profit or loss".

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Held-to-maturity investments

Structured deposits with determinable payments where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Subsequent to initial measurement, held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer of counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group 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.

Financial assets (from January 1, 2018)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and 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.

Derecognition of financial liabilities

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

FUNDS - Funds are set up to account for contributions received for specific purposes. Income and expenditure relating to specific funds are accounted for directly in the funds to which they relate.

(i) Zakat Trust Fund

The objective of this Fund is to collect zakat from the public and to use the collections to fund programmes for zakat beneficiaries.

(ii) Building Fund

The Building Fund was established to collect donations for the acquisition of the Group's and Association's building and includes profit from the sale of the old premises. Surplus funds are used for investment purposes.

Income and expenditure relating to specific funds are accounted for directly in the funds to which they relate.

Property, plant and equipment purchased are capitalised and depreciated over their estimated useful lives. Depreciation is allocated between the General Fund and the Zakat Trust Fund.

Building maintenance for the Group's building is charged on a proportionate basis to the General Fund and the Zakat Trust Fund. Building maintenance for the investment properties acquired using the Building Fund, is charged directly to the Building Fund.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, on the following bases:

	No. of Years
Building	50
Renovation	10
Furniture, fittings and office equipment	10
Computers	3

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of income and expenditure.

INVESTMENT PROPERTIES - Investment properties held to earn rentals and for capital appreciation are stated at periodic valuation on an open market value for existing use basis. Professional valuations are obtained annually. Gains or losses arising from changes in the fair value of investment property are included in the statements of income and expenditure for the period in which they arise.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statements of income and expenditure.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statements of income and expenditure.

INVENTORIES - Inventories comprise religious books and audio CDs and are stated at the lower of cost (first-in first-out basis) and net realisable value. Net realisable value represents estimated selling price less all estimated costs to be incurred on marketing, selling and distribution.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

RECOGNITION OF INCOME

General donations

Donations are recorded when received.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Membership and subscription fees

Membership and subscription fees are accounted for on an accrual basis.

Sales and service income (Before January 1, 2018)

Sales of books and cassettes are recognised when risks and rewards are transferred. Service income is recognised when services are rendered.

Sales and service income (From January 1, 2018)

Sales of books and cassettes are recognised when control of the goods has been transferred. Service income is recognised when services are rendered.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

GRANTS - Grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statements of financial position and transferred to statements of income and expenditure on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

LEASES - Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash and fixed deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management 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.

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements.

(ii) 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.

<u>Useful lives of property, plant and equipment</u>

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. In 2018, the useful lives of property, plant and equipment were estimated to be between 3 to 50 years (2017 : 3 to 50 years). The carrying amount of the property, plant and equipment are disclosed at Note 7.

<u>Valuation of investment properties</u>

Investment properties are stated at fair value based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value include open market value for existing use.

The valuer has considered valuation technique which is the direct comparison method in arriving at the open market value as at the end of each reporting period. The direct comparison method involves the analysis of properties prices and adjusting the prices to that reflective of the Group's investment properties.

In relying on the valuation reports, management has exercised its judgement and is satisfied that the independent valuer has appropriate recognised professional qualifications and their estimates are reflective of current market conditions at the end of each reporting period. Please see Note 8 for the fair value of the investment properties at the end of each reporting period.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group manages its exposure to financial risks using a variety of techniques and instruments. It does not hold or issue derivative financial instruments for trading purposes.

The Group has established risk management policies and guidelines which set out its overall risk management strategies.

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Association	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Cash	2,066,432	2,608,252	2,066,432	2,608,252
Fixed deposits	16,000,000	13,500,000	16,000,000	13,500,000
Trade and other receivables	121,300	270,978	121,300	270,978
Other financial assets at amortised costs	2,500,000	-	2,500,000	-
Held-to-maturity investments	-	4,000,000	-	4,000,000
Financial assets at fair value through profit or loss	380,122	-	380,122	-
Fair value through profit or loss Held for trading	-	468,078	-	468,078
Financial liabilities				
Amortised cost	321,967	643,533	321,967	643,553

(b) Financial risk management policies and objectives

i) Credit risk

The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial losses from default. The Group places its cash and cash equivalents and other financial assets at amortised costs with reputable institutions.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

Although the Group's credit exposure is concentrated mainly in Singapore, it has no significant concentration of credit risk with any single customer or group of customers.

The carrying amounts of trade and other receivables are disclosed in Notes 12 and 13 respectively.

ii) Interest rate risk

The Group does not have any significant exposure to interest rate risk as interest-bearing financial assets are substantially short-term and there are no interest-bearing financial liabilities at the end of the reporting period.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possibly changes to interest rates on interest bearing financial instruments at the end of the reporting period.

iii) Foreign currency risk

The Group's operations are transacted in Singapore dollars and, accordingly, there is no foreign currency risk.

iv) Liquidity risk

The Group maintains adequate highly liquid assets in the form of cash to assure necessary liquidity.

The Group's financial assets and liabilities are either due or on demand within 1 year.

v) Equity price risk

The Group is exposed to equity risks arising from equity investments classified as held for trading.

If equity prices increases (decreases) by 10%, the Group's net surplus for the year ended December 31, 2018 increases (decreases) by $38,012 (2017 : $46,808).

(vi) Fair value of financial assets and financial liabilities

Group/Association

The Group determines fair values of various financial assets and financial liabilities in the following manner:

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets/ financial liabilities	**Fair value as at (S$)**				**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	2018		**2017**					
	Assets	**Liabilities**	**Assets**	**Liabilities**				
Financial assets at fair value through profit or loss (Previously classified under held-for-trading investments (see Note 11)								
(1) Equity investment	380,122	-	468,078	-	Level 1	Quoted bid prices in an active market	N/A	N/A

Fair value of the financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The carrying amounts of cash and cash equivalents, fixed deposits, other financial assets at amortised costs, trade and other receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(c) *Capital management policies and objective*

The Group reviews its capital structure at least annually to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of fund reserves. The Group's overall strategy remains unchanged from 2017.

5 RELATED COMPANY TRANSACTIONS

Related company in these financial statements refers to the subsidiary of the Association. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

6 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, repayable on demand and interest-free.

Compensation of key management personnel

The remuneration of members of key management personnel during the year was as follows:

	Group and Association	
	2018	2017
	$	$
Short-term benefits	531,723	397,781
Post-employment benefits	77,540	56,014
	609,263	453,795

The remuneration of members of key management personnel refers to short-term and post-employment benefits received by 5 (2017 : 5) key staff members of the Group and Association. Members of the Executive Committee and Council did not receive any remuneration from the Group or Association during the year.

7 PROPERTY, PLANT AND EQUIPMENT

	Building	Renovation	Furniture, fittings and office equipment	Computers	Total
	$	$	$	$	$
Group					
Cost:					
At January 1, 2017	12,376,577	3,339,171	456,010	540,441	16,712,199
Additions	-	5,288	6,998	60,705	72,991
Disposals	-	-	(46,547)	(9,231)	(55,778)
At December 31, 2017	12,376,577	3,344,459	416,461	591,915	16,729,412
Additions	-	6,345	257,095	15,565	279,005
Disposals	-	(4,000)	(18,056)	(55,602)	(77,658)
At December 31, 2018	12,376,577	3,346,804	655,500	551,878	16,930,759
Accumulated depreciation:					
At January 1, 2017	4,816,614	2,509,474	249,650	415,562	7,991,300
Depreciation	243,870	111,937	33,119	66,720	455,646
Disposals	-	-	(46,031)	(9,231)	(55,262)
At December 31, 2017	5,060,484	2,621,411	236,738	473,051	8,391,684
Depreciation	243,870	110,395	55,444	78,115	487,824
Disposals	-	(2,733)	(18,056)	(55,602)	(76,391)
At December 31, 2018	5,304,354	2,729,073	274,126	495,564	8,803,117
Carrying amount:					
At December 31, 2018	7,072,223	617,731	381,374	56,314	8,127,642
At December 31, 2017	7,316,093	723,048	179,723	118,864	8,337,728

	Building	Renovation	Furniture, fittings and office equipment	Computers	Total
	$	$	$	$	$
Association					
Cost:					
At January 1, 2017	12,376,577	3,331,787	455,945	540,347	16,704,656
Additions	-	5,288	6,998	60,705	72,991
Disposals	-	-	(46,547)	(9,231)	(55,778)
At December 31, 2017	12,376,577	3,337,075	416,396	591,821	16,721,869
Additions	-	6,345	257,095	15,565	279,005
Disposals	-	(4,000)	(18,056)	(55,602)	(77,658)
At December 31, 2018	12,376,577	3,339,420	655,435	551,784	16,923,216
Accumulated depreciation:					
At January 1, 2017	4,816,614	2,502,091	249,584	415,468	7,983,757
Depreciation	243,870	111,937	33,119	66,720	455,646
Disposals	-	-	(46,031)	(9,231)	(55,262)
At December 31, 2017	5,060,484	2,614,028	236,672	472,957	8,384,141
Depreciation	243,870	110,395	55,444	78,115	487,824
Disposals	-	(2,733)	(18,056)	(55,602)	(76,391)
At December 31, 2018	5,304,354	2,721,690	274,060	495,470	8,795,574
Carrying amount:					
At December 31, 2018	7,072,223	617,730	381,375	56,314	8,127,642
At December 31, 2017	7,316,093	723,047	179,724	118,864	8,337,728

Description/Location	Tenure of land/ (Gross floor area)
Freehold building 32 Onan Road, The Galaxy, Singapore	Freehold (1,236 sq.m)

Depreciation charge for the year is allocated as follows:

	Group and Association	
	2018	2017
	$	$
Zakat Trust Fund	463,433	432,864
General Fund (Note 19)	24,391	22,782
Total	487,824	455,646

8 INVESTMENT PROPERTIES

	Group and Association	
	2018	2017
	$	$
At fair value		
Balance at beginning of year	13,010,289	9,600,000
Additions during the year	-	3,090,289
Gain on fair value adjustment included in statements of income and expenditure	1,519,032	320,000
Balance at end of year	14,529,321	13,010,289

i)

Location	Tenure of land/ (Gross floor area)	Fair value		Description
		2018	2017	
		$	$	
#19-01 Suntec City Tower 1 7 Temasek Boulevard	99 years lease from May 28, 1999 (4,629 sq.ft)	11,700,000	10,000,000	1 floor of commercial space
#04-07/08 Hexacube 160 Changi Road	Freehold (1,604 sq.ft)	2,829,321	3,010,289	2 units of commercial space
Total		14,529,321	13,010,289	

The fair value of the Group's investment properties as at December 31, 2018 and December 31, 2017 were performed by an independent valuer who has the appropriate qualifications and experience in the fair value measurement of the different types of properties in Singapore.

The leasehold property at Suntec City has been rented to certain tenants on normal commercial terms for periods of 2 years. The rental income earned by the Group and the Association from the investment properties, which are leased out under operating leases, amounted to $332,084 (2017 : $242,665). Direct operating expenses arising from the property in the year amounted to $114,413 (2017 : $129,503).

Fair value measurement of the Group's investment properties

The fair value of the properties was determined by adopting the direct comparison approach making reference to the recent transactions of similar properties in similar location and condition under the prevailing market conditions. The valuation conforms to International Valuation Standards. There has been no change to the valuation technique during the year.

The valuer has considered valuation technique which is the direct comparison method in arriving at the open market value as at the end of each reporting period. The direct comparison method involves the analysis of properties prices and adjusting the prices to that reflective of the Group's investment properties.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's investment properties are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/ decrease in the fair valuation as follows:

The unobservable inputs used in the fair value measurement of the investment properties are price per floor area, age of property, whether property is held freehold and free of encumbrances, restrictions, or outgoings of an onerous nature. Significant increases (decreases) in these assumptions would result in a significantly higher (lower) fair value measurement.

Name of property	Fair value as at December 31, 2018	Valuation methodology	Significant unobservable inputs (Level 3)	Range
	$'000			
#19-01 Suntec City Tower 1 7 Temasek Boulevard	11,700	Direct Comparison Method	Price per square feet of strata floor area	$2,528
#04-07/08 Hexacube 160 Changi Road	2,829	Direct Comparison Method	Price per square feet of strata floor area	$1,756 - $1,773

Details of the Group's and Association's investment properties and information about the fair value hierarchy as at December 31, 2017 and 2018 are as follows:

	Level 1	Level 2	Level 3	Fair value as at December 31, 2018
	$	$	$	$
Investment properties	-	-	14,529,321	14,529,321

	Level 1	Level 2	Level 3	Fair value as at December 31, 2017
	$	$	$	$
Investment properties	-	-	13,010,289	13,010,289

There were no transfers between respective levels during the year.

9 INVESTMENT IN SUBSIDIARY

	Association	
	2018	2017
	$	$
Unquoted equity shares, at cost	200,000	200,000
Impairment loss	(200,000)	(200,000)
	-	-
Amount due from subsidiary company	134,524	132,789
Allowance for doubtful debt	(134,524)	(132,789)
	-	-

Movement in the allowance for doubtful debts:

	Association	
	2018	2017
	$	$
Balance at beginning of year	132,789	130,414
Allowance recognised in income and expenditure	1,735	2,375
Balance at end of the year	134,524	132,789

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest		Proportion of voting power held		Principal activities
		2018	2017	2018	2017	
		%	%	%	%	
Centre for Islamic Management Studies Pte Ltd	Singapore	100	100	100	100	Provision for diploma level courses in Islamic and Management studies

* On January 1, 2012, the subsidiary transferred its assets to the Association and was dormant. The impact of the transfer was not material to the Group.

10 FIXED DEPOSITS AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	Group and Association	
	2018	2017
	$	$
Fixed deposits	16,000,000	13,500,000
Other financial assets at amortised cost	2,500,000	4,000,000
	18,500,000	17,500,000

Fixed deposits bear interest at a range of 1.4% to 1.80% (2017 : 1.30% to 1.40%) per annum and for a tenor of approximately 360 days (2017 : 360 days). All of the fixed deposits pertain to Islamic deposits placed with the bank. Fixed deposits are denominated in Singapore dollars.

Other financial assets at amortised cost includes Commodity Murabahah Deposits renewed in 2018, with principal and carrying amount of $500,000 and $2,000,000 and maturity dates on June 3, 2019 and May 30, 2019 respectively. Other financial assets at amortised cost are denominated in Singapore dollars.

These instruments were classified as held-to-maturity investments in 2017. With the adoption of FRS 109 in 2018, these instruments have been classified as financial assets at amortized cost. There have been no change to the measurement basis of the instruments upon reclassification.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Association	
	2018	2017
	$	$
Quoted equity shares, at fair value	380,122	468,078

The investments above include investments in quoted equity securities that are denominated in Singapore Dollars that offer the Group the opportunity for return through fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year. The Group classifies its held for trading investments fair value measurement using a fair value hierarchy of Level 1.

These instruments were classified as held for trading investments in 2017. With the adoption of FRS 109 in 2018, these instruments have been classified as financial assets at fair value through profit or loss. There have been no change to the measurement basis of the instruments upon reclassification.

12 TRADE RECEIVABLES

	Group and Association	
	2018	2017
	$	$
Trade receivables	20,290	10,295
Less: Allowance for doubtful debts	-	-
	20,290	10,295

The average credit period is 30 days (2017 : 30 days). No interest is charged on the outstanding trade receivables balance.

The Group's and Association's trade receivables are denominated in Singapore dollars.

The table below is an analysis of trade receivables as at December 31:

	Group and Association	
	2018	2017
	$	$
Past due but not impaired (i)	20,290	10,295
Impaired receivables - individually assessed (i), (ii)		
- Past due more than 36 months and no response to repayment demands	-	-
Less: Allowance for impairment	-	-
Total trade receivables, net	20,290	10,295
(i) Aging of receivables that are past due but not impaired		
< 3 months	20,290	10,295

(ii) These amounts are stated before any deduction for impairment losses.

(iii) These receivables are not secured by any collateral or credit enhancements.

	Group and Association	
	2018	2017
	$	$
Balance at beginning of the year	-	600
Written off during the year	-	(600)
Balance at end of the year	-	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit allowances required in excess of the allowance for doubtful debts.

13 OTHER RECEIVABLES AND PREPAYMENTS

	Group and Association	
	2018	2017
	$	$
Deposits	20,550	21,200
Prepayments	55,997	181,682
Others	24,463	239,483
Total	101,010	442,365

The Group's and Association's other receivables and prepayments are denominated in Singapore dollars.

14 INVENTORIES

	Group and Association	
	2018	2017
	$	$
Books and audio CDs for re-sale	47,684	40,561

15 OTHER PAYABLES

	Group and Association	
	2018	2017
	$	$
Prepaid course fees	25,225	17,524
Deposits	90,126	90,126
Accrued expenses	209,039	523,945
Advance receipts	151,475	111,342
Others	22,658	28,715
Total	498,523	771,652

16 TRANSFER FROM ZAKAT TRUST FUND TO BUILDING FUND

This represents a yearly transfer from the Zakat Trust Fund to the Building Fund based on imputed rental premium for the programmes and activities held in the Association's building. The amount transferred for 2018 is $80,000 (2017 : $80,000).

17 TRANSFER FROM BUILDING FUND TO GENERAL FUND

This refers to a yearly transfer from the Building Fund to the General Fund for essential corporate services mandated by law or regulated by authorities or otherwise necessary for the function of the Association. The amount transferred in 2018 is $140,000 (2017 : $140,000).

18 INCOME

	Group and Association	
	2018	2017
	$	$
General donations	207,298	146,062
Interest income	299,240	299,188
Membership and subscription fees	23,066	21,722
Other income	47,602	33,957
Sales and service income	346,321	449,546
Gain on fair value adjustments of other financial assets at amortised costs	-	33,000
Total	923,527	983,475

19 EXPENDITURE

	Group		Association	
	2018	2017	2018	2017
	$	$	$	$
Administration charges	107,483	96,567	107,483	96,567
Auditors' remuneration	11,366	11,655	11,366	11,655
Central provident fund contributions	55,147	56,649	55,147	56,649
Cost of inventories recognised as an expense	89,781	80,820	89,781	80,820
Depreciation of property, plant and equipment (Note 7)	24,391	22,782	24,391	22,782
Loss on disposal of plant and equipment	63	26	63	26
Members' welfare	11,487	17,163	11,487	17,163
Other operating expenses	270,790	264,308	269,055	261,934
Zakat project	30,831	25,067	30,831	25,066
Postage	831	574	831	574
Public relations	50,930	78,768	50,930	78,768
Salaries	338,719	351,352	338,719	351,352
Loss on fair value adjustments of financial assets at fair value through profit or loss	87,957	-	87,957	-
Allowance amount due from subsidiary company (Note 9)	-	-	1,735	2,375
Bad debts	7,165	(600)	7,165	(600)
Total expenditure	1,086,941	1,005,131	1,086,941	1,005,131

20 INCOME TAX EXPENSE

The Association is registered under the Charities Act, 1982.

With effect from Year of Assessment 2008, all registered charities are automatically exempted from income taxes without having to meet the 80% requirement. Therefore, no tax provisions have been made in the current year.

Subject to the agreement of the Comptroller of Income Tax, the subsidiary has tax losses and unabsorbed capital allowances carryforward available for set off against future taxable income as follows:

	2018	2017
	$	$
Tax losses		
Amount at beginning of the year and end of the year	300,115	300,115
Deferred tax benefit on above not recorded	51,020	51,020

The realisation of the future income tax benefits from tax losses carryforwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. No deferred tax asset has been recognised due to the unpredictability of future income streams of the subsidiary.

21 OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group rents outs its investment properties in Singapore under operating leases. Property rental income earned during the year was $332,084 (2017 : $242,665).

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	Group	
	2018	2017
	$	$
Within one year	355,104	332,084
In the second to fifth years inclusive	306,614	670,268
	661,718	1,002,352

22 COMMITMENT

	Group and Association	
	2018	2017
	$	$
Commitment for acquisition of property, plant and equipment	-	111,840