Singapore Institute of Management Society and its Subsidiaries

Financial Report 2019

Contents

Governing Council's statement

In the opinion of the Governing Council, the consolidated financial statements of Singapore Institute of Management Society and its subsidiaries (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in reserves and funds of Singapore Institute of Management Society (the "Institute") as set out on pages 5 to 68 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 2019, and of the financial performance and changes in reserves and funds 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

Ms Euleen Goh
GC Chairman

Ms Madeleine Lee
Treasurer

5 May 2020

Independent auditor's report

For the financial year ended 31 December 2019

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Institute of Management Society (the "Institute") and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position of the Group and the Institute as at 31 December 2019, the statement of changes in reserves and funds and statement of comprehensive income of the Group and the Institute and the 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 reserves and funds 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 2019 and of the consolidated financial performance, consolidated changes in reserves and funds and consolidated cash flows of the Group and changes in reserves and funds 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.

For the financial year ended 31 December 2019

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

5 May 2020

Statements of comprehensive income

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000 (Restated)	Institute 2019 $'000	Institute 2018 $'000
Income					
Course, conference and consultancy fees		180,168	182,853	4,662	3,841
Membership fees and services		653	910	679	948
Grant income		1,886	2,172	1,886	2,172
Rental income		2,412	2,508	2,222	2,200
Group corporate service income from subsidiaries		–	–	31,140	32,713
Group corporate service income from third party		42,330	40,884	42,330	40,884
Investment income	5	11,508	4,454	10,658	4,028
Other income		2,499	2,609	1,563	1,765
Other gains	8	–	547	–	36
Total income		241,456	236,937	95,140	88,587
Expenditure					
Course, conference and consultancy expenditure		91,847	91,750	5,377	3,851
Donations to outside parties		62	40	54	36
Investment expenses	5	1,623	4,115	1,623	4,115
Administrative expenses	6	119,817	121,587	68,262	68,625
Finance expenses	7	1,195	–	–	–
Other losses	8	893	–	204	–
Total expenditure		215,437	217,492	75,520	76,627
Excess of income over expenditure before income tax		26,019	19,445	19,620	11,960
Income tax expenses	10	(4,303)	(3,631)	–	–
Excess of income over expenditure after income tax		21,716	15,814	19,620	11,960
Excess of income over expenditure for the year		21,716	15,814	19,620	11,960
Other comprehensive income:					
Items that will not be reclassified subsequently to income and expenditure:					
Funds received/(utilised)		10	(55)	–	–
Items that may be reclassified subsequently to income and expenditure:					
Net change in fair value arising from derivatives		(157)	111	–	–
Foreign currency translation		401	(349)	–	–
Other comprehensive income for the year, net of tax		254	(293)	–	–
Total comprehensive income for the year		21,970	15,521	19,620	11,960

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

Statements of financial position

As at 31 December 2019

	Note	Group 2019 $'000	Group 31 December 2018 $'000 (Restated)	Institute 2019 $'000	Institute 31 December 2018 $'000 (Restated)	Institute 1 January 2018 $'000 (Restated)
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	11	188,776	217,209	178,568	205,836	233,412
Investment properties	12	645	968	645	968	1,291
Right-of-use assets	22	17,694	–	–	–	–
Investment in subsidiaries	13	–	–	3,500	3,500	3,500
Prepayments		659	1,390	–	–	–
Loan to a subsidiary	18	–	–	28,745	26,003	17,188
Total non-current assets		207,774	219,567	211,458	236,307	255,391
CURRENT ASSETS						
Financial assets at fair value through profit or loss	14	74,469	69,712	74,469	69,712	51,783
Trade and other receivables	15	21,674	27,908	33,478	35,484	21,516
Grant receivables		26	44	26	44	2,950
Prepayments		1,910	1,526	581	574	631
Derivatives	16	110	175	110	134	127
Contract assets	4(b)	502	–	502	–	–
Cash and bank balances	17	267,108	219,804	139,381	100,365	98,104
Total current assets		365,799	319,169	248,547	206,313	175,111
TOTAL ASSETS		573,573	538,736	460,005	442,620	430,502
LIABILITIES, RESERVES AND FUND BALANCES						
CURRENT LIABILITIES						
Derivatives	16	119	115	–	3	–
Trade and other payables	19	26,019	32,280	11,183	12,013	10,579
Income tax payable		4,315	3,664	–	–	–
Course and membership fees received in advance	4(b)	34,411	35,321	115	258	278
Government grants received in advance		357	–	–	–	–
Deferred capital grants	20	1,259	1,259	1,259	1,259	1,259
Lease liabilities	22	652	–	–	–	–
Total current liabilities		67,132	72,639	12,557	13,533	12,116

Statements of financial position

As at 31 December 2019

	Note	Group 2019 $'000	Group 31 December 2018 $'000 (Restated)	Institute 2019 $'000	Institute 31 December 2018 $'000 (Restated)	Institute 1 January 2018 $'000 (Restated)
NET CURRENT ASSETS		298,667	246,530	235,990	192,780	162,995
NON-CURRENT LIABILITIES						
Deferred tax liabilities	21	207	207	–	–	–
Trade and other payables	19	740	222	–	–	–
Course and membership fees received in advance	4(b)	175	195	–	–	–
Deferred capital grants	20	6,822	8,081	6,822	8,081	9,340
Lease liabilities	22	19,135	–	–	–	–
Total non-current liabilities		27,079	8,705	6,822	8,081	9,340
TOTAL LIABILITIES		94,211	81,344	19,379	21,614	21,456
NET ASSETS		479,362	457,392	440,626	421,006	409,046
RESERVES AND FUND BALANCES						
General fund:						
Accumulated surplus		478,801	457,085	440,626	421,006	409,046
Hedging reserve	16	(119)	38	–	–	–
Foreign currency translation reserve		221	(180)	–	–	–
		478,903	456,943	440,626	421,006	409,046
Other restricted funds	23	459	449	–	–	–
Total reserves and fund balances		479,362	457,392	440,626	421,006	409,046
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		573,573	538,736	460,005	442,620	430,502

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

Statements of changes in reserves and funds

For the financial year ended 31 December 2019

	General fund					
	Accumulated surplus $'000	Hedging reserve $'000	Foreign currency reserve $'000	Sub-Total $'000	Other restricted funds $'000	Total $'000
Group						
Balance at 1 January 2018	442,097	(73)	169	442,193	504	442,697
Effects of adopting FRS 115	(826)	–	–	(826)	–	(826)
Balance at 1 January 2018 (restated)	441,271	(73)	169	441,367	504	441,871
Excess of income over expenditure	15,814	–	–	15,814	–	15,814
Other comprehensive income						
Net gain on fair value arising from derivatives	–	111	–	111	–	111
Funds utilised, net	–	–	–	–	(55)	(55)
Foreign currency translation	–	–	(349)	(349)	–	(349)
Other comprehensive income for the year	–	111	(349)	(238)	(55)	(293)
Total comprehensive income for the year	15,814	111	(349)	15,576	(55)	15,521
Balance at 31 December 2018 and 1 January 2019	457,085	38	(180)	456,943	449	457,392
Excess of income over expenditure	21,716	–	–	21,716	–	21,716
Other comprehensive income						
Net loss on fair value arising from derivatives	–	(157)	–	(157)	–	(157)
Funds received, net	–	–	–	–	10	10
Foreign currency translation	–	–	401	401	–	401
Other comprehensive income for the year	–	(157)	401	244	10	254
Total comprehensive income for the year	21,716	(157)	401	21,960	10	21,970
Balance at 31 December 2019	478,801	(119)	221	478,903	459	479,362

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

Statements of changes in reserves and funds

For the financial year ended 31 December 2019

	Accumulated surplus $'000	Total $'000
Institute		
Balance at 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 and 1 January 2018	409,046	409,046
Excess of income over expenditure for the year, representing total comprehensive income for the year	11,960	11,960
Balance at 31 December 2018 and 1 January 2019	421,006	421,006
Excess of income over expenditure for the year, representing total comprehensive income for the year	19,620	19,620
Balance at 31 December 2019	440,626	440,626

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 2019

	Note	2019 $'000	2018 $'000 (Restated)
Operating activities			
Excess of income over expenditure before income tax		26,019	19,445
Adjustments for:			
Depreciation of property, plant and equipment and investment properties		33,032	34,238
Depreciation of right-of-use assets	22	1,315	–
Loss/(gain) on disposal of property, plant and equipment	8	45	(35)
Impairment of property, plant and equipment	11	359	–
Impairment loss on trade and other receivables	15	33	144
Investment income		(5,025)	(3,452)
Dividend income	5	(423)	(347)
Fair value changes arising from financial assets at fair value through profit or loss	5	(4,437)	3,460
Fair value changes arising from derivatives		(215)	109
Amortisation of deferred capital grants		(1,259)	(1,259)
Unrealised foreign exchange loss		(5)	(4)
Foreign currency translation difference		(183)	(259)
Finance cost	7	1,195	–
Operating cash flows before movements in working capital		50,451	52,040
Trade and other receivables and grant receivables		6,017	(7,312)
Contract assets		(502)	–
Prepayments		347	(697)
Trade and other payables		(5,517)	8,511
Course and membership fees received in advance		677	(6,474)
Other restricted funds		10	(55)
Cash flows from operations		51,483	46,013
Income tax paid		(3,652)	(3,968)
Net cash flows generated from operating activities		47,831	42,045
Investing activities			
Purchase of property, plant and equipment	11	(4,875)	(12,338)
Proceeds from disposal of property, plant and equipment		126	35
Proceed from disposal of derivatives		107	–
Withdrawal/(placement) with fund manager		167	(19,553)
Interest received		4,434	2,275
Withdrawal/(placement) of fixed deposits		39,660	(18,446)
Net cash flows generated from/(used in) investing activities		39,619	(48,027)

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 2019

	Note	2019 $'000	2018 $'000 (Restated)
Financing activity			
Payment of principal portion of lease liabilities		(349)	–
Net cash flows used in financing activity		(349)	–
Net increase/(decrease) in cash and cash equivalents		87,101	(5,982)
Effect of exchange rate changes on cash and cash equivalents		(136)	101
Cash and cash equivalents at the beginning of financial year		172,118	177,999
Cash and cash equivalents at the end of financial year	17	259,083	172,118

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

1. General information

Singapore Institute of Management Society (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 13 to the financial statements.

With effect from 18 September 2019, the name of the Institute was changed from Singapore Institute of Management to Singapore Institute of Management Society.

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 on a 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 *Adoption of new and amended standards*

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 2019. Except for the impact arising from the adoption of FRS 116 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases -Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under FRS 116 is substantially unchanged from FRS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in FRS 17. Therefore, FRS 116 does not have an impact for leases where the Group is the lessor.

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

2.2 *Adoption of new and amended standards (cont'd)*

FRS 116 *Leases (cont'd)*

The Group adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the lease liability is measured based on the remaining lease payments discounted using the incremental borrowing rate as of the date of initial application. The Group applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

Upon adoption of FRS 116, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.16 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liability were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Assets were measured at an amount equal to the lease liability, adjusted for previously recognised prepaid and accrual lease payment.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Group recognised right-of-use assets and lease liabilities of $19,284,000 and $19,237,000 respectively on adoption date. The carrying amount of the right-of-use assets and lease liabilities amount to $17,694,000 and $19,787,000 respectively for the financial year ended 31 December 2019.

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

2.2 *Adoption of new and amended standards (cont'd)*

FRS 116 *Leases* *(cont'd)*

The lease liabilities of the Group as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	Group $'000
Operating lease commitments as at 31 December 2018	35,764
Weighted average incremental borrowing rate as at 1 January 2019	6.12%
Discounted operating lease commitments as at 1 January 2019	(15,279)
Less:	
Commitments relating to short-term leases	(265)
Commitments relating to contracts that do not contain a lease	(580)
Commitments relating to leases of low-value assets	(403)
Lease liabilities as at 1 January 2019	19,237

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
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 103: Definition of a Business	1 January 2020
Amendments to FRS 1 and FRS 8: Definition of Material	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: Interest Rate Benchmark Reform	1 January 2020

The Governing Council expects that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

Notes to the financial statements

For the financial year ended 31 December 2019

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 a reserves and funds 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 reserves and funds;
- 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 currencies*

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 8.33%
Office equipment, furniture and fittings (excluding artifacts and paintings)	25%
Motor vehicles	20%
Computers	33.33%

Artifacts and paintings are not depreciated and are carried at cost less accumulated impairment loss.

Assets under construction included in computers are not depreciated as these assets are not yet available for use.

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 incorporated 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 entity becomes party to the contractual provisions of the instruments.

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

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

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

2.10 *Financial instruments (cont'd)*

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

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

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI 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 for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from reserves and funds to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Notes to the financial statements

For the financial year ended 31 December 2019

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

2.10 *Financial instruments (cont'd)*

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

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

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 for debt instruments is recognised in profit or loss.

(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 profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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

2.10 *Financial instruments (cont'd)*

(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.

2.11 *Impairment of financial assets*

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

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

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

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

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

Notes to the financial statements

For the financial year ended 31 December 2019

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

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, while any ineffective portion is recognised immediately in income and expenditure.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Amounts recognised as other comprehensive income are transferred to income and expenditure when the hedged transaction affects income and expenditure. 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.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

2.14 *Provisions*

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

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

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

2.15 *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.

Deferred capital grants are recognised in the statement of comprehensive income over the period necessary to match the depreciation of the related assets purchased with the grants.

2.16 *Leases*

These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) *As lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

Notes to the financial statements

For the financial year ended 31 December 2019

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

2.16 *Leases (cont'd)*

(a) *As lessee (cont'd)*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(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 2.17(g). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.16 *Leases (cont'd)*

These accounting policies are applied before the initial application date of FRS 116, 1 January 2019:

(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*

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under FRS 116.

2.17 *Revenue recognition*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Course, conference and consultancy fees*

Course, conference and consultancy fees are recognised over the duration of the programs. Included in the course fees are application fees and boarding fees which are recognised over the duration of the programs.

(b) *Membership fees*

Membership fees are recognised over the membership term.

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

2.17 *Revenue recognition (cont'd)*

(c) *Group corporate service income*

Revenue from provision of group corporate services are recognised over the period of service.

(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.

2.18 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

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

2.19 *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 reserves and funds. 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.

(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.

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

2.19 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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 reserves and funds and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Goods and services tax ("GST")*

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

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST 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. Governing Council is of the opinion that there is no significant judgement made in applying accounting policies and there is no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. Revenue

(a) Disaggregation of revenue

Group	Course, conference and consultancy fees		Membership fees and services		Group corporate services income from third party		Other income*		Total revenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
		(Restated)								(Restated)
Segments										
Primary geographical markets										
Singapore	176,321	181,676	653	910	42,330	40,884	13,671	7,575	232,975	231,045
Cambodia	3,847	1,177	–	–	–	–	336	35	4,183	1,212
	180,168	182,853	653	910	42,330	40,884	14,007	7,610	237,158	232,257
Major service lines										
Course, conference and consultancy fees	180,168	182,853	–	–	–	–	–	–	180,168	182,853
Membership fees and services	–	–	653	910	–	–	–	–	653	910
Group corporate services income from third party	–	–	–	–	42,330	40,884	–	–	42,330	40,884
Other income	–	–	–	–	–	–	14,007	7,610	14,007	7,610
	180,168	182,853	653	910	42,330	40,884	14,007	7,610	237,158	232,257
Timing of transfer of services										
At a point in time	–	–	–	–	–	–	14,007	7,610	14,007	7,610
Over time	180,168	182,853	653	910	42,330	40,884	–	–	223,151	224,647

* Other income excludes grant income and rental income.

4. Revenue (cont'd)

(a) Disaggregation of revenue (cont'd)

Institute	Course, conference and consultancy fees		Membership fees and services		Group corporate services income		Other income*		Total revenue	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segments										
Primary geographical markets										
Singapore	4,662	3,841	679	948	73,470	73,597	12,221	5,829	91,032	84,215
	4,662	3,841	679	948	73,470	73,597	12,221	5,829	91,032	84,215
Major service lines										
Course, conference and consultancy fees	4,662	3,841	–	–	–	–	–	–	4,662	3,841
Membership fees and services	–	–	679	948	–	–	–	–	679	948
Group corporate service income from subsidiaries	–	–	–	–	31,140	32,713	–	–	31,140	32,713
Group corporate services income from third party	–	–	–	–	42,330	40,884	–	–	42,330	40,884
Other income	–	–	–	–	–	–	12,221	5,829	12,221	5,829
	4,662	3,841	679	948	73,470	73,597	12,221	5,829	91,032	84,215
Timing of transfer of services										
At a point in time	–	–	–	–	–	–	12,221	5,829	12,221	5,829
Over time	4,662	3,841	679	948	73,470	73,597	–	–	78,811	78,386

* Other income excludes grant income and rental income.

4. Revenue (cont'd)

(b) Contract assets and course and membership fees received in advance

Information about contract assets and course and membership fees received in advance from contracts with customers are disclosed as follows:

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000 (Restated)	$'000	$'000	$'000
Contract assets	502	–	502	–	–
Course and membership fees received in advance:					
Current	34,411	35,321	115	258	278
Non-current	175	195	–	–	–
	34,586	35,516	115	258	278

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of services. Contract assets are transferred to receivables when invoices have been issued.

Course and membership fees received in advance primarily relate to the Group's obligation to transfer services to students for which the Group has received advance payment from students for sale of course and membership services.

Course and membership fees received in advance are recognised as revenue as the Group performs under the contract.

Significant changes in course and membership fees received in advance are explained as follows:

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue recognised that was included in the course and membership fees received in advance balance at the beginning of the year	35,341	39,031	258	343

5. Investment (income)/expenses

The following items have been included in arriving at the investment (income)/expenses:

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment income				
Dividend income from quoted equity securities	(423)	(347)	(423)	(347)
Fair value changes arising from investments in quoted equity and debt securities	(4,437)	–	(4,437)	–
Foreign exchange gain, net	(962)	–	(962)	–
Interest income from:				
- Cash held by fund manager	(21)	(14)	(21)	(14)
- Quoted debt securities	(1,394)	(1,405)	(1,394)	(1,405)
- Deposits	(4,271)	(2,688)	(3,421)	(2,262)
	(11,508)	(4,454)	(10,658)	(4,028)
Investment expenses				
Fair value changes arising from investments in quoted equity and debt securities	–	3,460	–	3,460
Loss from sale of investments:				
- Quoted equity securities	871	67	871	67
- Quoted debt securities	405	152	405	152
Foreign exchange loss, net	–	36	–	36
Fund manager's fee	309	367	309	367
Others	38	33	38	33
	1,623	4,115	1,623	4,115

6. Administrative expenses

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Employee benefits expense (Note 9)	63,856	64,442	26,363	24,434
Depreciation of property, plant and equipment (Note 11)	32,709	33,915	28,773	31,250
Depreciation of investment properties (Note 12)	323	323	323	323
Depreciation of right-of-use assets (Note 22)	1,315	–	–	–
Utilities and facility management expenses	14,102	14,604	10,239	10,348
Professional fees	1,683	2,552	747	753
Leases of premises	251	967	–	–
Small value assets	908	993	362	276
Travel expenses	1,068	750	164	147
Accommodation and per diem	793	371	12	13
Others	2,809	2,670	1,279	1,081
	119,817	121,587	68,262	68,625

7. Finance expenses

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest expense on lease liabilities	1,195	–	–	–

8. Other losses/(gains)

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other gains				
Gain on disposal of property, plant and equipment	–	(35)	–	(29)
Net foreign exchange gain	–	(512)	–	(7)
	–	(547)	–	(36)
Other losses				
Loss on disposal of property, plant and equipment	45	–	77	–
Net foreign exchange loss	489	–	127	–
Impairment loss on property, plant and equipment	359	–	–	–
	893	–	204	–

9. Employee benefits expense

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Wages and salaries	54,921	55,359	22,561	20,942
Defined contribution plans	6,689	6,973	2,913	2,778
Other short-term benefits	2,246	2,110	889	714
	63,856	64,442	26,363	24,434

10. Income tax expenses

The Institute is a registered charity and enjoys automatic income tax exemption under section 13(1)(zm) of the Income Tax Act.

*(a) **Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group	
	2019	2018
	$'000	$'000
Current income tax		
- Current year	4,314	3,490
- (Over)/under provision in respect of previous years	(11)	141
Income tax expense recognised in income and expenditure	4,303	3,631

*(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 2019 and 2018 is as follows:

	Group	
	2019	2018
	$'000	$'000
Excess of income over expenditure before tax	26,019	19,445
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,423	3,306
Adjustments:		
Income not subject to taxation	(3,615)	(2,221)
Non-deductible expenses	533	300
Effect of partial tax exemption and tax relief	(36)	(67)
Deferred tax assets not recognised	3,010	2,142
(Over)/under provision in respect of previous years	(11)	141
Others	(1)	30
	4,303	3,631

At the end of the reporting period, the Group has unutilised tax losses of approximately $31,748,000 (2018: $18,767,000) for which no deferred tax asset has been recognised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

11. 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 2018	406,693	49,927	647	54,635	511,902
Additions	4,336	5,135	166	2,701	12,338
Disposals	–	(1,198)	–	(3,012)	(4,210)
Reclassification	–	616	–	(616)	–
Exchange differences	25	17	6	3	51
At 31 December 2018 and 1 January 2019	411,054	54,497	819	53,711	520,081
Additions	2,367	1,383	–	1,125	4,875
Disposals	(203)	(1,042)	(215)	(253)	(1,713)
Reclassification	(1,529)	865	–	664	–
Exchange differences	(53)	(34)	(8)	(3)	(98)
At 31 December 2019	411,636	55,669	596	55,244	523,145

11. 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
Group					
Accumulated depreciation:					
At 1 January 2018	181,332	41,531	139	50,156	273,158
Depreciation for the year	25,824	4,413	141	3,537	33,915
Disposals	–	(1,197)	–	(3,012)	(4,209)
Reclassification	–	616	–	(616)	–
Exchange differences	1	4	2	1	8
At 31 December 2018 and 1 January 2019	207,157	45,367	282	50,066	302,872
Depreciation for the year	26,654	3,473	142	2,440	32,709
Impairment	279	80	–	–	359
Disposals	(110)	(1,041)	(165)	(226)	(1,542)
Exchange differences	(11)	(11)	(3)	(4)	(29)
At 31 December 2019	233,969	47,868	256	52,276	334,369
Net carrying amount:					
At 31 December 2018	203,897	9,130	537	3,645	217,209
At 31 December 2019	177,667	7,801	340	2,968	188,776

11. 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 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 and 1 January 2018	406,549	45,046	86	28,836	480,517
Additions	1,062	945	–	1,667	3,674
Disposals	–	(1,195)	–	(2,946)	(4,141)
Reclassification	–	616	–	(616)	–
At 31 December 2018 and 1 January 2019	407,611	45,412	86	26,941	480,050
Additions	113	1,149	–	334	1,596
Disposals	(201)	(1,039)	–	(134)	(1,374)
At 31 December 2019	407,523	45,522	86	27,141	480,272

11. 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					
Accumulated depreciation:					
At 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 and 1 January 2018	181,332	40,179	22	25,572	247,105
Depreciation for the year	25,762	2,818	17	2,653	31,250
Disposals	–	(1,195)	–	(2,946)	(4,141)
Reclassification	–	616	–	(616)	–
At 31 December 2018 and 1 January 2019	207,094	42,418	39	24,663	274,214
Depreciation for the year	25,965	1,423	17	1,368	28,773
Disposals	(110)	(1,039)	–	(134)	(1,283)
At 31 December 2019	232,949	42,802	56	25,897	301,704
Net carrying amount:					
At 31 December 2017	225,217	4,867	64	3,264	233,412
At 31 December 2018	200,517	2,994	47	2,278	205,836
At 31 December 2019	174,574	2,720	30	1,244	178,568

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

Assets under construction

The Group and the Institute's property, plant and equipment included $926,000 (31 December 2018: $1,485,000, 1 January 2018: $4,882,000) and $127,000 (31 December 2018: $85,000, 1 January 2018: $2,892,000) which relate to expenditure for improvement of information technology applications and leasehold land, building and improvements.

12. Investment properties

	Group and Institute		
	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000
Cost:			
At 1 January and 31 December	3,965	3,965	3,965
Accumulated depreciation:			
At 1 January	2,997	2,674	2,352
Depreciation charge for the year	323	323	322
At 31 December	3,320	2,997	2,674
Net carrying amount	645	968	1,291
Statement of comprehensive income			
Rental income from investment properties	890	889	910
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	323	323	177

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 as at 31 December 2019 approximates $41,000,000 (31 December 2018: $30,000,000, 1 January 2018: $29,000,000). The independent valuation was performed by an independent professional valuation firm on 31 October 2019. Details of valuation techniques and inputs used are disclosed in Note 26.

13. Investment in subsidiaries

	Institute		
	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000
Unquoted equity shares, at cost	3,500	3,500	3,500

Details of the Institute's subsidiaries at 31 December 2019 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Principal activities	Proportion (%) of ownership interest and voting power		
			2019	31 December 2018	1 January 2018
			%	%	%
Held by the Institute					
Singapore Institute of Management Holdings Pte. Ltd.	Singapore	Investment holding	100	100	100
SIM AEC Pte. Ltd.	Singapore	Engaged in course programs to train future entrepreneurs	100	100	100
Held through Singapore Institute of Management Holdings Pte. Ltd.					
Singapore Institute of Management Pte. Ltd.	Singapore	Engaged in higher and continuing education	100	100	100
Singapore Institute of Management International Pte. Ltd.	Singapore	Investment holding and providing management services for overseas ventures	100	100	100
SIM Xtension Pte. Ltd.	Singapore	Engaged in corporate training services and motivational course providers	100	100	100
Held through Singapore Institute of Management International Pte. Ltd.					
Singapore (Cambodia) International Academy Co., Ltd.	Kingdom of Cambodia	Engaged in operating international schools and providing enrichment programs	100	100	100

14. Financial assets at fair value through profit or loss

	Group and Institute		
	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000
Quoted debt securities	33,914	40,620	37,764
Quoted equity securities	19,267	8,820	14,019
Unit trusts	21,288	20,272	–
	74,469	69,712	51,783

In 2019, the quoted debt securities managed by the fund managers earned interest at rates ranging from 2.80% to 5.0% (31 December 2018: 2.08% to 5.0%, 1 January 2018: 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 April 2020 to April 2077.

15. Trade and other receivables

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000	$'000	$'000
				(Restated)	(Restated)
Group corporate services income due from subsidiaries	–	–	14,333	10,449	6,233
Group corporate services income due from third party	17,792	23,526	17,792	23,526	13,692
Staff loan	1	1	1	1	1
Course fees receivable	1,459	1,445	695	659	717
Rental receivable	33	98	–	–	–
Interest receivable	814	977	563	628	405
Dividend receivable	40	18	40	18	8
Deposits	230	219	11	43	42
Others	1,305	1,624	43	160	418
Total trade and other receivables	21,674	27,908	33,478	35,484	21,516
Add: Cash and bank balances (Note 17)	267,108	219,804	139,381	100,365	98,104
Add: Contract asset (Note 4(b))	502	–	502	–	–
Add: Grant receivables	26	44	26	44	2,950
Add: Loan to a subsidiary (Note 18)	–	–	28,745	26,003	17,188
Total financial assets carried at amortised cost	289,310	247,756	202,132	161,896	139,758

15. Trade and other receivables (cont'd)

Course fees receivable, rental receivable and group corporate services income due from third party 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.

Group corporate services income from subsidiaries are trade, repayable upon demand and are to be settled in cash.

Expected credit loss model

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Movement in allowance accounts:				
At 1 January	(289)	(145)	(31)	–
Charge for the year	(33)	(144)	(28)	(31)
Written off	59	–	59	–
At 31 December	(263)	(289)	–	(31)

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

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000	$'000	$'000
Euro	114	41	–	–	–
United States dollar	1,117	1,064	–	33	–

16. Derivatives

	2019			2018		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Forward foreign exchange contracts						
- Buy GBP/Sell SGD [b]	–	–	–	895	–	26
- Buy USD/Sell SGD [b]	–	–	–	677	–	3
- Buy USD/Sell SGD [a]	4,429	–	119	7,034	41	–
- Buy AUD/Sell SGD [a]	–	–	–	245	–	4
- Buy SGD/Sell USD [b]	8,312	110	–	29,670	134	82
		110	119		175	115

	2019			31 December 2018			1 January 2018		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Institute									
Forward foreign exchange contracts									
- Buy USD/Sell SGD [b]	–	–	–	677	–	3	–	–	–
- Buy SGD/Sell USD [b]	8,312	110	–	19,444	134	–	15,181	127	–
		110	–		134	3		127	–

[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.

16. Derivatives (cont'd)

Foreign currency risk

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), Australian dollar (AUD) and Singapore dollar (SGD).

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 receipts and 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.

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 2020 were assessed to be highly effective and a net unrealised loss of $157,000 (2018: gain of $111,000) 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 $119,000 (2018: gain of $38,000) are made up of the net movements in cash flow hedges and the effective portion of the forward contract, net of tax.

17. Cash and bank balances

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000	$'000	$'000
Cash and bank balances	122,880	27,821	77,869	1,956	3,101
Cash held by fund manager	2,218	2,078	2,218	2,078	1,631
Fixed deposits	142,010	189,905	59,294	96,331	93,372
	267,108	219,804	139,381	100,365	98,104

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17. Cash and bank balances (cont'd)

Fixed deposits are interest bearing at average rates ranging from 1.43% to 1.94% (31 December 2018: 1.22% to 2.03%, 1 January 2018: 0.28% to 1.70%) per annum and are for a tenure of approximately 31 days to 182 days (31 December 2018: 91 days to 365 days, 1 January 2018: 4 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		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000	$'000	$'000
Cash on hand and at bank	122,880	27,821	77,869	1,956	3,101
Cash held by fund manager	2,218	2,078	2,218	2,078	1,631
Fixed deposits (with maturity period of up to 3 months)	133,985	142,219	59,294	78,223	74,309
	259,083	172,118	139,381	82,257	79,041

Pledged deposits amounting to $1,060,000 (31 December 2018: $1,040,000, 1 January 2018: $1,020,000) are for a tenure of 31 days (31 December 2018: 194 days, 1 January 2018: 181 days) which have been pledged to banks to secure bank facilities.

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

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000	$'000	$'000	$'000
Australian dollar	84	47	–	–	–
Sterling pound	106	66	–	–	–
United States dollar	794	373	116	32	19

18. Loan to a subsidiary

	Institute 2019	Institute 31 December 2018 (Restated)	Institute 1 January 2018 (Restated)
	$'000	$'000	$'000
Loan to a subsidiary	28,745	26,003	17,188

Loan to a subsidiary are unsecured, bear interests of 5% (31 December 2018: 5%, 1 January 2018: 5%) per annum and are to be settled in cash. These loans are repayable in 5 instalments commencing from 2024.

19. Trade and other payables

	Group 2019	Group 31 December 2018	Institute 2019	Institute 31 December 2018	Institute 1 January 2018
	$'000	$'000 (Restated)	$'000	$'000	$'000
Trade payables	3,662	5,094	1,096	1,301	906
Other payables	1,009	2,523	1,645	2,190	1,120
Accruals	21,467	24,275	7,830	7,912	7,945
Deposits received	621	610	612	610	608
Total trade and other payables	26,759	32,502	11,183	12,013	10,579
Less: Net GST payable	(1,314)	(1,332)	(1,251)	(1,439)	(913)
Total financial liabilities carried at amortised cost	25,445	31,170	9,932	10,574	9,666
Represented by:					
Current	26,019	32,280	11,183	12,013	10,579
Non-current	740	222	–	–	–
	26,759	32,502	11,183	12,013	10,579

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

Non-current liabilities mainly related to the obligation arising from sponsorship income received.

19. Trade and other payables (cont'd)

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

	Group 2019	Group 31 December 2018	Institute 2019	Institute 31 December 2018	Institute 1 January 2018
	$'000	$'000	$'000	$'000	$'000
Australian dollar	3	6	–	–	–
Euro	85	47	–	–	–
Sterling pound	(206)	148	8	–	–
Singapore dollar	–	44	–	–	–
United States dollar	157	148	14	34	11

20. Deferred capital grants

	Group 2019	Group 31 December 2018	Institute 2019	Institute 31 December 2018	Institute 1 January 2018
	$'000	$'000	$'000	$'000	$'000
At 1 January	9,340	10,599	9,340	10,599	
Amortisation of deferred capital grants	(1,259)	(1,259)	(1,259)	(1,259)	
At 31 December	8,081	9,340	8,081	9,340	
Represented by:					
Current	1,259	1,259	1,259	1,259	1,259
Non-current	6,822	8,081	6,822	8,081	9,340
	8,081	9,340	8,081	9,340	10,599

21. Deferred tax liabilities

Deferred tax liabilities as at 31 December relates to the following:

	Group			
	Statement of financial position		Statement of comprehensive income	
	31 December			
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	207	207	–	–
Net deferred tax liabilities	207	207	–	–
Deferred tax expense			–	–

22. Right-of-use assets/lease liabilities

Group as a lessee

The Group has lease contract for property used in its operations. Lease of property have lease term of 15 years. The Group's obligations under its lease are secured by the lessor's title to the leased assets. This lease contract that include extension and termination options and variable lease payments.

The Group also has certain leases with lease terms of 12 months or less and leases of low-value assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and building
	$'000
At 1 January 2019	19,284
Additions	–
Depreciation expense	(1,315)
Exchange differences	(275)
At 31 December 2019	17,694

22. Right-of-use assets/lease liabilities (cont'd)

Group as a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	$'000
At 1 January 2019	19,237
Accretion of interest	1,195
Payments	(349)
Exchange differences	(296)
At 31 December 2019	19,787
Represented by:	
Current	652
Non-current	19,135
	19,787

The following are the amounts recognised in income and expenditure:

	$'000
Depreciation expense of right-of-use assets	1,315
Interest expenses on lease liabilities	1,195
Expenses relating to short-term leases (included in administrative expenses)	309
Expenses relating to leases of low-value assets (included in administrative expenses)	155
Total amount recognised in income and expenditure	2,974

22. Right-of-use assets/lease liabilities (cont'd)

Group as a lessee (cont'd)

The Group had total cash outflows for leases of $349,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $18,242,000 and $21,358,000 respectively in 2019.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	1 January 2019, adoption of FRS 116	Cash flows	Non-cash change	31 December 2019
			Other	
	$'000	$'000	$'000	$'000
Lease liabilities				
- Current	971	(349)	30	652
- Non-current	18,265	–	870	19,135
	19,236	(349)	900	19,787

The 'other' column relates to reclassification of non-current portion of lease liabilities due to passage of time.

23. Other restricted funds

Name of fund	Purpose
Sponsorship awards fund	To receive sponsorships for the purpose of awarding scholarships, medals, prizes to deserving students.

24. 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:

	Institute	
	2019	2018
	$'000	$'000
Group corporate service income from subsidiaries (Note 4)	31,140	32,713
Loan interest income from a subsidiary	1,315	1,055
Course, conference and consultancy fees paid by subsidiaries	63	206

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24. Related party transactions (cont'd)

Compensation of key management personnel

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

	Group		Institute	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Short-term employee benefits	7,756	7,589	4,273	3,342
Contributions to Central Provident Fund	416	426	237	197
	8,172	8,015	4,510	3,539

The Human Capital 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.

Number of key management personnel and immediate family members in remuneration bands for the Group is shown below:

	2019	2018
$800,001 to $900,000	1	–
$700,001 to $800,000	–	–
$600,001 to $700,000	–	–
$500,001 to $600,000	–	1
$400,001 to $500,000	1	2
$300,001 to $400,000	4	2
$200,001 to $300,000	15	17
$100,001 to $200,000	10	10
$100,000 and below	8	7
	39	39

25. 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		
		31 December		31 December	1 January
	2019	2018	2019	2018	2018
	$'000	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	980	2,223	895	499	1,477

(b) Operating lease commitments – As lessee

The Group and the Institute have entered into commercial leases on certain office equipment and building. 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 2018 of the Group and the Institute amounted to $2,994,000 and $198,000 respectively.

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

	Group	Institute	
	31 December 2018	31 December 2018	1 January 2018
	$'000	$'000	$'000
Not later than one year	3,317	151	227
Later than one year but not later than five years	9,698	239	585
After five years	22,749	–	–
Total minimum lease payments	35,764	390	812

25. 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 three months and five 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 2019 of the Group and the Institute amounted to $2,412,000 and $2,222,000 (2018: $2,508,000 and $2,200,000) respectively.

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

	Group		Institute		
		31 December		31 December	1 January
	2019	2018	2019	2018	2018
	$'000	$'000	$'000	$'000	$'000
Not later than one year	28,150	28,344	28,082	28,102	27,758
Later than one year but not later than five years	39,934	67,279	39,934	67,208	94,286
	68,084	95,623	68,016	95,310	122,044

26. 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.

26. 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.

	Note	Fair value measurements at the end of the reporting period using			
		Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
		$'000	$'000	$'000	$'000
Group					
2019					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	16	–	110	–	110
Financial assets at fair value through profit or loss	14				
Quoted debt securities		33,914	–	–	33,914
Quoted equity securities		19,267	–	–	19,267
Unit trusts		–	21,288	–	21,288
Financial assets as at 31 December 2019		53,181	21,398	–	74,579
Liabilities measured at fair value					
Financial liabilities:					
Derivatives					
Forward foreign exchange contracts	16	–	119	–	119
Financial liabilities as at 31 December 2019		–	119	–	119

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

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

	Note	Fair value measurements at the end of the reporting period using			
		Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
		$'000	$'000	$'000	$'000
Group					
2018					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	16	–	175	–	175
Financial assets at fair value through profit or loss	14				
Quoted debt securities		40,620	–	–	40,620
Quoted equity securities		8,820	–	–	8,820
Unit trusts		–	20,272	–	20,272
Financial assets as at 31 December 2018		49,440	20,447	–	69,887
2018					
Liabilities measured at fair value					
Financial liabilities:					
Derivatives					
Forward foreign exchange contracts	16	–	115	–	115
Financial liabilities as at 31 December 2018		–	115	–	115

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.

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

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

Unit trusts

Investment in the unit trusts offers the Group the opportunity for return through the funds from interest and dividend income from the underlying securities assets and fair value gains. The fair values of the unit trusts are determined as the fund net asset values provided by the fund managers at the last market day of the financial year. The net asset values approximate the fair values as the funds which comprise mainly financial assets at fair value through profit and loss and other monetary assets.

(c) *Assets and liabilities not measured 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 Fair value measurements at the end of the reporting period using				
		Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant un-observable inputs		
	Note	Level 1	Level 2	Level 3	Total	Carrying amount
		$'000	$'000	$'000	$'000	$'000
2019						
Assets						
Investment properties	12	–	41,000	–	41,000	645
31 December 2018						
Assets						
Investment properties	12	–	30,000	–	30,000	968
1 January 2018						
Assets						
Investment properties	12	–	29,000	–	29,000	1,291

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.

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

(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.

(e) *Assets not carried at fair value but for which fair value is disclosed*

The following table shows an analysis of the Company's asset not measured at fair value but for which value is disclosed:

		Institute				
		Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant un-observable inputs		
	Note	Level 1	Level 2	Level 3	Total	Carrying amount
		$'000	$'000	$'000	$'000	$'000
2019						
Assets						
Loan to a subsidiary	18	–	28,745	–	28,745	28,745
31 December 2018						
Assets						
Loan to a subsidiary	18	–	26,003	–	26,003	26,003
1 January 2018						
Assets						
Loan to a subsidiary	18	–	17,188	–	17,188	17,188

27. 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 16 to the financial statements.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Australian dollar, Euro, 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Australian dollar	86	2	3	6
Euro	114	41	85	47
Singapore dollar	–	–	–	44
Sterling pound	106	–	(206)	148
United States dollar	1,911	1,063	157	148

	Institute			
	Assets		Liabilities	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Sterling pound	–	–	8	–
United States dollar	116	32	14	34

27. 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Australian dollar	8	–	–	–
Euro	3	(1)	–	–
Singapore dollar	–	(4)	–	–
Sterling pound	31	(15)	(1)	–
United States dollar	175	92	10	–

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 $2.86 million and $1.59 million respectively (2018: $2.29 million and $1.09 million respectively).

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

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and Institute's exposure to credit risk arises primarily from course fees receivables, other receivables and other related parties. For other financial assets (including cash at bank and derivatives), the Group and Institute minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and Institute has adopted a policy of only dealing with creditworthy counterparties. The Group and Institute performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group and Institute considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and Institute has determined the default event on a financial asset to be when internal and or external information indicates that the financial asset is unlikely to be received, which generally is when there is significant difficulty of the counterparty. Financial assets are credit-impaired when:

- There is significant difficultly of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probably that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficultly

Financial assets are written off when there is evidence indicating that the debtor meets the above credit-impaired conditions and has no realistic prospect of recovery.

The Group and Institute provides for lifetime expected credit losses for all course fees receivables and other receivables using a provision matrix. Based on the historical observed default rates and incorporating forward looking information such as forecast of economic conditions, the expected credit loss was assessed to be minimal.

Summarised below in the information about the credit risk exposure on the Group and Institute's trade and other receivables and contract assets using provision matrix:

	Current	Less than 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000
2019				
Gross carrying amount	11,467	8,213	5,317	24,997
Loss allowance provision	(6)	(7)	(239)	(252)
2018				
Gross carrying amount	7,679	11,896	11,538	31,113
Loss allowance provision	–	(27)	(262)	(289)

27. 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 loss of $9,000 (2018: $60,000) as at 31 December 2019 respectively with contracted gross cash flows due within 1 year (2018: due within 1 year).

Non-derivative financial instruments

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

Group	Note	Within one year	More than one year	Total
		$'000	$'000	$'000
2019				
Financial assets:				
Derivatives	16	110	–	110
Financial assets at fair value through profit or loss	14	74,469	–	74,469
Trade and other receivables	15	21,674	–	21,674
Grant receivables		26	–	26
Contract asset	4(b)	502	–	502
Cash and bank balances	17	267,108	–	267,108
Total undiscounted financial assets		363,889	–	363,889
Financial liabilities:				
Derivatives	16	119	–	119
Trade and other payables	19	24,705	740	25,445
Course and membership fees received in advance	4(b)	34,411	175	34,586
Lease liabilities	22	652	19,135	19,787
Total undiscounted financial liabilities		59,887	20,050	79,937
Net undiscounted financial assets		304,002	(20,050)	283,952

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

(d) Liquidity risk (cont'd)

Group	Note	Within one year $'000	More than one year $'000	Total $'000
31 December 2018 (Restated)				
Financial assets:				
Derivatives	16	175	–	175
Financial assets at fair value through profit or loss	14	69,712	–	69,712
Trade and other receivables	15	27,908	–	27,908
Grant receivables		44	–	44
Cash and bank balances	17	219,804	–	219,804
Total undiscounted financial assets		317,643	–	317,643
Financial liabilities:				
Derivatives	16	115	–	115
Trade and other payables	19	30,948	222	31,170
Course and membership fees received in advance	4(b)	35,321	195	35,516
Total undiscounted financial liabilities		66,384	417	66,801
Net undiscounted financial assets		251,259	(417)	250,842

Institute	Note	Within one year $'000	More than one year $'000	Total $'000
2019				
Financial assets:				
Derivatives	16	110	–	110
Financial assets at fair value through profit or loss	14	74,469	–	74,469
Trade and other receivables	15	33,478	–	33,478
Grant receivables		26	–	26
Contract asset	4(b)	502	–	502
Cash and bank balances	17	139,381	–	139,381
Loan to a subsidiary	18	–	28,745	28,745
Total undiscounted financial assets		247,966	28,745	276,711
Financial liabilities:				
Trade and other payables	19	9,932	–	9,932
Course and membership fees received in advance	4(b)	115	–	115
Total undiscounted financial liabilities		10,047	–	10,047
Net undiscounted financial assets		237,919	28,745	266,664

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

(d) Liquidity risk (cont'd)

Institute	Note	Within one year $'000	More than one year $'000	Total $'000
31 December 2018 (Restated)				
Financial assets:				
Derivatives	16	134	–	134
Financial assets at fair value through profit or loss	14	69,712	–	69,712
Trade and other receivables	15	35,484	–	35,484
Grant receivables		44	–	44
Cash and bank balances	17	100,365	–	100,365
Loan to a subsidiary	18	–	26,003	26,003
Total undiscounted financial assets		205,739	26,003	231,742
Financial liabilities:				
Derivatives	16	3	–	3
Trade and other payables	19	10,574	–	10,574
Course and membership fees received in advance	4(b)	258	–	258
Total undiscounted financial liabilities		10,835	–	10,835
Net undiscounted financial assets		194,904	26,003	220,907

Institute	Note	Within one year $'000	More than one year $'000	Total $'000
1 January 2018 (Restated)				
Financial assets:				
Derivatives	16	127	–	127
Financial assets at fair value through profit or loss	14	51,783	–	51,783
Trade and other receivables	15	21,516	–	21,516
Grant receivables		2,950	–	2,950
Cash and bank balances	17	98,104	–	98,104
Loan to a subsidiary	18	–	17,188	17,188
Total undiscounted financial assets		174,480	17,188	191,668
Financial liabilities:				
Trade and other payables	19	9,666	–	9,666
Course and membership fees received in advance	4(b)	278	–	278
Total undiscounted financial liabilities		9,944	–	9,944
Net undiscounted financial assets		164,536	17,188	181,724

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

(e) Market price risk

The Group is exposed to price risk arising from quoted equity securities held by the fund manager.

Further details of these investments can be found in Note 14 to the financial statements.

Price sensitivity analysis

In respect of the investment in quoted equity securities, if the prices had been 10% higher/lower, this would increase/decrease the Group's income and expenditure by $1.9 million (2018: $0.9 million).

(f) Categories of financial instruments

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

	Group		Institute		
	2019	31 December 2018	2019	31 December 2018	1 January 2018
	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000 (Restated)
Financial assets:					
Financial assets at fair value through profit or loss	74,469	69,712	74,469	69,712	51,783
Financial assets carried at amortised cost	289,310	247,756	202,132	161,896	139,758
Derivatives	110	175	110	134	127
	363,889	317,643	276,711	231,742	191,668
Financial liabilities					
Financial liabilities at amortised cost	25,445	31,170	9,932	10,574	9,666
Course and membership fees received in advance	34,586	35,516	115	258	278
Derivatives	119	115	–	3	–
Lease liabilities	19,787	–	–	–	–
	79,937	66,801	10,047	10,835	9,944

28. 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 businesses.

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.

29. Restatement of comparatives

Adjustments had been made retrospectively to correct errors relating to prior years and the effect of the restatements are as disclosed below:

		Group		
	Note	As previously reported 31 December 2018	Adjustments 31 December 2018	Restated 31 December 2018
		$'000	$'000	$'000
Statements of financial position				
CURRENT LIABILITIES				
Trade and other payables	(a), (b)	34,282	(1,199)	33,083
Course and membership fees received in advance	(a)	33,736	782	34,518
		68,018	(417)	67,601
NON-CURRENT LIABILITIES				
Trade and other payables	(b)	–	222	222
Course and membership fees received in advance	(a)	–	195	195
		–	417	417

(a) Adjustment of application fees received in advance from trade and other payables (current) to course and membership fees received in advance (current and non-current).

(b) Adjustment of long-term accruals from trade and other payables (current) to trade and other payables (non-current).

29. Restatement of comparatives (cont'd)

	Note	Institute As previously reported 31 December 2018 $'000	Adjustments 31 December 2018 $'000	Restated 31 December 2018 $'000	As previously reported 1 January 2018 $'000	Adjustments 1 January 2018 $'000	Restated 1 January 2018 $'000
Statements of financial position							
CURRENT ASSETS							
Trade and other receivables	(c)	61,487	(26,003)	35,484	38,704	(17,188)	21,516
NON-CURRENT ASSETS							
Loan to a subsidiary	(c)	–	26,003	26,003	–	17,188	17,188

(c) Adjustment of long-term loan from trade and other receivables (current) to loan to a subsidiary (non-current).

30. 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:

	As restated per Note 29 31 December 2018 $'000	Adjustments 31 December 2018 $'000	As restated 31 December 2018 $'000
Statements of financial position			
CURRENT LIABILITIES			
Trade and other payables	33,083	(803)	32,280
Course fees received in advance	34,518	803	35,321
	67,601	–	67,601

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30. Comparative information (cont'd)

	As previously reported For the year ended 31 December 2018 $'000	Adjustments For the year ended 31 December 2018 $'000	As restated For the year ended 31 December 2018 $'000
Statements of comprehensive income			
Income			
Course, conference and consultancy fees	183,377	(524)	182,853
Expenditure			
Course, conference and consultancy expenditure	(92,274)	524	(91,750)
	91,103	–	91,103

	As previously reported For the year ended 31 December 2018 $'000	Re-classification For the year ended 31 December 2018 $'000	As restated For the year ended 31 December 2018 $'000
Statements of cash flows			
Course fees received in advance	(4,693)	(1,781)	(6,474)
Trade and other payables	6,730	1,781	8,511

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31. Events occurring after the reporting period

(a) On 29 February 2020, the Institute has been dissolved as a charity. Consequently, the assets and liabilities of the Institute are transferred to Singapore Institute of Management Group Limited ("SIMGL") on 1 March 2020. SIMGL is a company limited by guarantee with charity status.

(b) The extent of the impact of the COVID-19 outbreak on the financial performance of the Group's investment will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the carrying value of the investments and the Group's investment results may be materially adversely affected.

32. 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 reserves and funds of the Institute for the year ended 31 December 2019 were authorised for issue by the Governing Council at their meeting on 5 May 2020.