

Foundation Registration No. 198200465N

## Tan Kah Kee Foundation

Annual Financial Statements  
31 December 2018



## Tan Kah Kee Foundation

### General information

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#### Members of the committee of management

Wang Gungwu	-	Honorary Advisor
Yang Chen Ning	-	Honorary Advisor
Lee Yuan Tseh	-	Honorary Advisor
Wee Cho Yaw	-	Honorary Chairman
Ho Kiau Seng	-	Honorary Chairman
Phua Kok Khoo	-	Chairman
Tay Beng Chuan	-	Vice Chairman
Peggy Tan Poey Gee	-	Honorary Secretary
Chua Seng Chong	-	Deputy Honorary Secretary
Robert Chew	-	Honorary Treasurer
Tan Keng Leck	-	Deputy Honorary Treasurer
Khua Kian Keong		
Kwek Leong Chuan		
Lim Hock		
Lim Yeow Khee		
Ngo Soo Lin		
Onn Jin Teik		
Ow Chin Seng		
Tan Kheng Boon Eugene		
Tong Ming Chuan		
Su Guaning		
Ung Gim Sei		

#### Secretary

Kim Yi Hwa

#### Members' List

Ang Wee Hiong  
Chew Kheng Chuan  
Chia Ban Seng  
Chua Thian Poh  
Chuang Shaw Peng  
Chen Zhi Jian  
Cheng Kang  
Fan Hanxi  
Feng Da Hsuan  
Goh Chye Tee  
Goh Thong Ngee  
Goi Seng Hui  
Hong Hai  
Hu, Robin  
I, Lo-fen  
Kek Boon Leong  
Jimmy Koh  
Kuah Poh Beng Simon  
Kwek Hiok Chuang  
Low Hwee Boon  
Leck Kim Koon  
Lee Chee Hiang  
Lee Chin Chuan  
Lee Chong Hai  
Lee Peng Yee  
Leong Heng Keng  
Li Hai Zhou  
Lim Chin Joo

## **Tan Kah Kee Foundation**

### **General information**

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#### **Members' List (cont'd)**

Lim Cheng Eng  
Lim Ho Hup  
Lim Poh Teck  
Lim ZhiQi  
Ling Tok Wang  
Liu Hong  
Low Sin Leng  
Liu Wei De  
Lyman Osman  
Nan Zhiguo  
Ng Yew Kwang  
Ng Chee Hwa  
Ong Choon Nam  
Ong Chu Poh  
Pang Choon How  
Shang Huai Min  
Suntianto  
Tahir  
Tan Aik Hock  
Wu Hsioh Kwang  
Yeong Wee Yong  
Yeong Show Chang  
Zhan Jie

#### **Registered Office**

43 Bukit Pasoh Road #01-00  
Singapore 089856

#### **Auditor**

Ernst & Young LLP

#### **Bankers**

OCBC Bank  
United Overseas Bank Limited  
Sing Investments & Finance Limited  
Singapura Finance Ltd

## Tan Kah Kee Foundation

### General information

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	<b>Page</b>
Committee of management's statement	1
Independent auditor's report	3
Balance sheet	6
Statement of comprehensive income	7
Statement of changes in funds	8
Cash flow statement	9
Notes to the financial statements	10

## **Tan Kah Kee Foundation**

### **Committee of management's statement**

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The committee members present their statement together with the audited financial statements of Tan Kah Kee Foundation (the "Foundation") for the financial year ended 31 December 2018.

#### **Opinion of the committee of management**

In the opinion of the committee of management,

- (i) the accompanying balance sheet, statement of comprehensive income, statement of changes in funds and cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Foundation as at 31 December 2018, and the financial performance of the Foundation, changes in funds and cash flows of the Foundation for the financial year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

#### **Members of the committee of management**

The committee members holding office at the date of this statement are:

Wee Cho Yaw	-	Honorary Chairman
Ho Kiau Seng	-	Honorary Chairman
Phua Kok Khoo	-	Chairman
Tay Beng Chuan	-	Vice Chairman
Peggy Tan Poey Gee	-	Honorary Secretary
Chua Seng Chong	-	Deputy Honorary Secretary
Robert Chew	-	Treasurer
Tan Keng Leck	-	Deputy Treasurer
Wang Gungwu	-	Honorary Advisor
Yang Chen Ning	-	Honorary Advisor
Lee Yuan Tseh	-	Honorary Advisor
Tan Keong Choon	-	Honorary Advisor
Khua Kian Keong		
Kwek Leong Chuan		
Lim Hock		
Lim Yeow Khee		
Onn Jin Teik		
Ow Chin Seng		
Tan Kheng Boon Eugene		
Tong Ming Chuan		
Su Guaning		
Ung Gim Sei		

#### **Arrangements to enable committee of management to acquire shares and debentures**

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements, to which the Foundation is a party, whereby committee members might acquire benefits by means of the acquisition of shares in, or debentures of, any other body corporate.

**Tan Kah Kee Foundation**

**Committee of management's statement**

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**Committee of management's interests in shares and debentures**

As the Foundation is limited by guarantee and not having a share capital, the statutory information required to be disclosed in the report of the Committee of Management under Section 201(6)(g) of the Singapore Companies Act, Chapter 50 does not apply.

**Committee of management's contractual benefits**

Since the end of the previous financial year, no committee member has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Chapter 50.

**Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the committee of management:



Phua Kok Khoo  
Chairman



Robert Chew  
Treasurer

Singapore  
9 October 2019

## **Tan Kah Kee Foundation**

### **Independent auditor's report For the financial year ended 31 December 2018**

#### **Independent auditor's report to the members of Tan Kah Kee Foundation**

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### **Report on the financial statements**

#### **Opinion**

We have audited the accompanying financial statements of the Tan Kah Kee Foundation (the "Foundation"), which comprise the balance sheet as at 31 December 2018, and the statement of comprehensive income, statement of changes in funds and cash flow statement of the Foundation 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 Companies Act, Chapter 50 (the "Companies 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 financial position of the Foundation as at 31 December 2018 and of the financial performance, changes in funds and cash flows of the Foundation 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 Foundation 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**

The Committee of Management is responsible for other information. The other information comprises Committee of Management's Statement set out on pages 1 to 2.

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.

## **Tan Kah Kee Foundation**

### **Independent auditor's report For the financial year ended 31 December 2018**

#### **Independent auditor's report to the members of Tan Kah Kee Foundation**

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#### ***Committee of Management's responsibility for the financial statements***

The Committee of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, the Charities Act and Regulations 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 Committee of Management is responsible for assessing the Foundation'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 the Committee of Management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

The Committee of Management responsibilities include overseeing the Foundation'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 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Committee of Management.



**Tan Kah Kee Foundation**

**Independent auditor's report  
For the financial year ended 31 December 2018**

**Independent auditor's report to the members of Tan Kah Kee Foundation**

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**Auditor's responsibilities for the audit of the financial statements (cont'd)**

- Conclude on the appropriateness of Committee 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 Foundation'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 Foundation 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 the Committee of Management 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 Foundation have been properly kept in accordance with the provisions of the Companies Act and the Charities Act and 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 Foundation has not used the donation moneys in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Foundation has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.



Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

9 October 2019

**Tan Kah Kee Foundation**

**Balance sheet  
As at 31 December 2018**

	<b>Note</b>	<b>2018 \$</b>	<b>2017 \$</b>
<b>Members' guarantee</b>		2,100	2,100
Capital fund		5,983,118	5,983,118
Accumulated deficit		(2,140,660)	(2,084,434)
Building fund	5	1,000,000	1,000,000
		<u>4,842,458</u>	<u>4,898,684</u>
Represented by:			
<b>Non-current assets</b>			
Plant and equipment	6	98,167	101,468
Lease prepayment	7	800,000	820,000
		<u>898,167</u>	<u>921,468</u>
<b>Current assets</b>			
Other receivables	8	26,090	53,732
Cash and cash equivalents	9	3,932,323	3,949,911
		<u>3,958,413</u>	<u>4,003,643</u>
<b>Current liability</b>			
Other payables	10	14,122	26,427
		<u>3,944,291</u>	<u>3,977,216</u>
<b>Net current assets</b>		<u>4,842,458</u>	<u>4,898,684</u>
<b>Net assets</b>		<u>4,842,458</u>	<u>4,898,684</u>

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## Tan Kah Kee Foundation

### Statement of comprehensive income For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
<b>Income</b>			
Interest on fixed deposits		20,231	21,560
Donations		198,793	78,415
Grants		121,000	51,586
Royalty on books		30	—
Sundry income		6,954	1,525
		<hr/>	<hr/>
		347,008	153,086
<b>Less: Operating expenses</b>			
Depreciation of plant and equipment	6	3,301	3,301
Amortisation of lease prepayment	7	20,000	20,000
Post-graduate scholarships		132,000	40,000
Post-graduate scholarships expenses		685	—
Staff expenses			
- Central Provident Fund		19,099	19,411
- Salaries, bonuses and others		109,407	111,822
Young inventors' awards organisation expenses		44,776	56,911
Young inventors' awards		26,916	28,517
Gala, seminar and exhibition		—	1,097
Others		47,050	56,163
		<hr/>	<hr/>
		403,234	337,222
<b>Deficit of income over expenditure</b>			
Income taxation	11	(56,226)	(184,136)
		<hr/>	<hr/>
		(56,226)	(184,136)
<b>Deficit net of tax, representing total comprehensive losses for the financial year</b>			
		<hr/>	<hr/>
		(56,226)	(184,136)

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**Tan Kah Kee Foundation**

**Statement of changes in funds  
For the financial year ended 31 December 2018**

	<b>Capital fund \$</b>	<b>Accumulated deficit \$</b>	<b>Building Fund \$</b>	<b>Total \$</b>
Balance as at 1 January 2017	5,983,118	(1,900,298)	1,000,000	5,082,820
Deficit net of tax, representing total comprehensive losses for the financial year	—	(184,136)	—	(184,136)
Balance as at 31 December 2017 and 1 January 2018	5,983,118	(2,084,434)	1,000,000	4,898,684
Deficit net of tax, representing total comprehensive losses for the financial year	—	(56,226)	—	(56,226)
Balance as at 31 December 2018	5,983,118	(2,140,660)	1,000,000	4,842,458

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

**Tan Kah Kee Foundation**

**Cash flow statement  
For the financial year ended 31 December 2018**

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	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Operating activities</b>		
Deficit of income over expenditure	(56,226)	(184,136)
Adjustments for:		
Depreciation of plant and equipment	3,301	3,301
Amortisation of lease prepayment	20,000	20,000
Interest on fixed deposits	(20,231)	(21,560)
<b>Operating cash flows before changes in working capital</b>	<b>(53,156)</b>	<b>(182,395)</b>
Decrease/(increase) in other receivables	27,642	(36,343)
(Decrease)/increase in other payables	(12,305)	11,323
<b>Cash flows used in operations</b>	<b>(37,819)</b>	<b>(207,415)</b>
Interest income received	20,231	21,560
<b>Net cash flows used in operating activities</b>	<b>(17,588)</b>	<b>(185,855)</b>
Net decrease in cash and cash equivalents	(17,588)	(185,855)
Cash and cash equivalents at beginning of the financial year	3,949,911	4,135,766
Cash and cash equivalents at end of the financial year (Note 9)	3,932,323	3,949,911

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## **Tan Kah Kee Foundation**

### **Notes to the financial statements For the financial year ended 31 December 2018**

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#### **1. Foundation information**

Tan Kah Kee Foundation (the "Foundation") was incorporated in the Republic of Singapore on 9 February 1982. It is limited by guarantee and does not have a share capital. The Foundation has been approved as an Institution of a Public Character with effect to 14 March 2018. The Foundation is registered as charity under The Charities Act (Chapter 37).

The registered office of the Foundation is located at 43 Bukit Pasoh Road, #01-00, Singapore 089856.

The Foundation fosters the advancement of education, provides awards for post-graduate studies or research and encourages creative and innovative thinking among young Singaporeans. It also grants awards to outstanding Singaporeans in recognition of their achievements in their respective field of specialisation or their special contributions to the Republic of Singapore.

There have been no significant changes in the nature of these activities during the financial year.

#### **2. Summary of significant accounting policies**

##### **2.1 *Basis of preparation***

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) and on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or \$).

##### **2.2 *Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Foundation has adopted all the new and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2018. The adoption of these standards did not have any effect on the financial performance or position of the Foundation.

## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 2. Summary of significant accounting policies (cont'd)

##### 2.3 *Standards issued but not yet effective*

The Foundation has not adopted the following standards and interpretation that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures</i>	To be determined

##### FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Foundation is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Foundation expects the adoption of the new standard will have no material impact on the financial statements in the period of initial application.

##### 2.4 *Functional currency*

The financial statements are presented in Singapore Dollars, which is also the Foundation's functional currency.

##### 2.5 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	-	5 years
Computer	-	3 years
Furniture and fittings	-	5 years
Exhibits	-	50 years

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

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

An item of 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 de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

**2. Summary of significant accounting policies (cont'd)**

**2.6 Impairment of non-financial assets**

The Foundation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Foundation makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**2.7 Financial instruments**

**(a) Financial assets**

*Initial recognition and measurement*

Financial assets are recognised when, and only when, the Foundation becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Foundation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Other receivables are measured at the amount of consideration to which the Foundation expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the receivables do not contain a significant financing component at initial recognition.



## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 2. Summary of significant accounting policies (cont'd)

##### 2.7 Financial instruments (cont'd)

###### (a) Financial assets (cont'd)

###### Subsequent measurement

###### Investment in debt instrument

Subsequent measurement of debt instruments depends on the Foundation's business model for managing the asset and the contractual cash flow characteristics of the asset.

###### Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

###### *De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

###### (b) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Foundation becomes a party to the contractual provisions of the financial instrument. The Foundation determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of other financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

###### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 2. Summary of significant accounting policies (cont'd)

##### 2.7 *Financial instruments (cont'd)*

###### (b) **Financial liabilities**

###### **De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### 2.8 *Impairment of financial assets*

The Foundation recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Foundation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For receivables and contract assets, the Foundation applies a simplified approach in calculating ECLs. Therefore, the Foundation does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Foundation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Foundation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Foundation may also consider a financial asset to be in default when internal or external information indicates that the Foundation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Foundation. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### 2.9 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 2. Summary of significant accounting policies (cont'd)

##### 2.10 Provisions

Provisions are recognised when the Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources embodying economic benefit will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### 2.11 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, it is recognised in the profit or loss either in full or over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

##### 2.12 Employee benefits

###### (a) Defined contribution plan

The Foundation makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

###### (b) Employee leave entitlement

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

##### 2.13 Income recognition

###### (a) Interest income

Interest income is recognised using the effective interest method.

###### (b) Donations

Donations is recognised when received from cultural/clan organisation and from the general public.

###### (c) Grants

Grants are recognised when received from government bodies, which relates to an expense item, is recognised in the profit or loss over the period necessary to match than on a systematic basis to the costs that intended to compensate.

**Tan Kah Kee Foundation**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

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**2. Summary of significant accounting policies (cont'd)**

**2.14 Lease prepayment**

Lease prepayment is initially measured at cost. Following initial recognition, lease prepayment is measured at cost less accumulated amortisation. The lease prepayment is amortised on a straight-line basis over the lease term of 50 years.

**3. Significant accounting estimates**

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Foundation's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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 plant and equipment**

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Committee of Management estimates the useful lives of these plant and equipment to be within 3 to 5 years. The carrying amount of the Foundation's plant and equipment at 31 December 2018 is \$98,167 (2017: \$101,468). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**4. Memberships**

The members of the Foundation are those approved by the Committee of Management.

**5. Building fund**

	<b>2018</b>	<b>2017</b>
	\$	\$
Balance as at 1 January and 31 December	1,000,000	1,000,000

The building fund was set-up and funded by contributions for the building of the Ee Hoe Hean Memorial and Exhibition Hall.

**Tan Kah Kee Foundation**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

**6. Plant and equipment**

	Office equipment \$	Computer, furniture and fittings \$	Exhibits \$	Total \$
<b>Cost:</b>				
31 December 2017 and 31 December 2018	15,241	26,032	118,250	159,523
<b>Accumulated depreciation:</b>				
At 1 January 2017	12,196	26,032	16,526	54,754
Charge for the financial year	936	-	2,365	3,301
At 31 December 2017 and 1 January 2018	13,132	26,032	18,891	58,055
Charge for the financial year	936	-	2,365	3,301
At 31 December 2018	14,068	26,032	21,256	61,356
<b>Net carrying amount:</b>				
At 31 December 2018	1,173	-	96,994	98,167
At 31 December 2017	2,109	-	99,359	101,468

**7. Lease prepayment**

	2018 \$	2017 \$
<b>Cost:</b>		
At 1 January and 31 December	1,000,000	1,000,000
<b>Accumulated amortisation:</b>		
At 1 January	180,000	160,000
Amortisation for the financial year	20,000	20,000
At 31 December	200,000	180,000
<b>Net carrying amount:</b>		
	800,000	820,000
Amounts to be amortised:		
- Not later than one year	20,000	20,000
- Later than one year but not later than five years	80,000	80,000
- Later than five years	700,000	720,000

**Tan Kah Kee Foundation**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

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**8. Other receivables**

	<b>2018</b>	<b>2017</b>
	\$	\$
Other receivables	26,090	53,732
Add: Cash and cash equivalents (Note 9)	3,932,323	3,949,911
Total financial assets at amortised cost	<u>3,958,413</u>	<u>4,003,643</u>

**9. Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following at the end of the reporting period:

	<b>2018</b>	<b>2017</b>
	\$	\$
Cash on hand and bank balances	209,368	3,892
Fixed deposits	3,722,955	3,946,019
	<u>3,932,323</u>	<u>3,949,911</u>

Short-term deposits are made for a period of six months to one year, and earn interests of 0.15 % to 1.50 % (2017: 0.15% to 1.50%) per annum. The Foundation shall not use its short-term deposits for its annual activities unless otherwise approved by the Committee of Management.

Cash at bank earns interest at floating rate based on daily bank deposit rate.

**10. Other payables**

	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued operating expenses, carried at amortised cost	14,122	26,427

**11. Income tax expense**

The Foundation which is registered as a charity under the Charities Act, is exempted from income tax under Section 13(1)(m) of the Income Tax Act.

## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 12. Fair values of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

*Financial instruments whose carrying amount approximates fair value*

The Committee of Management has determined that the carrying amounts of cash and cash equivalents and current other receivables and other payables, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

#### 13. Commitments

The Foundation leases a copier under an operating lease agreement. Rental expense for the financial year ended 31 December 2018 was \$2,584 (2017: \$2,584).

The future minimum lease payable under operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2018	2017
	\$	\$
Payable within one year	2,340	2,584
Payable after one year but not later than five years	5,850	-
	<u>8,190</u>	<u>2,584</u>

#### 14. Related party transactions

A related party includes the committee members of the Foundation. It also includes an entity or person that directly or indirectly controls, is controlled by, or is under common or joint control with these persons; member of the key management personnel or close members of the family of any individual referred to herein and others who have the power in such entity resides with, directly or indirectly, any such individual.

During the financial year, there were no significant transactions between the Foundation and related parties.

## Tan Kah Kee Foundation

### Notes to the financial statements For the financial year ended 31 December 2018

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#### 15. Financial risk management objectives and policies

The main risks arising from the Foundation's financial instruments are credit risk, interest rate risk and liquidity risk. The Committee of Management does not use derivatives and other instruments in its risk management activities. The Foundation does not hold or issue derivative financial instruments for trading purposes. The Committee of Management reviews and agrees policies for managing each of these risks and they are summarised below:

##### ***Credit risk***

The carrying amount of cash and cash equivalents, and other receivables represent the Foundation's maximum exposure to credit risk.

##### ***Interest rate risk***

The Foundation's policy is to obtain the most favourable interest rates available without compromising its exposure to credit risk. Surplus funds are placed with reputable banks.

##### ***Liquidity risk***

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting financial obligations due to shortage of funds. The Foundation's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Foundation's objective is to maintain a level of cash and cash equivalents deemed adequate by Committee of Management to finance the Foundation operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Foundation's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

	<b>2018</b> \$ <b>1 year or less</b>	<b>2017</b> \$ <b>1 year or less</b>
<b>Financial assets:</b>		
Other receivables	26,090	53,732
Cash and bank balances	3,932,323	3,949,911
Total undiscounted financial assets	<u>3,958,413</u>	<u>4,003,643</u>
<b>Financial liability:</b>		
Other payables	14,122	26,427
Total undiscounted financial liability	<u>14,122</u>	<u>26,427</u>
Total net undiscounted financial assets	<u><u>3,944,291</u></u>	<u><u>3,977,216</u></u>



**Tan Kah Kee Foundation**

**Notes to the financial statements  
For the financial year ended 31 December 2018**

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**16. Management of funds**

The primary objective of the Foundation's management of the funds is to ensure that the funding from members of the public are properly managed and used to support its activities.

The Foundation manages its fund structure and makes adjustments to it, in light of changes in economic condition. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 31 December 2017.

**17. Authorisation of financial statements**

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Committee of Management on 9 October 2019.

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