Singapore Institute of Management and its Subsidiaries

Financial Report 2017

Contents

Governing Council's statement

In the opinion of the Governing Council, the consolidated financial statements of Singapore Institute of Management and its subsidiaries (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of Singapore Institute of Management (the "Institute") as set out on pages 5 to 55 are drawn up so as to give a true and fair view of the financial position of the Group and Institute as at 31 December 2017, and of the financial performance and changes in equity of the Group and Institute and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Institute will be able to pay its debts when they fall due.

On behalf of the Governing Council

Mr Tan Soo Jin
GC Chairman

Mr Jen Kwong Hwa
Treasurer

28 March 2018

Independent auditor's report

For the financial year ended 31 December 2017
To the members of Singapore Institute of Management

Independent auditor's report to the members of Singapore Institute of Management

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Institute of Management (the "Institute") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Institute as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity of the Group and statement of comprehensive income and statement of changes in equity of the Institute 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.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of the financial position, statement of comprehensive income and statement of changes in equity of the Institute 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 Institute as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Institute 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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.

Responsibilities of Management and the Institute's Governing Council for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Societies 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, 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.

The Institute's Governing Council is responsible for overseeing the Group's financial reporting process.

Independent auditor's report

For the financial year ended 31 December 2017
To the members of Singapore Institute of Management

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 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 or 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.

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

Report on other legal and regulatory requirements

In our opinion the accounting and other records required by the Societies Act and Charities Act to be kept by the Group have been properly kept in accordance with the provisions of the Societies Act and Charities Act and Regulations.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

28 March 2018

Statements of comprehensive income

For the financial year ended 31 December 2017

		Group		Institute	
		2017	2016	2017	2016
	Note	$'000	$'000	$'000	$'000
Continuing operations					
Income					
Course, conference and consultancy fees		185,433	185,742	5,407	6,181
Membership fees and services		550	748	607	773
Grant income		3,274	4,070	3,274	4,070
Interest income		1,993	2,188	1,400	982
Rental income		15,994	2,142	15,923	2,142
Dividend income		–	–	–	40,000
Group corporate service charges to subsidiaries		–	–	34,469	34,332
Group corporate service charges to third party		21,891	31,233	21,891	31,233
Investment income	4	3,819	–	3,819	–
Other income		3,096	2,941	2,228	1,552
Total income		236,050	229,064	89,018	121,265
Expenditure					
Course, conference and consultancy expenditure		93,937	88,006	7,342	8,809
Donations to outside parties		97	3,308	71	87
Administrative expenses	5	114,809	112,392	70,802	73,177
Other losses/(gains)	6	393	(209)	26	(125)
Total expenditure		209,236	203,497	78,241	81,948
Excess of income over expenditure before income tax		26,814	25,567	10,777	39,317
Taxation	8	(3,971)	(3,122)	–	–
Excess of income over expenditure after income tax		22,843	22,445	10,777	39,317
Discontinued operations					
Transfer of control of subsidiary to MOE	9	(267,840)	22,252	–	–
Excess of expenditure over income for the year		(244,997)	44,697	10,777	39,317
Other comprehensive income:					
Items that will not be reclassified subsequently to income and expenditure:					
Funds (utilised)/received		(1)	83	–	–
Items that may be reclassified subsequently to income and expenditure:					
Net change in fair value of cash flow hedges		(705)	487	–	–
Net fair value gains on available-for-sale financial assets		–	608	–	–
Net fair value changes on available-for-sale financial assets reclassified to income and expenditure		–	(4)	–	–
Foreign currency translation		169	–	–	–
Other comprehensive income for the year, net of tax		(537)	1,174	–	–
Total comprehensive income for the year		(245,534)	45,871	10,777	39,317

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

Statements of financial position

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Institute 2017 $'000	Institute 2016 $'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	238,744	268,309	233,412	263,454
Investment properties	11	1,291	1,613	1,291	1,613
Investment in subsidiaries	12	–	–	3,500	3,500
Available-for-sale investments	13	–	20,679	–	–
Held-to-maturity investments	14	–	8,500	–	–
Total non-current assets		240,035	299,101	238,203	268,567
CURRENT ASSETS					
Financial assets at fair value through profit or loss	15	51,783	–	51,783	–
Trade and other receivables	16	17,367	40,045	38,704	22,466
Prepayments		2,209	3,269	631	648
Grant receivables		2,950	11,996	2,950	1,080
Derivatives	17	127	643	127	–
Held-to-maturity investments	14	–	3,522	–	–
Cash and bank balances	18	207,239	444,333	98,104	136,064
Total current assets		281,675	503,808	192,299	160,258
TOTAL ASSETS		521,710	802,909	430,502	428,825
LIABILITIES, RESERVES AND FUND BALANCES					
CURRENT LIABILITIES					
Derivatives	17	73	–	–	–
Trade and other payables	19	25,709	49,687	10,579	18,381
Income tax payable		4,000	3,325	–	–
Course and membership fees received in advance		38,425	46,393	278	317
Grants received in advance	20	–	2,373	–	–
Deferred capital grants	21	1,259	1,761	1,259	1,270
Total current liabilities		69,466	103,539	12,116	19,968
NET CURRENT ASSETS		212,209	400,269	180,183	140,290
NON-CURRENT LIABILITIES					
Deferred tax liabilities	22	207	119	–	–
Deferred capital grants	21	9,340	11,020	9,340	10,588
Total non-current liabilities		9,547	11,139	9,340	10,588
TOTAL LIABILITIES		79,013	114,678	21,456	30,556
NET ASSETS		442,697	688,231	409,046	398,269

Statements of financial position

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Institute 2017 $'000	Institute 2016 $'000
RESERVES AND FUND BALANCES					
General fund:					
Accumulated surplus		442,097	614,932	409,046	398,269
Fair value reserve	27	–	44	–	–
Hedging reserve	17	(73)	632	–	–
Foreign currency translation reserve		169	–	–	–
		442,193	615,608	409,046	398,269
Education fund:					
Accumulated surplus		–	43,539	–	–
Fair value reserve	27	–	34	–	–
Endowment fund	24	–	2,552	–	–
	23	–	46,125	–	–
College fund	25	–	25,688	–	–
Other restricted funds	26	504	810	–	–
Total reserves and fund balances		442,697	688,231	409,046	398,269
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		521,710	802,909	430,502	428,825
Funds managed on behalf of Ministry of Education ("MOE")	28	–	6,600	–	–

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

Statements of changes in equity

For the financial year ended 31 December 2017

	General fund					Education fund						
	Accumulated surplus	Fair value reserve	Hedging reserve	Foreign currency reserve	Sub-Total	Accumulated surplus	Fair value reserve	Endowment fund	Sub-Total	College fund	Other restricted funds	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group												
Balance at 1 January 2016	563,301	(515)	145	–	562,931	63,470	(11)	1,375	64,834	13,165	727	641,657
Excess of income over expenditure for the year	51,631	–	–	–	51,631	(19,428)	–	(29)	(19,457)	12,523	–	44,697
Other comprehensive income for the year	–	559	487	–	1,046	–	45	–	45	–	83	1,174
Total comprehensive income for the year	51,631	559	487	–	52,677	(19,428)	45	(29)	(19,412)	12,523	83	45,871
Donation from foundations	–	–	–	–	–	–	–	703	703	–	–	703
Transfer of funds	–	–	–	–	–	(503)	–	503	–	–	–	–
Balance at 31 December 2016 and 1 January 2017	614,932	44	632	–	615,608	43,539	34	2,552	46,125	25,688	810	688,231
Excess of expenditure over income	(172,835)	(44)	–	–	(172,879)	(43,539)	(34)	(2,552)	(46,125)	(25,688)	(305)	(244,997)
Other comprehensive income for the year	–	–	(705)	169	(536)	–	–	–	–	–	(1)	(537)
Total comprehensive income for the year	(172,835)	(44)	(705)	169	(173,415)	(43,539)	(34)	(2,552)	(46,125)	(25,688)	(306)	(245,534)
Balance at 31 December 2017	442,097	–	(73)	169	442,193	–	–	–	–	–	504	442,697

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

Statements of changes in equity

For the financial year ended 31 December 2017

	Accumulated surplus $'000	Fair value reserve $'000	Total $'000
Institute			
Balance at 1 January 2016	358,952	–	358,952
Excess of income over expenditure for the year, representing total comprehensive income for the year	39,317	–	39,317
Balance at 31 December 2016 and 1 January 2017	398,269	–	398,269
Excess of income over expenditure for the year, representing total comprehensive income for the year	10,777	–	10,777
Balance at 31 December 2017	409,046	–	409,046

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

Consolidated statement of cash flows

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Excess of income over expenditure from continuing operations before income tax		26,814	25,567
Transfer of control of subsidiary to MOE	9	(267,840)	22,252
		(241,026)	47,819
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	5	35,062	41,000
(Gain)/loss on disposal of property, plant and equipment	6	(25)	63
Loss on disposal of available-for-sale investments		–	4
Amortisation of premium for held-to-maturity investments		–	101
Impairment loss on available-for-sale investments		–	842
Impairment loss on trade and other receivables	16	145	67
Interest income		(1,993)	(5,367)
Investment income, net	4	(1,419)	(1,054)
Dividend income	4	(238)	–
Fair value changes arising from financial assets at fair value through profit or loss	4	(2,162)	–
Fair value changes arising from foreign exchange contracts		11	(26)
Amortisation of deferred capital grant	20,21	(1,259)	(7,146)
Grants received, net		–	5,512
Other restricted funds utilised		(50)	(135)
Unrealised foreign exchange gain/(loss)		20	(230)
Foreign currency translation difference		169	–
Loss on transfer of control of subsidiary to MOE	9	267,840	–
Operating cash flows before movements in working capital		55,075	81,450
Trade and other receivables and grant receivables		(15,528)	(29,093)
Prepayments		(1,091)	603
Trade and other payables		5,196	1,040
Course, boarding and membership fees received in advance		591	4,061
Cash flows from operations		44,243	58,061
Income tax paid		(3,208)	(5,911)
Net cash flows from operating activities		41,035	52,150

Consolidated statement of cash flows

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Investing activities			
Purchase of property, plant and equipment	10	(8,336)	(9,993)
Proceeds from disposal of property, plant and equipment		26	686
Purchase of available-for-sale investments		–	(1,576)
Proceeds from disposal of available-for-sale investments		–	111
Proceeds from redemption of held-to-maturity investments		–	6,000
Purchase of financial assets at fair value through profit or loss		(48,369)	–
Investment income received		–	1,155
Interest received		2,070	5,566
Withdrawal/(placement) of fixed deposits		51,482	(10,218)
Net cash flows used in investing activities		(3,127)	(8,269)
Financing activities			
Other restricted funds received		49	218
Education funds received		–	703
Net cash flows from financing activities		49	921
Net increase in cash and cash equivalents		37,957	44,802
Effect of exchange rate changes on cash and cash equivalents		(17)	(12)
Cash and cash equivalents at beginning of year		140,059 [1]	261,762
Cash and cash equivalents at end of year	18	177,999	306,552

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

[1] *Cash and cash equivalents at beginning of year 2017 excludes SUSS's balance.*

Notes to the financial statements

For the financial year ended 31 December 2017

1. General information

Singapore Institute of Management (the "Institute") is registered in Singapore, as a society under the Societies Act, Chapter 311 and as a charity under the Charities Act, Chapter 37.

The registered office and principal place of operations is located at 461 Clementi Road, Singapore 599491.

The principal activities of the Institute comprise the provision of membership services to its members and the conduct of short seminars and customised in-company training. It also functions as a Group Corporate Services Centre providing support services to its subsidiaries.

The principal activities of subsidiaries are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the Singapore Societies Act, Chapter 311 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

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 Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Institute.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the Governing Council expects that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

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

2.3 *Standards issued but not yet effective (cont'd)*

The nature of the impending changes in accounting period on adoption of FRS 109, FRS 115 and FRS 116 are described below:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is currently assessing the potential impact of the new standard. Management's preliminary assessment is that FRS 115 will not have a material impact to the Group as it does not provide services in bundled packages that affect different revenue amounts in the financial statements and the point of recognition is over the duration of programmes.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group intends to continue to hold its investments in quoted equity and debt securities at fair value through profit or loss (FVTPL). The Group does not expect any significant impact arising from these changes.

The Group currently designates only the intrinsic value of an option as hedging instrument for one of its hedge relationships and accounts for the fair value changes in time value of option in profit or loss. FRS 109 requires fair value changes in time value of options not designated as hedging instrument to be accounted as cost of hedging. Cost of hedging are required to be deferred in other comprehensive income and recognised in the profit or loss depending on the nature of the hedge item, whether it is transaction related or time-period related. Upon adoption of FRS 109, the Institute will defer the recognition of time value of options in other comprehensive income retrospectively and expects an increase in opening retained earnings.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of the initial application in the opening retained earnings.

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 Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

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

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Institute and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Institute. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the statement of comprehensive income;
- re-classifies the Group's share of components previously recognised in other comprehensive income to income and expenditure or accumulated surplus, as appropriate.

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Institute's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Institute and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in income and expenditure.

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

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than leasehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Leasehold land, building and improvements	2% to 10%
Office equipment, furniture and fittings (excluding artifacts and paintings)	25%
Motor vehicles	20%
Computers	33.33%

The carrying values of property, 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.

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

2.7 *Investment properties*

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the investment property. The depreciation rate is 2%.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income and expenditure in the year of retirement or disposal.

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

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group 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 of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of 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 income and expenditure.

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 income and expenditure unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Institute's financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

The consolidated financial statements incorporate the financial statements of the Institute and enterprises controlled by the Institute (its subsidiaries).

2.10 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income and expenditure when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

2.10 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in income and expenditure. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in income and expenditure. These embedded derivatives are measured at fair value with changes in fair value recognised in income and expenditure. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in income and expenditure. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income and expenditure as a reclassification adjustment when the financial asset is de-recognised.

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

(iv) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income and expenditure when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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

2.10 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

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 income and expenditure.

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of 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 or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income and expenditure when the liabilities are de-recognised, and through the amortisation process.

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 income and expenditure.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

2.11 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in income and expenditure.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in income and expenditure, is transferred from other comprehensive income and recognised in income and expenditure. Reversals of impairment losses in respect of equity instruments are not recognised in income and expenditure; increase in their fair value after impairment are recognised directly in other comprehensive income.

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

2.11 *Impairment of financial assets (cont'd)*

(b) Available-for-sale financial assets (cont'd)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in income and expenditure. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in income and expenditure, the impairment loss is reversed in income and expenditure.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise of cash at bank and on hand, fixed deposits, highly liquid investments are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 *Hedge accounting*

The Group designates certain hedging instruments which include forward foreign exchange contracts as cash flow hedges.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in income and expenditure in other expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as other comprehensive income are transferred to income and expenditure when the hedged transaction affects income and expenditure, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

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

2.14 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.15 *Leases*

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to income and expenditure. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in income and expenditure on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.16(g). Contingent rents are recognised as revenue in the period in which they are earned.

2.16 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Course, conference and consultancy fees

Course, conference and consultancy fees are recognised over the duration of the programs.

(b) Membership fees

Membership fees are recognised on a straight-line basis over the membership term.

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

2.16 *Revenue recognition (cont'd)*

(c) Rendering of services

Revenue from the rendering of services that are of a short duration is recognised when the services are completed.

(d) Non-endowed donations

Non-endowed donations are recognised in the financial year they are received.

(e) Interest income

Interest income is recognised on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

(f) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been established.

(g) Rental income

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

2.17 *Employee benefits*

(a) Defined contribution plan

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's and Institute's obligations under the plans are equivalent to those arising in a defined contribution plan.

(b) Employee leave entitlement

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

2.18 *Taxes*

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, where the Group operates and generates taxable income.

Current income taxes are recognised in income and expenditure except to the extent that the tax relates to items recognised outside income and expenditure, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

2.18 *Taxes (cont'd)*

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income and expenditure; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income and expenditure; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside income and expenditure is recognised outside income and expenditure. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires the Governing Council to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, Governing Council is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

3.2 *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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

(b) Income taxes

The Group has exposure to income taxes in Singapore. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable at the end of the reporting period was $4,000,000 (2016: $3,325,000). The carrying amount of the Group's deferred tax liabilities at the end of the reporting period was $207,000 (2016: $119,000).

4. Investment income

The following items have been included in arriving at the investment income for the year:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Interest Income from:				
– Fixed deposits and bank deposits held by fund manager	1	–	1	–
– Quoted debt securities	1,100	–	1,100	–
Gain from sale of investments:				
– Quoted equity securities	981	–	981	–
– Quoted debt securities	22	–	22	–
Foreign exchange loss, net	(381)	–	(381)	–
Fund manager's fee	(283)	–	(283)	–
Others	(21)	–	(21)	–
	1,419	–	1,419	–
Dividend income from quoted equity securities	238	–	238	–
Fair value changes arising from investments in quoted equity and debt securities	2,162	–	2,162	–
	3,819	–	3,819	–

5. Administrative expenses

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Employee benefits expense (Note 7)	59,996	55,662	25,237	25,916
Depreciation of property, plant and equipment (Note 10)	34,740	38,343	33,602	35,207
Depreciation of investment properties (Note 11)	322	322	322	322
Utilities and facility management	13,550	13,514	9,438	9,396
Professional fees	1,988	1,410	724	760
Others	4,213	3,141	1,479	1,576
	114,809	112,392	70,802	73,177

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6. Other losses/(gains)

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Gain on disposal of property, plant and equipment	(25)	(3)	(9)	(3)
Net foreign exchange loss/(gain)	418	(206)	35	(122)
	393	(209)	26	(125)

7. Employee benefits expense

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Wages and salaries	51,249	47,429	21,620	22,124
Defined contribution plans	6,709	6,283	2,810	2,893
Other staff benefits	2,038	1,950	807	899
	59,996	55,662	25,237	25,916

8. Taxation

The Institute is a registered charity and enjoys automatic income tax exemption without having the need to meet the 80% spending rule in respect of its annual receipts.

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

		Group	
		2017	2016
	Note	$'000	$'000
Current income tax			
– Current income taxation		4,000	3,069
– (Over)/under provision in respect of previous years		(117)	35
		3,883	3,104
Deferred income tax			
– Origination and reversal of temporary differences	22	88	18
Income tax expense recognised in income and expenditure		3,971	3,122

(b) *Relationship between tax expense and excess of income over expenditure before tax*

The reconciliation between the tax expense and the product of accounting profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	2016
	$'000	$'000
Excess of income over expenditure before tax	26,814	25,567
Income tax expense at statutory rate 17% (2016: 17%)	4,558	4,346
Adjustments:		
Income not subject to taxation	(455)	–
Non-deductible expenses	120	781
Effect of partial tax exemption and tax relief	(157)	(1,997)
(Over)/under provision in respect of previous years	(117)	35
Others	22	(43)
	3,971	3,122

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9. Transfer of control of subsidiary to MOE

In October 2016, MOE announced that Singapore University of Social Sciences ("SUSS") will be the sixth autonomous university in Singapore. With effect from 1 January 2017, SUSS which hitherto was part of SIM Group, was transferred to and came under the purview of MOE. Changes to SUSS's current governance structure included transferring the rights and powers of the SIM Governing Council relating the appointment of SUSS members, SUSS Board of Trustees ("BOT") members, the Chancellor of SUSS, the President of SUSS, the Chairman of the SUSS BOT and other key persons to the Minister for Education (Higher Education and Skills).

Following the transfer, SUSS and SUEF, which was part of SUSS, were no longer part of SIM Group and were deconsolidated from the Group with effect from 1 January 2017. Consequently, a diminution amounting to $267,840,000 representing the net assets of SUSS and SUEF were deconsolidated in 2017.

The donations by SIM to SUEF were used by SUSS to set up a new endowment fund which form part of the assets of SUSS, and to be used for educational purposes at the new autonomous university. The endowment fund was named the "Singapore Institute of Management Endowment Fund" ("SIMEF") to honour SIM's contributions to then SIM University. To help build up the SIMEF, SUSS and MOE also contributed to the SIMEF.

Income statement disclosure
The results of subsidiary for the years ended 31 December are follows:

	Group	
	2017	2016
	$'000	$'000
Revenue	–	100,999
Course expenditure	–	(32,836)
Employee benefits expense	–	(48,655)
Depreciation expense	–	(2,335)
Other operating expenditure	–	(36,014)
Non-operating expenditure	–	(1,014)
Grant income	–	32,081
Non-operating income	–	10,026
Transfer of control of subsidiary to MOE	(267,840)	–
Transfer of control of subsidiary to MOE	(267,840)	22,252

Cash flow statement disclosures
The cash flows attributable to subsidiary are follows:

	Group	
	2017	2016
	$'000	$'000
Operating	–	(2,219)
Investing	–	14,007
Financing	–	820
Net cash inflows	–	12,608

10. Property, plant and equipment

	Leasehold land, building and improvements	Office equipment, furniture and fittings	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Cost:					
At 1 January 2016	404,875	47,662	504	97,049	550,090
Additions	1,765	3,206	86	4,936	9,993
Disposals	–	(1,653)	–	(14,680)	(16,333)
Reclassification	(1,008)	334	–	674	–
At 31 December 2016 and 1 January 2017	405,632	49,549	590	87,979	543,750
Additions	950	5,149	346	1,891	8,336
Disposals	–	(580)	(44)	(10,085)	(10,709)
Transfer of control of subsidiary to MOE	–	(4,115)	(245)	(25,115)	(29,475)
Reclassification	111	(76)	–	(35)	–
At 31 December 2017	406,693	49,927	647	54,635	511,902
Accumulated depreciation					
At 1 January 2016	130,215	34,808	238	85,086	250,347
Depreciation for the year	25,477	7,170	98	7,933	40,678
Disposals	–	(1,646)	–	(13,938)	(15,584)
Reclassification	–	(165)	–	165	–
At 31 December 2016 and 1 January 2017	155,692	40,167	336	79,246	275,441
Depreciation for the year	25,640	5,235	76	3,789	34,740
Disposals	–	(579)	(44)	(10,085)	(10,708)
Transfer of control of subsidiary to MOE	–	(3,292)	(229)	(22,794)	(26,315)
At 31 December 2017	181,332	41,531	139	50,156	273,158
Net carrying amount:					
At 31 December 2016	249,940	9,382	254	8,733	268,309
At 31 December 2017	225,361	8,396	508	4,479	238,744

10. Property, plant and equipment (cont'd)

	Leasehold land, building and improvements	Office equipment, furniture and fittings	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000	$'000
Institute					
Cost:					
At 1 January 2016	404,875	41,778	44	35,836	482,533
Additions	1,765	2,609	86	1,180	5,640
Disposals	–	(765)	–	(15)	(780)
Reclassification	(1,008)	503	–	505	–
At 31 December 2016 and 1 January 2017	405,632	44,125	130	37,506	487,393
Additions	806	1,577	–	1,178	3,561
Disposals	–	(580)	(44)	(9,813)	(10,437)
Reclassification	111	(76)	–	(35)	–
At 31 December 2017	406,549	45,046	86	28,836	480,517
Accumulated depreciation:					
At 1 January 2016	130,215	29,635	44	29,612	189,506
Depreciation for the year	25,477	6,795	5	2,930	35,207
Disposals	–	(759)	–	(15)	(774)
At 31 December 2016 and 1 January 2017	155,692	35,671	49	32,527	223,939
Depreciation for the year	25,640	5,087	17	2,858	33,602
Disposals	–	(579)	(44)	(9,813)	(10,436)
At 31 December 2017	181,332	40,179	22	25,572	247,105
Net carrying amount:					
At 31 December 2016	249,940	8,454	81	4,979	263,454
At 31 December 2017	225,217	4,867	64	3,264	233,412

Assets under construction

The Group and the Institute's property and equipment included $4,882,000 (2016: $1,943,000) and $2,892,000 (2016: $1,921,000) which relate to expenditure for IT infrastructure and system improvements and canopy for students that are in the course of construction.

11. Investment properties

	Group and Institute	
	2017	2016
	$'000	$'000
Cost:		
At 1 January and 31 December	3,965	3,965
Accumulated depreciation:		
At 1 January	2,352	2,030
Depreciation charge for the year	322	322
At 31 December	2,674	2,352
Net carrying amount	1,291	1,613
Statement of comprehensive income		
Rental income from investment properties	910	901
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	177	237

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The fair value of the investment properties at 31 December 2017 approximates $29,000,000 (2016: $29,000,000). The independent valuation was performed by an independent professional valuation firm. Details of valuation techniques and inputs used are disclosed in Note 31.

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12. Investment in subsidiaries

	Institute	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost	3,500	3,500

Details of the Institute's subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Principal activities	Proportion (%) of ownership interest and voting power 2017 %	2016 %
Held by the Institute				
Singapore Institute of Management Holdings Pte. Ltd.	Singapore	Investment holding	100	100
SIM AEC Pte. Ltd.	Singapore	Engaged in course programs to train future entrepreneurs	100	100
Singapore University of Social Sciences [(a)]	Singapore	Engaged in the advancement of education and dissemination of knowledge, the promotion of research and the conferring and awarding of degrees, diplomas and certificates	–	100
Held through Singapore Institute of Management Holdings Pte. Ltd.				
Singapore Institute of Management Pte. Ltd. [(b)]	Singapore	Engaged in higher and continuing education	100	100
SIM International Pte. Ltd. (formerly known as SIM International Academy Pte. Ltd.)	Singapore	Engaged in corporate training services and motivational course providers	100	100
SIM Xtension Pte. Ltd.	Singapore	Engaged in corporate training services and motivational course providers	100	100
Held through SIM International Pte. Ltd.				
Singapore (Cambodia) International Academy Co., Ltd. [(c)]	Kingdom of Cambodia	Engaged in operating international schools and providing enrichment programs	100	–

(a) Refer to Note 9 for the transfer of control of subsidiary to MOE.
(b) The interest was transferred from the Institute to Singapore Institute of Management Holdings Pte. Ltd. during the year.
(c) Incorporated during the financial year ended 31 December 2017.

13. Available-for-sale investments

	Group	
	2017	2016
	$'000	$'000
Non-current:		
Unquoted preference shares	–	18,168
Quoted REITs	–	2,510
Quoted shares	–	1
	–	20,679

In 2016, the Group recognised an impairment loss of $699,000 on unquoted preference shares and $143,000 on quoted REITs as there was a prolonged decline in the value of the investments below its cost. The Group treats "prolonged" decline generally as a continuous decline of more than 6 months from the month the impairment test is performed.

All available-for-sale investments were transferred as part of the transfer of control of subsidiary to MOE (Note 9).

14. Held-to-maturity investments

	Group	
	2017	2016
	$'000	$'000
Unquoted debt securities at amortised cost:		
– Non-current	–	8,500
– Current	–	3,522
	–	12,022

All held-to-maturity investments were transferred as part of the transfer of control of subsidiary to MOE (Note 9).

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15. Financial assets at fair value through profit or loss

The following are financial assets at fair value through profit or loss managed by fund manager:

	Group and Institute	
	2017	2016
	$'000	$'000
Quoted debt securities	37,764	–
Quoted equity securities	14,019	–
	51,783	–

In 2017, the quoted debt securities managed by the fund manager earned interest at rates ranging from 2.08% to 5.13% per annum as at the balance sheet date. Interest was received on a semi-annual basis. The maturity dates ranged from January 2018 to April 2077.

16. Trade and other receivables

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Amounts due from subsidiaries	–	–	23,421	21,193
Amounts due from third party	13,692	–	13,692	–
Course fees receivable	1,180	2,776	717	755
Staff loans	3	3	1	1
Interest receivable	213	865	99	122
Dividend receivable	8	–	8	–
Due from Ministry of Education ("MOE")	–	34,110	–	–
Deposits	487	134	42	17
Others	1,784	2,157	724	378
Total trade and other receivables	17,367	40,045	38,704	22,466
Add: Cash and bank balances (Note 18)	207,239	444,333	98,104	136,064
Add: Grant receivables	2,950	11,996	2,950	1,080
Total loans and receivables	227,556	496,374	139,758	159,610

Amount due from MOE related mainly to tuition fees receivable by SUSS (Note 9).

16. Trade and other receivables (cont'd)

Course fees receivable that are past due but not impaired

Course fees receivable are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group and the Institute have course fees receivable amounting to $926,000 and $491,000 (2016: $1,399,000 and $569,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

The table below is an analysis of the Group's and the Institute's course fees receivable as at 31 December:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not past due and not impaired	254	1,377	226	186
Past due but not impaired	926	1,399	491	569
	1,180	2,776	717	755

Ageing of course fees receivable which are past due but not impaired:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Less than 90 days	447	735	368	472
More than 90 days	479	664	123	97
	926	1,399	491	569

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16. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's and the Institute's course fees receivable that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Collectively Impaired:				
Course fees receivable – nominal amounts	1,325	2,843	717	755
Less: allowance for impairment	(145)	(67)	–	–
	1,180	2,776	717	755
Movement in allowance accounts:				
At 1 January	(67)	(113)	–	–
Written off during the year	67	113	–	–
Charge for the year	(145)	(67)	–	–
At 31 December	(145)	(67)	–	–

Trade and other receivables denominated in foreign currency as at 31 December are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States dollar	698	1,179	–	–

17. Derivatives

	2017			2016		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Institute						
Forward foreign exchange contracts						
– Buy GBP/Sell SGD[b]	–	–	–	789	11	–
– Buy USD/Sell SGD[a]	8,746	–	73	10,518	618	–
– Buy AUD/Sell SGD[a]	–	–	–	1,131	14	–
– Buy SGD/Sell USD[b]	15,181	127	–	–	–	–
		127	73		643	–

[a] These forward foreign exchange contracts are designated as hedging instruments in cash flow hedges and are assessed to be effective.

[b] These forward foreign exchange contracts are not designated as hedging instruments in cash flow hedges.

Foreign currency risk

Forward foreign exchange contracts designated as hedging instruments in cash flow hedges of forecast payments are measured at fair value through other comprehensive income. These forecast transactions are highly probable.

While the Group also enters into other forward foreign exchange contracts with the intention to reduce the foreign exchange risk of expected payments, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The forward foreign exchange contract balances vary with the level of expected foreign currency payments and changes in foreign exchange forward rates.

Forward foreign exchange contracts entered into by the Group and Institute are used to hedge foreign currency risk arising from the Group and Institute's investments and future payments denominated in United States dollar (USD) and Singapore dollar (SGD).

Cash flow hedges

The terms of certain foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. All cash flow hedges are effective during the year.

The cash flow hedges of the expected future payments in January 2018 were assessed to be highly effective and a net unrealised loss of $73,000 (2016: gain of $632,000) is included in other comprehensive income.

Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date amounted to a loss of $73,000 (2016: gain of $632,000) are made up of the net movements in cash flow hedges and the effective portion of the forward contract, net of tax.

18. Cash and bank balances

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and bank balances	24,054	34,215	3,101	3,502
Cash held by fund manager	1,631	–	1,631	–
Fixed deposits	181,554	410,118	93,372	132,562
	207,239	444,333	98,104	136,064

Fixed deposits are interest bearing at average rates ranging from 0.28% to 1.70% (2016: 0.14% to 2.15%) per annum and are for a tenure of approximately 4 days to 381 days (2016: 7 days to 381 days).

Cash and cash equivalents comprise cash on hand and at bank, cash held by fund manager and short-term fixed deposits with maturity period of up to 3 months.

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

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash on hand and at bank	24,054	34,215	3,101	3,503
Cash held by fund manager	1,631	–	1,631	–
Fixed deposits (with maturity period of up to 3 months)	152,314	272,337	74,309	93,481
	177,999	306,552	79,041	96,984

Cash and bank balances denominated in foreign currencies as at 31 December are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Australian dollar	341	529	–	–
Sterling pound	47	233	–	–
United States dollar	6,786	383	19	205

19. Trade and other payables

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits	656	634	608	585
Accruals	20,348	39,688	7,945	13,102
Trade payables	2,868	6,818	906	1,026
Other payables	1,837	2,547	1,120	3,668
Total trade and other payables	25,709	49,687	10,579	18,381
Less: Sales tax payable	(994)	(1,746)	(913)	(1,850)
Total financial liabilities carried at amortised cost	24,715	47,941	9,666	16,531

Trade and other payables are non-interest bearing and normally settled on 30 to 90 days' term.

Trade and other payables denominated in foreign currencies as at 31 December are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Australian dollar	316	697	–	–
Sterling pound	43	472	–	–
United States dollar	5,066	45	11	8

20. Grants received in advance

	Group	
	2017	2016
	$'000	$'000
At 1 January	2,373	3,231
Received during the year	–	5,512
Transfer to deferred capital grant upon utilisation (Note 21)	–	(985)
Transfer to income and expenditure statement	–	(5,385)
Transfer of control of subsidiary to MOE	(2,373)	–
At 31 December	–	2,373

Grants received in advance were transferred as part of the transfer of control of subsidiary to MOE (Note 9).

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21. Deferred capital grants

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	12,781	13,557	11,858	13,128
Transfer from grants received in advance (Note 20)	–	985	–	–
Amortisation of deferred capital grants	(1,259)	(1,761)	(1,259)	(1,270)
Transfer of control of subsidiary to MOE	(923)	–	–	–
At 31 December	10,599	12,781	10,599	11,858
Represented by:				
Current	1,259	1,761	1,259	1,270
Non-current	9,340	11,020	9,340	10,588
	10,599	12,781	10,599	11,858

22. Deferred tax liabilities

	Group	
	2017	2016
	$'000	$'000
At 1 January	119	101
Charge to income and expenditure (Note 8)	88	18
At 31 December	207	119
The balances in the account comprise the tax effects of:		
Differences in depreciation for tax purposes	207	119

23. Education fund

The SIM University Education Fund (the "SUEF") was set up on 1 September 2005 to receive funds from the public and related entity to establish, operate, maintain and promote Singapore University of Social Sciences ("SUSS") as a private university.

On 11 July 2017, SUEF was dissolved as a charity and de-registered as an Institution of a Public Character. Consequently, the assets and liabilities of SUEF were transferred to SUSS on 12 July 2017.

The fund was transferred as part of the transfer of control of subsidiary to MOE (Note 9).

The following represents the financial position of SIM University Education Fund:

	Group	
	2017	2016
	$'000	$'000
Accumulated surplus	46,125	43,539
Fair value reserve	–	34
Endowment fund	–	2,552
Less: Transfer of control of subsidiary to MOE	(46,125)	–
	–	46,125
Represented by:		
Current assets		
Cash and bank balances	–	39,508
Trade and other receivables	–	905
Prepayments	–	182
Held-to-maturity investments	–	3,522
	–	44,117
Non-current assets		
Available-for-sale investments	–	2,511
Held-to-maturity investments	–	4,500
Plant and equipment	–	1,601
	–	8,612
Less: current liabilities		
Trade and other payables	–	6,604
Total net assets	–	46,125

24. Endowment fund

Endowment fund was set up to receive donations from external parties and internal matching grants which were invested for long term purposes of awarding scholarship, sponsorship study grants, bursaries and prizes to students.

The fund was transferred as part of the transfer of control of subsidiary to MOE (Note 9).

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25. College fund

The Singapore University of Social Sciences College Fund relates to grants received from MOE to establish, operate and maintain SUSS full-time programme.

The fund was transferred as part of the transfer of control of subsidiary to MOE (Note 9).

26. Other restricted funds

Name of fund	Purpose
Research and development fund	To provide scholarships to students and to fund research activities.
Sponsorship awards fund	To receive sponsorships for the purpose of awarding scholarships, medals, prizes to deserving students.

An amount of $306,000 was transferred as part of the transfer of control of subsidiary to MOE (Note 9).

27. Fair value reserve

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
At 1 January	78	(526)	–	–
Reclassification to income and expenditure from equity on disposal of available-for-sale investments	–	(4)	–	–
Impairment loss on available-for-sale investments	–	842	–	–
Fair value changes during the year	–	(234)	–	–
Transfer of control of subsidiary to MOE	(78)	–	–	–
At 31 December	–	78	–	–
Represented by:				
– General fund	–	44	–	–
– Education fund	–	34	–	–

The fair value reserve relates to cumulative fair value changes, net of tax of the available-for-sale investments until they are disposed or impaired. These fair value reserve arises from available-for-sale investments of SUSS, which was transferred as part of the transfer of control of subsidiary to MOE (Note 9).

28. Funds managed on behalf of MOE

	Group	
	2017	2016
	$'000	$'000
At 1 January	6,600	3,393
Student loans granted to students	–	3,513
Repayments received from students	–	(306)
Interest on student loans received	–	8
Interest on student loans paid	–	(8)
Transfer of control of subsidiary to MOE	(6,600)	–
At 31 December	–	6,600
Represented by:		
– Tuition fee loan receivables	–	6,414
– Study loan receivables	–	186
	–	6,600

Funds managed on behalf of MOE were transferred as part of the transfer of control of subsidiary to MOE (Note 9).

29. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the institute and subsidiaries took place on terms agreed between the parties during the financial year:

	2017	2016
	$'000	$'000
Group corporate service charges	34,469	34,332
Loans interest income	360	–
Course, conference and consultancy fees	130	117

29. Related party transactions (cont'd)

Compensation of key management personnel

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

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Contributions to Central Provident Fund	404	723	185	178
Short-term benefits	8,076	13,925	3,210	3,285
	8,480	14,648	3,395	3,463

The Remuneration Committee annually reviews and approves on behalf of the SIM Governing Council the guidelines and quantum of incentive payments and annual increments for all staff.

Key management personnel comprises chief executive officers, directors and equivalent. SIM Governing Council members who sit on the Singapore Institute of Management Holdings Pte. Ltd.'s board are remunerated for their board services in accordance with SIM Governing Council's previously approved guidelines and fee structure, with procedures available for them to either waive or donate their fees to the SIM Governing Council Fund for disbursement as bursaries to Singapore Institute of Management Pte. Ltd.'s students.

Number of key management in remuneration bands for the Group is shown below:

	2017	2016
$800,001 to $900,000	–	1
$700,001 to $800,000	1	–
$600,001 to $700,000	–	1
$500,001 to $600,000	2	2
$400,001 to $500,000	1	2
$300,001 to $400,000	2	7
$200,001 to $300,000	20	29
$100,001 to $200,000	3	10
$100,000 and below	5	9
	34	61

30. Operating lease and commitments

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	3,476	11,250	1,477	7,020

(b) *Operating lease commitments – As lessee*

The Group and the Institute have entered into commercial leases on certain office equipment. These leases have an average tenure of between two and fifteen years. The Group and Institute are restricted from subleasing the leased equipment to third parties.

Minimum lease payments recognised as an expense in income and expenditure for the financial year ended 31 December 2017 of the Group and the Institute amounted to $3,712,000 and $211,000 (2016: $4,341,000 and $120,000) respectively.

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not later than one year	3,317	3,369	227	195
Later than one year but not later than five years	4,998	4,730	585	702
After five years	26,319	–	–	–
Total minimum lease payments	34,634	8,099	812	897

30. Operating lease and commitments (cont'd)

(c) *Operating lease commitments – As lessors*

The Group and the Institute have entered into commercial property leases on its premises. These non-cancellable leases have remaining lease terms of between 3 months and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Minimum lease payments recognised as rental income in income and expenditure for the financial year ended 31 December 2017 of the Group and the Institute amounted to $2,188,000 and $2,116,000 (2016: $2,142,000 and $2,143,000) respectively.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group and Institute	
	2017	2016
	$'000	$'000
Not later than one year	1,898	1,785
Later than one year but not later than five years	3,012	828
	4,910	2,613

31. Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

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

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

31. Fair value of financial assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at the end of the reporting period.

		Fair value measurements at the end of the reporting period using			
		Level 1	Level 2	Level 3	Total
	Note	$'000	$'000	$'000	$'000
Group					
2017					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	17	–	127	–	127
Financial assets at fair value through profit or loss	15				
Quoted debt securities		37,764	–	–	37,764
Quoted equity securities		14,019	–	–	14,019
Financial assets as at 31 December 2017		51,783	127	–	51,910
Liabilities measured at fair value					
Financial liabilities:					
Derivatives					
Forward foreign exchange contracts	17	–	73	–	73
Financial liabilities as at 31 December 2017		–	73	–	73
2016					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	17	–	643	–	643
Available-for-sale investments	13				
Unquoted preference shares		–	18,168	–	18,168
Quoted REITs		2,510	–	–	2,510
Quoted shares		1	–	–	1
Financial assets as at 31 December 2016		2,511	18,811	–	21,322

31. Fair value of financial assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

Forward foreign exchange contracts

Derivatives are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique includes a forward pricing model, using present value calculations. The model incorporates various inputs including the foreign exchange spot and forward rates and interest rate curves. There were no credit value or debit value adjustments made in the determination of fair value of these securities.

Unquoted equity securities

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group and the Institute categorise these investments as Level 2.

(c) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value, for which fair value is disclosed:

		Group and Institute				
		Level 1	Level 2	Level 3	Total	Carrying amount
	Note	$'000	$'000	$'000	$'000	$'000
2017						
Assets						
Investment properties	11	–	29,000	–	29,000	1,291
2016						
Assets						
Investment properties	11	–	29,000	–	29,000	1,613

Determination of fair value
The valuation of commercial investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

(d) ***Financial instruments whose carrying amount approximates fair value***

The carrying amounts of cash and bank balances, trade and other receivables and trade and other payables, based on their notional amounts, reasonably approximate their fair values because they are short-term in nature.

32. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, liquidity risk and interest rate risk and market price risk.

The Governing Council reviews and agrees policies and procedures for the management of these risks, which are executed by the Head of Treasury. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Foreign exchange risk***

Entities in the Group use forward foreign exchange contracts to hedge their exposure to foreign currency risk in the local reporting currency. The Treasury Department is responsible for hedging the net position in each borrowing currency.

Further details of the forward foreign exchange contracts are found in Note 17 to the financial statements.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Australian dollar, Sterling pound and United States dollar against the Singapore dollar.

At the end of the reporting period, the carrying amounts of monetary assets and liabilities denominated in currencies other than the Group's and Institute's functional currency are as follows:

	Group			
	Assets		Liabilities	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Australian dollar	341	529	316	697
Sterling pound	47	233	43	472
United States dollar	14,818	1,562	1,217	45

	Institute			
	Assets		Liabilities	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
United States dollar	18	205	11	8

32. Financial risk management objectives and policies (cont'd)

(a) ***Foreign exchange risk (cont'd)***

Foreign currency sensitivity

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, without considering the effect of the derivative financial instruments, income and expenditure will increase/(decrease) by:

	Group		Institute	
	Income and expenditure		Income and expenditure	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Australian dollar	3	(17)	–	–
Sterling pound	–	(24)	–	–
United States dollar	1,360	152	1	20

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, there will be an equal and opposite impact on income and expenditure.

In the Governing Council's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(b) ***Interest rate risk***

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets. All financial assets and liabilities at year end bear no interest except for cash at bank, fixed deposits and quoted equity securities.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for cash at bank, fixed deposits and quoted equity securities balances at the end of the reporting period and the stipulated change taking place at the beginning of the respective financial year. A 100 basis point increase or decrease represents management's assessment of the possible change in interest rate.

If interest rates had been 100 basis points higher/lower with all the other variables held constant, the Group's and Institute's net surplus would increase/decrease by approximately $2.5 million and $1.4 million respectively (2016: $4.4 million and $1.4 million respectively).

(c) ***Credit risk***

The Group and Institute are not exposed to significant credit risk as most of its course fees are received in advance.

Cash and cash equivalents are held with reputable financial institutions.

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Institute maintain sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

The Group's derivative financial instruments comprise foreign exchange forward contracts with net mark-to-market gain of $54,000 (2016: $643,000) as at 31 December 2017 respectively with contracted gross cash flows due within 1 year (2016: due within 1 year).

Non-derivative financial instruments

The table below summarises the maturity profile of Group's and the Institute's financial assets used managing liquidity risk and financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

Group	Within one year	More than one year	Total
	$'000	$'000	$'000
2017			
Financial assets:			
Forward foreign exchange contracts	127	–	127
Financial assets at fair value through profit or loss	51,783	–	51,783
Loans and receivables	227,556	–	227,556
Total undiscounted financial assets	279,466	–	279,466
Financial liabilities:			
Trade and other payables	25,709	–	25,709
Forward foreign exchange contracts	73	–	73
Total undiscounted financial liabilities	25,782	–	25,782
Net undiscounted financial assets	253,684	–	253,684

32. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk (cont'd)*

Group	Within one year	More than one year	Total
	$'000	$'000	$'000
2016			
Financial assets:			
Available-for-sale investments	–	20,679	20,679
Forward foreign exchange contracts	643	–	643
Held-to-maturity investments	3,522	8,500	12,022
Loans and receivables	496,374	–	496,374
Total undiscounted financial assets	500,539	29,179	529,718
Financial liabilities:			
Trade and other payables	49,687	–	49,687
Total undiscounted financial liabilities	49,687	–	49,687
Net undiscounted financial assets	450,852	29,179	480,031

Institute	Within one year	More than one year	Total
	$'000	$'000	$'000
2017			
Financial assets:			
Forward foreign exchange contracts	127	–	127
Financial assets at fair value through profit or loss	51,783	–	51,783
Loans and receivables	139,758	–	139,758
Total undiscounted financial assets	191,668	–	191,668
Financial liabilities:			
Trade and other payables	10,579	–	10,579
Total undiscounted financial liabilities	10,579	–	10,579
Net undiscounted financial assets	181,089	–	181,089

32. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

Institute	Within one year	More than one year	Total
	$'000	$'000	$'000
2016			
Financial assets:			
Loans and receivables	159,610	–	159,610
Total undiscounted financial assets	159,610	–	159,610
Financial liabilities:			
Trade and other payables	18,381	–	18,381
Total undiscounted financial liabilities	18,381	–	18,381
Net undiscounted financial assets	141,229	–	141,229

(e) ***Market price risk***

The Group is exposed to price risk arising from quoted equity securities held by the fund manager and available-for-sale investments.

Further details of these investments can be found in Note 15 to the financial statements.

Price sensitivity analysis

In respect of the quoted equity securities investments, if the prices had been 10% higher/lower, this would increase/decrease the Group's income and expenditure by $1.4 million (2016: $2.1 million).

(f) ***Categories of financial instruments***

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

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets:				
Financial assets at fair value through profit or loss	51,783	–	51,783	–
Loans and receivables	227,556	496,374	139,758	159,610
Derivatives	127	643	127	–
Available-for-sale-investments	–	20,679	–	–
Held-to-maturity investments	–	12,022	–	–
	279,466	529,718	191,668	159,610

32. Financial risk management objectives and policies (cont'd)

(f) ***Categories of financial instruments (cont'd)***

	Group		Institute	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial liabilities				
Trade and other payables	24,715	47,941	9,666	16,531
Derivatives	73	–	–	–
	24,788	47,941	9,666	16,531

33. Comparative information

Certain reclassification has been made to the comparative figures to enhance comparability with the current year's financial statements. As a result, the following line items have been reclassified:

	Group		Institute	
	As previously reported	As restated	As previously reported	As restated
	2016	2016	2016	2016
	$'000	$'000	$'000	$'000
Statement of comprehensive income				
EXPENDITURE				
Course, conference and consultancy expenditure	86,839	88,006	7,642	8,809
Membership expenses	1,167	–	1,167	–
Statement of financial position				
CURRENT LIABILITIES				
Deferred capital grants	12,781	1,761	11,858	1,270
NON-CURRENT LIABILITIES				
Deferred capital grants	–	11,020	–	10,588

34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The Group is mainly funded from the revenue. A portion of the accumulated reserve is invested so as to further enhance its value, and can be drawn on for operation and development.

35. Authorisation of financial statements for issue

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Institute for the year ended 31 December 2017 were authorised for issue by the Governing Council at their meeting on 28 March 2018.