

Singapore Institute of Management and its Subsidiaries Financial Report 2016

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Governing Council's statement

In the opinion of the Governing Council, the consolidated financial statements of Singapore Institute of Management and its subsidiaries (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of Singapore Institute of Management (the "Institute") as set out on pages 7 to 60 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 2016, and of the financial performance and changes in equity of the Group and Institute and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Institute will be able to pay its debts when they fall due.

On behalf of the Governing Council



Mr Tan Soo Jin



Mr Victor Liew Cheng San

28 March 2017

Independent auditor's report

For the financial year ended 31 December 2016

To the members of Singapore Institute of Management

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Institute of Management (the "Institute") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Institute as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity of the Group and statement of comprehensive income and statement of changes in equity of the Institute and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of the financial position, statement of comprehensive income and statement of changes in equity of the Institute are properly drawn up in accordance with the provisions of the Societies Act, Chapter 311 (the Societies Act), the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Institute as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Institute for the year ended on that date.

Basis for opinion

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report

For the financial year ended 31 December 2016

To the members of Singapore Institute of Management

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.

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:

Independent auditor's report

For the financial year ended 31 December 2016

To the members of Singapore Institute of Management

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

- 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.

Independent auditor's report

For the financial year ended 31 December 2016

To the members of Singapore Institute of Management

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.

During the course of our audit, nothing has come to our attention that causes us to believe that during the year the Institute has not complied with the requirements of Regulation 7 of the Charities (Fund-Raising Appeals) Regulations.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

28 March 2017

Statements of comprehensive income

For the financial year ended 31 December 2016

	Note	Group		Institute	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Income					
Course, conference and consultancy fees		286,593	283,741	6,181	6,630
Membership fees and services		712	476	773	581
Grant income		36,150	22,637	4,070	4,207
Interest income		5,367	4,211	982	318
Rental income		2,142	2,033	2,142	2,052
Dividend income		932	1,102	40,000	35,000
Donation income		172	–	–	–
Group corporate service charges to subsidiaries		–	–	65,565	47,401
Other income		5,396	4,479	1,552	1,665
Total income		337,464	318,679	121,265	97,854
Expenditure					
Course, conference and consultancy expenditure		119,669	122,187	7,642	7,804
Membership expenses		1,167	1,384	1,167	1,384
Donations to outside parties		181	148	87	71
Administrative expenses	4	167,904	160,878	73,177	74,325
Other losses/(gains)	5	724	(23,188)	(125)	(15,367)
Total expenditure		289,645	261,409	81,948	68,217
Excess of income over expenditure before income tax		47,819	57,270	39,317	29,637
Taxation	7	(3,122)	(5,863)	–	–
Excess of income over expenditure for the year		44,697	51,407	39,317	29,637
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to income and expenditure:</i>					
Funds received		83	146	–	–
<i>Items that may be reclassified subsequently to income and expenditure:</i>					
Net change in fair value of cash flow hedges		487	1,051	–	–
Net fair value gains/(losses) on available-for-sale financial assets		608	(593)	–	–
Net fair value changes on available-for-sale financial assets reclassified to income and expenditure		(4)	(18,993)	–	(13,075)
Other comprehensive income for the year, net of tax		1,174	(18,389)	–	(13,075)
Total comprehensive income for the year		45,871	33,018	39,317	16,562

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

Statements of financial position

As at 31 December 2016

	Note	Group		Institute	
		2016 S\$'000	2015 S\$'000 (Restated)	2016 S\$'000	2015 S\$'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	8	268,309	299,743	263,454	293,027
Investment properties	9	1,613	1,935	1,613	1,935
Investment in subsidiaries	10	–	–	3,500	2,500
Available-for-sale investments	11	20,679	19,456	–	–
Held-to-maturity investments	12	8,500	15,123	–	–
Total non-current assets		299,101	336,257	268,567	297,462
CURRENT ASSETS					
Trade and other receivables	13	40,045	15,502	22,466	6,597
Prepayments		3,269	3,872	648	679
Grant receivables		11,996	7,780	1,080	3,141
Derivatives	14	643	188	–	–
Held-to-maturity investments	12	3,522	3,000	–	–
Cash and bank balances	15	444,333	389,325	136,064	83,173
Total current assets		503,808	419,667	160,258	93,590
TOTAL ASSETS		802,909	755,924	428,825	391,052
LIABILITIES, RESERVES AND FUND BALANCES					
CURRENT LIABILITIES					
Derivatives	14	–	69	–	–
Trade and other payables	16	49,687	48,845	18,381	18,600
Income tax payable		3,325	6,132	–	–
Course and membership fees received in advance		46,393	42,332	317	372
Grants received in advance	17	2,373	3,231	–	–
Deferred capital grants	18	12,781	13,557	11,858	13,128
Total current liabilities		114,559	114,166	30,556	32,100
NET CURRENT ASSETS		389,249	305,501	129,702	61,490
NON-CURRENT LIABILITIES					
Deferred tax liabilities	19	119	101	–	–
Total non-current liabilities		119	101	–	–
TOTAL LIABILITIES		114,678	114,267	30,556	32,100
NET ASSETS		688,231	641,657	398,269	358,952

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

Statements of financial position

As at 31 December 2016

	Note	Group		Institute	
		2016 S\$'000	2015 S\$'000 (Restated)	2016 S\$'000	2015 S\$'000
RESERVES AND FUND BALANCES					
General fund:					
Accumulated surplus		614,932	563,301	398,269	358,952
Fair value reserve	24	44	(515)	–	–
Hedging reserve	14	632	145	–	–
		615,608	562,931	398,269	358,952
Education fund:					
Accumulated surplus		43,539	63,470	–	–
Fair value reserve	24	34	(11)	–	–
Endowment fund	21	2,552	1,375	–	–
	20	46,125	64,834	–	–
College fund	22	25,688	13,165	–	–
Other restricted funds	23	810	727	–	–
Total reserves and fund balances		688,231	641,657	398,269	358,952
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		802,909	755,924	428,825	391,052
Funds managed on behalf of Ministry of Education (“MOE”)					
	25	6,600	3,393	–	–

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

Statements of changes in equity

For the financial year ended 31 December 2016

	General fund				Education fund			College fund	Other restricted funds	Total	
	Accumulated surplus	Fair value reserve	Hedging reserve	Sub-Total	Accumulated surplus	Fair value reserve	Endowment fund				
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group											
Balance at 1 January 2015	508,123	13,810	(906)	521,027	76,499	5,250	1,061	82,810	4,105	581	608,523
Excess of income over expenditure for the year	55,178	–	–	55,178	(12,914)	–	83	(12,831)	9,060	–	51,407
Other comprehensive income for the year	–	(14,325)	1,051	(13,274)	–	(5,261)	–	(5,261)	–	146	(18,389)
Total comprehensive income for the year	55,178	(14,325)	1,051	41,904	(12,914)	(5,261)	83	(18,092)	9,060	146	33,018
Donation from foundations	–	–	–	–	–	–	116	116	–	–	116
Transfer of funds	–	–	–	–	(115)	–	115	–	–	–	–
Balance at 31 December 2015 and 1 January 2016	563,301	(515)	145	562,931	63,470	(11)	1,375	64,834	13,165	727	641,657
Excess of income over expenditure for the year	51,631	–	–	51,631	(19,428)	–	(29)	(19,457)	12,523	–	44,697
Other comprehensive income for the year	–	559	487	1,046	–	45	–	45	–	83	1,174
Total comprehensive income for the year	51,631	559	487	52,677	(19,428)	45	(29)	(19,412)	12,523	83	45,871
Donation from foundations	–	–	–	–	–	–	703	703	–	–	703
Transfer of funds	–	–	–	–	(503)	–	503	–	–	–	–
Balance at 31 December 2016	614,932	44	632	615,608	43,539	34	2,552	46,125	25,688	810	688,231

Statements of changes in equity

For the financial year ended 31 December 2016

	Accumulated surplus S\$'000	Fair value reserve S\$'000	Total S\$'000
Institute			
Balance at 1 January 2015	329,315	13,075	342,390
Excess of income over expenditure for the year	29,637	–	29,637
Other comprehensive income	–	(13,075)	(13,075)
Total comprehensive income for the year	29,637	(13,075)	16,562
Balance at 31 December 2015 and 1 January 2016	358,952	–	358,952
Excess of income over expenditure for the year, representing total comprehensive income for the year	39,317	–	39,317
Balance at 31 December 2016	398,269	–	398,269

Consolidated statement of cash flows

For the financial year ended 31 December 2016

	Note	2016 S\$'000	2015 S\$'000 (Restated)
Operating activities			
Excess of income over expenditure before income tax		47,819	57,270
Adjustments for:			
Depreciation	4	41,000	43,287
Loss/(gain) on disposal of available-for-sale investments	5	4	(22,664)
Amortisation of premium for held-to-maturity investments	5	101	45
Impairment loss on available-for-sale investments	5	842	–
Impairment loss on trade and other receivables	13	67	113
Interest income		(5,367)	(4,211)
Investment income		(1,054)	(1,199)
Grants income	17,18	(7,146)	(3,613)
Other restricted funds utilised	23	(135)	(185)
Loss/(gain) on disposal of property, plant and equipment	5	63	(84)
Grants received, net	17	5,512	3,218
Unrealised foreign exchange gain		(230)	(105)
Operating cash flows before movements in working capital		81,476	71,872
Trade and other receivables and grant receivables		(29,093)	(4,433)
Prepayments		603	(203)
Trade and other payables		1,040	(1,641)
Course and membership fees received in advance		4,061	(740)
Cash flows from operations		58,087	64,855
Income tax paid		(5,911)	(7,157)
Net cash flows from operating activities		52,176	57,698

Consolidated statement of cash flows

For the financial year ended 31 December 2016

	Note	2016 S\$'000	2015 S\$'000 (Restated)
Investing activities			
Proceeds from disposal of property, plant and equipment		686	84
Purchase of property, plant and equipment	8	(9,993)	(13,912)
Proceeds from disposal of available-for-sale investments		111	98,063
Purchase of available-for-sale investments		(1,576)	(406)
Proceeds from redemption of held-to-maturity investments		6,000	2,000
Change in fair value of forward foreign exchange contracts		(26)	(875)
Investment income received		1,155	1,199
Interest received		5,566	3,943
Placement of fixed deposits		(10,218)	(46,620)
Net cash flows (used in)/generated from investing activities		(8,295)	43,476
Financing activities			
Other restricted funds received		218	331
Education funds received		703	231
Net cash flows from financing activities		921	562
Net increase in cash and cash equivalents		44,802	101,736
Effect of exchange rate changes on cash and cash equivalents		(12)	–
Cash and cash equivalents at beginning of year		261,762	160,026
Cash and cash equivalents at end of year	15	306,552	261,762

Notes to the financial statements

For the financial year ended 31 December 2016

1. General information

Singapore Institute of Management (the "Institute") is incorporated in Singapore and is registered with the Commissioner of Charities 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 10 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared in accordance with the historical cost basis except for the revaluation of certain financial instruments, and are drawn up in accordance with the provisions of the Singapore Societies Act, Chapter 311 and Singapore Financial Reporting Standards ("FRS").

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Institute.

Notes to the financial statements

For the financial year ended 31 December 2016

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

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 FRS 7 <i>Disclosure Initiative</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018

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

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

FRS 109 *Financial Instruments*

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

Classification and measurements

The Group expects to have mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. For its available-for-sales debt securities, the Group intends to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at fair value through other comprehensive income when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

Transition

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

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

FRS 116 *Leases*

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

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

2.4 Basis of consolidation

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.5 Foreign currency

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

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

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

2.6 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 8.57%
Office equipment, furniture and fittings (excluding artifacts and paintings)	25%
Motor vehicles	20%
Computers	33.33%

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

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

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 profit or loss in the year of retirement or disposal.

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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.9 Subsidiaries

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

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

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

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

The Group classifies other receivables, grant receivables, fixed deposits and cash and cash equivalents as loans and receivables.

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Available-for-sale financial assets

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

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

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

(iii) Held-to-maturity investments

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

De-recognition

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.10 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.11 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.11 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the statement of comprehensive income.

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

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

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

(b) Available-for-sale financial assets

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

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.12 Cash and cash equivalents

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

2.13 Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 14 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in income and expenditure immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income and expenditure depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions.

2.14 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in income and expenditure.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than twelve months and it is not expected to be realised or settled within twelve months. Other embedded derivatives are presented as current assets or current liabilities.

2.15 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:

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.15 Hedge accounting (cont'd)

Cash flow hedges

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

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

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

2.16 Government grants

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

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

2.17 Leases

(a) *As lessee*

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

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.17 Leases (cont'd)

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

2.18 Revenue recognition

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

(a) *Course, conference and consultancy fees*

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

(b) *Membership fees*

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

(c) *Rendering of services*

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

(d) *Non-endowed donations*

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

(e) *Interest income*

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

(f) *Dividend income*

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

(g) *Rental income*

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.19 Education fund

The SIM University Education Fund ("Education Fund") is conferred the Institute of Public Character status. Accordingly, all donations made to the Education Fund will be tax deductible for the donors.

2.20 Endowment fund

Grants and donations from external sources are taken directly to the statement of funds and reserves in the year in which such grants and donations are received. Income and expenditure arising from the management of the Endowment Fund are taken to the Statement of Comprehensive Income of the Endowment Fund.

2.21 Other restricted funds

Sponsorship-Awards fund and other funds comprising donations and sponsorships, which are kept intact as capital, are directly taken to the fund in the year in which such donations and sponsorships are received for the purpose of awarding of scholarships, medals, prizes to deserving students, developing standards in e-learning and development of program lectures and research for project proof of concept.

Income and expenditure arising from the management of the fund is taken directly to Sponsorship Awards fund and other funds account. Income designated to fund specific activities or programmes will be transferred from the fund to income and expenditure to match the designated expenditure. Any shortfall of income from the fund for a particular year will be taken directly to income and expenditure.

2.22 Employee benefits

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.23 Taxes

(a) Current income tax

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

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

(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.

Notes to the financial statements

For the financial year ended 31 December 2016

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

2.23 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 equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

3. Significant accounting judgements and estimates

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

Impairment of available-for-sale equity investments

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

Notes to the financial statements

For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the Governing Council has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of held-to-maturity investments

The Group follows the guidance of FRS 39 on classifying non-derivative financial assets with fixed or determinable payment and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for the specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investment would therefore be measured at fair value and no longer at amortised cost.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques involve uncertainties and require assumptions and judgements regarding prepayments, credit risks and discount rates. Changes in these assumptions will significantly affect the estimated value of the financial instruments. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for similar instruments are some of the common techniques used to calculate the fair value of these instruments.

The carrying amounts of these instruments are disclosed in Notes 11, 12 and 14.

Notes to the financial statements

For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) *Impairment of loans and receivables*

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

(c) *Income taxes*

The Group has exposure to income taxes in Singapore. Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable at the end of the reporting period was \$3,069,000 (2015: \$6,132,000). The carrying amount of the Group's deferred tax liabilities at the end of the reporting period was \$119,000 (2015: \$101,000).

4. Administrative expenses

	Group		Institute	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Employee benefits expense (Note 6)	104,131	93,491	25,916	25,696
Depreciation of property, plant and equipment (Note 8)	40,678	42,944	35,207	35,333
Depreciation of investment properties (Note 9)	322	343	322	343
Utilities and facility management	16,884	17,893	9,396	10,205
Professional fees	1,884	1,642	760	849
Others	4,005	4,565	1,576	1,899
	<u>167,904</u>	<u>160,878</u>	<u>73,177</u>	<u>74,325</u>

Notes to the financial statements

For the financial year ended 31 December 2016

5. Other losses/(gains)

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Loss/(gain) on disposal of property, plant and equipment	63	(84)	(3)	(1)
Net foreign exchange gain	(286)	(98)	(122)	(2)
Realised exchange (gain)/loss on forward foreign exchange contracts	–	(387)	–	6
Impairment loss on available-for-sale investments	842	–	–	–
Amortisation of premium for held-to-maturity investments	101	45	–	–
Loss/(gain) on disposal of available-for-sale investments	4	(22,664)	–	(15,370)
	<u>724</u>	<u>(23,188)</u>	<u>(125)</u>	<u>(15,367)</u>

6. Employee benefits expense

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Wages and salaries	89,481	80,766	22,124	22,047
Defined contribution plans	11,132	9,720	2,893	2,807
Other staff benefits	3,518	3,005	899	842
	<u>104,131</u>	<u>93,491</u>	<u>25,916</u>	<u>25,696</u>

Notes to the financial statements

For the financial year ended 31 December 2016

7. Taxation

The Institute and its subsidiary, Singapore University of Social Sciences are registered charities and enjoy automatic income tax exemption without having the need to meet the 80% spending rule in respect of its annual receipts.

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Note	Group	
		2016	2015
		S\$'000	S\$'000
<i>Current income tax</i>			
- Current income taxation		3,069	6,132
- Under/(over) provision in respect of previous years		35	(32)
		<u>3,104</u>	<u>6,100</u>
<i>Deferred income tax</i>			
- Origination and reversal of temporary differences	19	18	(237)
Income tax expense recognised in the income expenditure		<u>3,122</u>	<u>5,863</u>

(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 2016 and 2015 is as follows:

	Group	
	2016	2015
	S\$'000	S\$'000
Excess of income over expenditure before tax	47,819	57,270
Income tax expense at statutory rate 17% (2015: 17%)	8,129	9,736
<i>Adjustments:</i>		
Income not subject to taxation	(3,557)	(3,271)
Non-deductible expenses	582	6
Effect of partial tax exemption and tax relief	(1,997)	(576)
Under/(over) provision in respect of previous years	35	(32)
Others	(70)	–
	<u>3,122</u>	<u>5,863</u>

Notes to the financial statements

For the financial year ended 31 December 2016

8. Property, plant and equipment

	Leasehold land, building and improvements S\$'000	Office equipment, furniture and fittings S\$'000	Motor vehicles S\$'000	Computers S\$'000	Total S\$'000
Group					
Cost:					
At 1 January 2015	398,079	45,741	474	93,040	537,334
Additions	6,796	2,253	215	4,648	13,912
Disposals	–	(332)	(185)	(639)	(1,156)
At 31 December 2015 and 1 January 2016	404,875	47,662	504	97,049	550,090
Additions	1,765	3,206	86	4,936	9,993
Disposals	–	(1,653)	–	(14,680)	(16,333)
Reclassification	(1,008)	334	–	674	–
At 31 December 2016	405,632	49,549	590	87,979	543,750
Accumulated depreciation					
At 1 January 2015	104,165	28,306	354	75,734	208,559
Depreciation for the year	26,050	6,833	69	9,992	42,944
Disposals	–	(331)	(185)	(640)	(1,156)
At 31 December 2015 and 1 January 2016	130,215	34,808	238	85,086	250,347
Depreciation for the year	25,477	6,219	98	8,884	40,678
Disposals	–	(1,646)	–	(13,938)	(15,584)
Reclassification	–	(165)	–	165	–
At 31 December 2016	155,692	39,216	336	80,197	275,441
Net carrying amount:					
At 31 December 2015	274,660	12,854	266	11,963	299,743
At 31 December 2016	249,940	10,333	254	7,782	268,309

Notes to the financial statements

For the financial year ended 31 December 2016

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

	Leasehold land, building and improvements S\$'000	Office equipment, furniture and fittings S\$'000	Motor vehicles S\$'000	Computers S\$'000	Total S\$'000
Institute					
Cost:					
At 1 January 2015	398,079	39,889	44	33,372	471,384
Additions	6,796	2,119	–	2,677	11,592
Disposals	–	(230)	–	(213)	(443)
At 31 December 2015 and 1 January 2016	404,875	41,778	44	35,836	482,533
Additions	1,765	2,609	86	1,180	5,640
Disposals	–	(765)	–	(15)	(780)
Reclassification	(1,008)	503	–	505	–
At 31 December 2016	405,632	44,125	130	37,506	487,393
Accumulated depreciation					
At 1 January 2015	104,165	23,527	44	26,880	154,616
Depreciation for the year	26,050	6,338	–	2,945	35,333
Disposals	–	(230)	–	(213)	(443)
At 31 December 2015 and 1 January 2016	130,215	29,635	44	29,612	189,506
Depreciation for the year	25,477	5,845	5	3,880	35,207
Disposals	–	(759)	–	(15)	(774)
At 31 December 2016	155,692	34,721	49	33,477	223,939
Net carrying amount:					
At 31 December 2015	274,660	12,143	–	6,224	293,027
At 31 December 2016	249,940	9,404	81	4,029	263,454

Assets under construction

The Group and the Institute's property and equipment included \$1,943,000 (2015: \$2,760,000) and \$1,921,000 (2015: \$2,760,000) which relate to expenditure for IT infrastructure and system improvements and canopy for students that are in the course of construction.

Notes to the financial statements

For the financial year ended 31 December 2016

9. Investment properties

	Group and Institute	
	2016	2015
	S\$'000	S\$'000
Cost:		
At 1 January and 31 December	3,965	3,965
Accumulated depreciation:		
At 1 January	2,030	1,687
Depreciation charge for the year	322	343
At 31 December	2,352	2,030
Net carrying amount	1,613	1,935
Statement of comprehensive income		
Rental income from investment properties	901	839
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	237	227

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

Valuation of investment properties

The fair value of the investment properties at 31 December 2016 approximates \$29,000,000 (2015: \$29,500,000). The independent valuation was performed by an independent professional valuation firm. Details of valuation techniques and inputs used are disclosed in Note 28.

Notes to the financial statements

For the financial year ended 31 December 2016

10. Investment in subsidiaries

	Institute	
	2016	2015
	S\$'000	S\$'000
Unquoted equity shares, at cost	3,500	2,500

Details of the Institute's subsidiaries at 31 December 2016 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Principal activities	Proportion (%) of ownership interest and voting power	
			2016	2015
			%	%
Held by the Institute				
Singapore Institute of Management Holdings Pte. Ltd. ^(a)	Singapore	Investment holding	100	–
Singapore Institute of Management Pte. Ltd.	Singapore	Engaged in higher and continuing education	100	100
SIM International Academy Pte. Ltd. ^(a)	Singapore	Engaged in corporate training services and motivational course providers	100	–
SIM Xtension Pte. Ltd. ^(a)	Singapore	Engaged in corporate training services and motivational course providers	100	–
SIM AEC Pte. Ltd. ^(a)	Singapore	Engaged in course programs to train future entrepreneurs	100	–
Singapore University of Social Sciences (previously known as SIM University) ^(b)	Singapore	Engaged in the advancement of education and dissemination of knowledge, the promotion of research and the conferring and awarding of degrees, diplomas and certificates	100	100

^(a) Incorporated during the financial year ended 31 December 2016.

^(b) Singapore University of Social Sciences is incorporated as a company limited by guarantee on April 14, 2005. Singapore University of Social Sciences' constitution states that the Institute's Governing Council is empowered to appoint or remove any member of Singapore University of Social Sciences' Board of Trustees and in the event of winding up or dissolution of Singapore University of Social Sciences, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of Singapore University of Social Sciences, but shall be given or transferred to the Institute. Accordingly, the Institute is deemed to have control over Singapore University of Social Sciences.

Notes to the financial statements

For the financial year ended 31 December 2016

11. Available-for-sale investments

	Group	
	2016	2015
	S\$'000	S\$'000
Non-current:		
Unquoted preference shares	18,168	18,308
Quoted REITs	2,510	1,028
Quoted shares	1	120
	<u>20,679</u>	<u>19,456</u>

The investments above offer the Group the opportunity for return through dividend income, interest income and fair value gains. They have no fixed maturity or coupon rate.

During the financial year, the Group recognised an impairment loss of \$699,000 on unquoted preference shares and \$143,000 on quoted REITs (2015: Nil) as there was a prolonged decline in the value of the investments below its cost. The Group treats "prolonged" decline generally as a continuous decline of more than 6 months from the month the impairment test is performed.

12. Held-to-maturity investments

	Group	
	2016	2015
	S\$'000	S\$'000
Unquoted debt securities at amortised cost:		
- Non-current	8,500	15,123
- Current	3,522	3,000
	<u>12,022</u>	<u>18,123</u>

The unquoted debt securities comprise bonds issued by financial institutions and public listed companies. As at 31 December 2016, the unquoted debt securities have nominal values amounting to \$12.0 million (2015: \$18.1 million) with coupon rates ranging from 3.50% to 3.95% (2015: 3.50% to 4.88%) per annum and maturity dates ranging from August 2017 to May 2026 (2015: March 2016 to May 2026). The average effective interest rate of the unquoted debt securities ranges from 1.43% to 2.47% (2015: 1.43% to 2.47%) per annum.

All the bonds carry a fixed coupon rate. The fair value of the securities are provided by banks employing generally market accepted valuation parameters and techniques.

Notes to the financial statements

For the financial year ended 31 December 2016

13. Trade and other receivables

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
	(Restated)			
Amounts due from subsidiaries	–	–	21,193	4,449
Course fees receivable	2,776	2,904	755	1,126
Staff loans	3	6	1	–
Interest receivable	865	1,064	122	115
Dividend receivable	–	101	–	–
Due from Ministry of Education ("MOE")	34,110	9,287	–	–
Deposits	134	157	17	128
Others	2,157	1,983	378	779
Total trade and other receivables	40,045	15,502	22,466	6,597
Add: Cash and bank balances (Note 15)	444,333	389,325	136,064	83,173
Add: Grant receivables	11,996	7,780	1,080	3,141
	<u>496,374</u>	<u>412,607</u>	<u>159,610</u>	<u>92,911</u>

Total loans and receivables

Amount due from MOE relates to mainly tuition fee subsidies.

Course fees receivable that are past due but not impaired

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

The carrying amounts of trade and other receivables approximate their fair values due to the short-term nature of these receivables.

The Group and the Institute have course fees receivable amounting to \$1,399,000 and \$569,000 (2015: \$1,150,000 and \$723,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Not past due and not impaired	1,377	1,754	186	403
Past due but not impaired	1,399	1,150	569	723
	<u>2,776</u>	<u>2,904</u>	<u>755</u>	<u>1,126</u>

Notes to the financial statements

For the financial year ended 31 December 2016

13. Trade and other receivables (cont'd)

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Less than 90 days	735	617	472	445
More than 90 days	664	533	97	278
	<u>1,399</u>	<u>1,150</u>	<u>569</u>	<u>723</u>

Receivables that are impaired

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Course fees receivable – nominal amounts	2,843	3,017	755	1,126
Less: Allowance for impairment	(67)	(113)	–	–
	<u>2,776</u>	<u>2,904</u>	<u>755</u>	<u>1,126</u>
Movement in allowance accounts:				
At 1 January	(113)	(41)	–	–
Amounts written off during the year	113	–	–	–
Charge for the year	(67)	(72)	–	–
At 31 December	<u>(67)</u>	<u>(113)</u>	<u>–</u>	<u>–</u>

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
United States dollar	<u>1,179</u>	<u>881</u>	<u>–</u>	<u>–</u>

Notes to the financial statements

For the financial year ended 31 December 2016

14. Derivatives

	Contract/ Notional amount S\$'000	2016		2015		
		Assets S\$'000	Liabilities S\$'000	Contract/ Notional amount S\$'000	Assets S\$'000	Liabilities S\$'000
Group						
Forward foreign exchange contracts						
- Buy GBP/Sell SGD ^(b)	789	11	–	2,061	–	69
- Buy USD/Sell SGD ^(a)	10,518	618	–	1,383	35	–
- Buy USD/Sell SGD ^(b)	–	–	–	8,110	30	–
- Buy AUD/Sell SGD ^(a)	1,131	14	–	3,488	110	–
- Buy AUD/Sell SGD ^(b)	–	–	–	16,943	13	–
		<u>643</u>	<u>–</u>	<u>188</u>	<u>69</u>	

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

^(b) These forward foreign exchange contracts are not designated as hedging instruments in cash flow hedges.

Foreign currency risk

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

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

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

14. Derivatives (cont'd)

Cash flow hedges

The terms of certain foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. During the year, ineffective cash flow hedges requiring recognition through profit or loss amount to Nil (2015: unrealised gain of \$43,000).

The cash flow hedges of the expected future payments in January 2017 were assessed to be highly effective and a net unrealised gain of \$632,000 (2015: \$145,000) 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 \$632,000 (2015: \$145,000) are made up of the net movements in cash flow hedges and the effective portion of the forward contract, net of tax.

15. Cash and bank balances

	Group		Institute	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash and bank balances	34,215	58,860	3,502	3,327
Fixed deposits	410,118	330,465	132,562	79,846
	<u>444,333</u>	<u>389,325</u>	<u>136,064</u>	<u>83,173</u>

The carrying amounts of these assets approximate their fair values.

Fixed deposits are interest bearing at average rates ranging from 0.14% to 2.15% (2015: 0.14% to 1.80%) per annum and are for a tenure of approximately 7 days to 381 days (2015: 11 days to 12 months).

Cash and cash equivalents comprise cash on hand and at bank 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	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash on hand and at bank	34,215	58,860	3,503	3,327
Fixed deposits (with maturity period of up to 3 months)	272,337	202,902	93,481	49,123
	<u>306,552</u>	<u>261,762</u>	<u>96,984</u>	<u>52,450</u>

Notes to the financial statements

For the financial year ended 31 December 2016

15. Cash and bank balances (cont'd)

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

	Group		Institute	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Australian dollar	529	454	–	–
Sterling pound	233	140	–	–
United States dollar	383	1,672	205	146

16. Trade and other payables

	Group		Institute	
	2016 S\$'000	2015 S\$'000 (Restated)	2016 S\$'000	2015 S\$'000
Deposits	634	639	585	590
Accruals	39,688	30,885	13,102	5,680
Trade payables	6,818	2,159	1,026	1,567
Other payables	2,547	15,162	3,668	10,763
Total trade and other payables	<u>49,687</u>	<u>48,845</u>	<u>18,381</u>	<u>18,600</u>

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

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

	Group		Institute	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Australian dollar	697	23	–	–
Sterling pound	472	167	–	–
United States dollar	45	48	8	87

Notes to the financial statements

For the financial year ended 31 December 2016

17. Grants received in advance

	Group	
	2016	2015
	S\$'000	S\$'000
At 1 January	3,231	2,371
Received during the year	5,512	3,218
Transfer to deferred capital grant upon utilisation (Note 18)	(985)	(301)
Transfer to income and expenditure statement	(5,385)	(2,057)
At 31 December	2,373	3,231

These are operating, infrastructure, collaboration and other grants received from MOE to fund the Group's operations, development projects and educational programmes.

18. Deferred capital grants

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January	13,557	14,812	13,128	14,518
Transfer from grants received in advance (Note 17)	985	301	–	–
Amortisation of deferred capital grants	(1,761)	(1,556)	(1,270)	(1,390)
At 31 December	12,781	13,557	11,858	13,128

19. Deferred tax liabilities

	Group	
	2016	2015
	S\$'000	S\$'000
At 1 January	101	338
Charge to income and expenditure (Note 7)	18	(237)
At 31 December	119	101
The balances in the account comprise the tax effects of:		
Differences in depreciation for tax purposes	119	101

Notes to the financial statements

For the financial year ended 31 December 2016

20. Education fund

The SIM University Education Fund was set up to receive funds from the public and related entity to establish, operate, maintain and promote SUSS as a private university. The SIM University Education Fund has been conferred the Institution of a Public Character status.

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

	Group	
	2016	2015
	S\$'000	S\$'000
Accumulated surplus	43,539	63,470
Fair value reserve	34	(11)
Endowment Fund	2,552	1,375
	46,125	64,834

Represented by:

Current assets

Cash and bank balances	39,508	52,795
Trade and other receivables	905	403
Prepayments	182	353
Held-to-maturity investments	3,522	3,000
	44,117	56,551

Non-current assets

Available-for-sale investments	2,511	1,148
Held-to-maturity investments	4,500	8,058
Plant and equipment	1,601	1,898
	8,612	11,104

Less: Current liabilities

Trade and other payables	6,604	2,821
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Total net assets

	46,125	64,834
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Notes to the financial statements

For the financial year ended 31 December 2016

21. Endowment fund

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

22. College fund

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

23. Other restricted funds

Name of fund	Purpose
Research and development fund	For the purpose of providing scholarship to students and to fund research activities.
Sponsorship awards fund	To receive donations and sponsorships for the purpose of awarding scholarships, medals, prizes to deserving students.
Other funds	To receive funds used for community service and research projects.

24. Fair value reserve

	Group		Institute	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
At 1 January	(526)	19,060	–	13,075
Reclassification to income and expenditure from equity on disposal of available-for-sale investments	(4)	(18,993)	–	(13,075)
Impairment loss on available-for-sale investments	842	–	–	–
Fair value changes during the year	(234)	(593)	–	–
At 31 December	78	(526)	–	–
Represented by:				
- General fund	44	(515)	–	–
- Education fund	34	(11)	–	–

The fair value reserve relates to cumulative fair value changes, net of tax of the available-for-sale investments until they are disposed or impaired. As certain of these investments are funded by the SIM University Education Fund, the fair value reserve which forms part of the SIM University Education Fund amounted to a gain of \$34,000 (2015: \$11,000).

Notes to the financial statements

For the financial year ended 31 December 2016

25. Funds managed on behalf of MOE

	Group	
	2016 S\$'000	2015 S\$'000 (Restated)
At 1 January	3,393	1,746
Student loans granted to students	3,513	1,736
Repayments received from students	(306)	(89)
Interest on student loans received	8	2
Interest on student loans paid	(8)	(2)
At 31 December	6,600	3,393
Represented by:		
- Tuition fee loan receivables	6,414	3,348
- Study loan receivables	186	45
	6,600	3,393

Student loans comprise student tuition fee loans and study loans. SUSS acts as an agent for the student loan schemes, where MOE is the financier providing the funds.

Student tuition fee and study loans are unsecured, non-interest bearing during the course of study and are repayable by monthly instalments over a period of up to 20 years after the students' graduation.

Interest is charged from the third month following the student's graduation based on the average of the prevailing prime rate of the three local banks. The interest rate as at statement of financial position date is 4.75% (2015: 4.75%) per annum.

Notes to the financial statements

For the financial year ended 31 December 2016

26. Related party transactions

Compensation of key management personnel

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Contributions to Central Provident Fund	723	610	178	154
Short-term benefits	13,925	13,012	3,285	3,218
	<u>14,648</u>	<u>13,622</u>	<u>3,463</u>	<u>3,372</u>

The remuneration of key management is determined by the Compensation and Establishment Committee of the Institute having regard to the performance of individuals and market trends.

Key management personnel comprises chief executive officers, directors and deans. Trustees of Singapore Institute of Management and Singapore University of Social Sciences are not remunerated for their board services.

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

	2016	2015
\$950,001 to \$1,000,000	–	–
\$900,001 to \$950,000	–	–
\$850,000 to \$900,000	1	1
\$600,001 to \$650,000	1	1
\$550,001 to \$600,000	–	–
\$500,001 to \$550,000	2	2
\$450,001 to \$500,000	1	–
\$400,001 to \$450,000	1	1
\$350,001 to \$400,000	3	3
\$300,001 to \$350,000	4	4
\$250,001 to \$300,000	9	8
\$200,001 to \$250,000	20	18
\$150,001 to \$200,000	7	8
\$100,001 to \$150,000	3	2
\$100,000 and below	9	10
	<u>61</u>	<u>58</u>

Notes to the financial statements

For the financial year ended 31 December 2016

27. 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	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Capital commitments in respect of property, plant and equipment	<u>11,250</u>	<u>14,557</u>	<u>7,020</u>	<u>12,262</u>

(b) Operating lease commitments – As lessee

The Group and Institute have entered into commercial leases on certain office equipment. These leases have an average tenure of between two and five 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 2016 of the Group and Institute amounted to \$4,341,000 and \$120,000 (2015: \$4,940,000 and \$112,000) respectively.

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Not later than one year	3,369	2,094	195	90
Later than one year but not later than five years	4,730	386	702	105
Total minimum lease payments	<u>8,099</u>	<u>2,480</u>	<u>897</u>	<u>195</u>

Notes to the financial statements

For the financial year ended 31 December 2016

27. Operating lease and commitments (cont'd)

(c) Operating lease commitments – As lessors

The Group and the Institute have entered into commercial property leases on its premises. These non-cancellable leases have remaining lease terms of between 3 months and 3 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 2016 of the Group and Institute amounted to \$2,142,000 and \$2,143,000 (2015: \$2,033,000 and \$2,052,000) respectively.

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

	Group and Institute	
	2016	2015
	S\$'000	S\$'000
Not later than one year	1,785	1,977
Later than one year but not later than five years	828	1,651
	<u>2,613</u>	<u>3,628</u>

28. 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.

Notes to the financial statements

For the financial year ended 31 December 2016

28. 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				
	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000	
Group					
2016					
Assets measured at fair value					
Financial assets:					
<i>Derivatives</i>					
Forward foreign exchange contracts	14	–	643	–	643
<i>Available-for-sale investments</i>					
Unquoted preference shares		–	18,168	–	18,168
Quoted REITs		2,510	–	–	2,510
Quoted shares		1	–	–	1
Financial assets as at 31 December 2016		<u>2,511</u>	<u>18,811</u>	<u>–</u>	<u>21,322</u>
2015					
Assets measured at fair value					
Financial assets:					
<i>Derivatives</i>					
Forward foreign exchange contracts	14	–	188	–	188
<i>Available-for-sale investments</i>					
Unquoted preference shares		–	18,308	–	18,308
Quoted REITs		1,028	–	–	1,028
Quoted shares		120	–	–	120
Financial assets as at 31 December 2015		<u>1,148</u>	<u>18,496</u>	<u>–</u>	<u>19,644</u>
Liabilities measured at fair value					
Financial liabilities:					
<i>Derivatives</i>					
Forward foreign exchange contracts	14	–	69	–	69
Financial liabilities as at 31 December 2015		<u>–</u>	<u>69</u>	<u>–</u>	<u>69</u>

Notes to the financial statements

For the financial year ended 31 December 2016

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

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

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

Forward foreign exchange contracts

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

Unquoted debt securities and preference shares

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

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

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

	Note	Group and Institute				Carrying amount S\$'000
		Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000	
2016						
<i>Assets</i>						
Investment properties	9	–	29,000	–	29,000	1,613
2015						
<i>Assets</i>						
Investment properties	9	–	29,500	–	29,500	1,935

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.

Notes to the financial statements

For the financial year ended 31 December 2016

28. 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.

29. 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 14 to the financial statements.

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

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

Notes to the financial statements

For the financial year ended 31 December 2016

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

(a) Foreign exchange risk (cont'd)

	Group			
	Assets		Liabilities	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Australian dollar	529	454	697	23
Sterling pound	233	140	472	167
United States dollar	1,562	2,553	45	135

	Institute			
	Assets		Liabilities	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
United States dollar	205	146	8	87

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	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Australian dollar	(17)	43	–	–
Sterling pound	(24)	(3)	–	–
United States dollar	152	242	20	6

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.

Notes to the financial statements

For the financial year ended 31 December 2016

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

(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 and fixed deposits and held-to-maturity investments. The average interest rate on held-to-maturity investments is disclosed in Note 12.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for cash and bank 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 \$4.4 million and \$1.4 million respectively (2015: \$3.9 million and \$0.8 million respectively).

(c) Credit risk

The Group and Institute are not exposed to significant credit risk as most of its fees are received in advance. In 2016 and 2015, the Group's trade and other receivables comprise mainly grant receivable from MOE.

Cash and cash equivalents are held with reputable financial institutions.

(d) Liquidity risk

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

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

The Group's derivative financial instruments comprise foreign exchange forward contracts with net mark-to-market gain of \$643,000 (2015: \$119,000) as at 31 December 2016 respectively with contracted gross cash flows due within 1 year (2015: due within 1 year).

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Institute anticipate that the cash flow will occur in a different period.

Notes to the financial statements

For the financial year ended 31 December 2016

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

(d) Liquidity risk (cont'd)

Group	Within one	More than	Total
	year	one year	
	S\$'000	S\$'000	S\$'000
2016			
Financial assets:			
Available-for-sale investments	–	20,679	20,679
Forward foreign exchange contracts	643	–	643
Held-to-maturity investments	3,522	8,500	12,022
Loans and receivables	496,374	–	496,374
Total undiscounted financial assets	500,539	29,179	529,718
Financial liabilities:			
Trade and other payables	49,687	–	49,687
Total undiscounted financial liabilities	49,687	–	49,687
Net undiscounted financial assets	450,852	29,179	480,031
2015 (Restated)			
Financial assets:			
Available-for-sale investments	–	19,456	19,456
Forward foreign exchange contracts	188	–	188
Held-to-maturity investments	3,000	15,123	18,123
Loans and receivables	412,607	–	412,607
Total undiscounted financial assets	415,795	34,579	450,374
Financial liabilities:			
Trade and other payables	48,845	–	48,845
Forward foreign exchange contracts	69	–	69
Total undiscounted financial liabilities	48,914	–	48,914
Net undiscounted financial assets	366,881	34,579	401,460

Notes to the financial statements

For the financial year ended 31 December 2016

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

(d) Liquidity risk (cont'd)

Institute	Within one	More than	Total
	year	one year	
	S\$'000	S\$'000	S\$'000
2016			
Financial assets:			
Loans and receivables	159,610	–	159,610
Total undiscounted financial assets	159,610	–	159,610
Financial liabilities:			
Trade and other payables	18,381	–	18,381
Total undiscounted financial liabilities	18,381	–	18,381
Net undiscounted financial assets	141,229	–	141,229
2015			
Financial assets:			
Loans and receivables	92,911	–	92,911
Total undiscounted financial assets	92,911	–	92,911
Financial liabilities:			
Trade and other payables	18,600	–	18,600
Total undiscounted financial liabilities	18,600	–	18,600
Net undiscounted financial assets	74,311	–	74,311

(e) Market price risk

The Group is exposed to risks arising from available-for-sale equity investments. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not trade in available-for-sale investments.

Further details of these investments can be found in Note 11 to the financial statements.

Price sensitivity analysis

In respect of available-for-sale equity investments, if the prices had been 10% higher/lower, the Group's fair value reserves would increase/decrease by \$2,068,000 (2015: \$1,946,000).

Notes to the financial statements

For the financial year ended 31 December 2016

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

(f) Categories of financial instruments

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

	Group		Institute	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
	(Restated)			
<i>Financial assets:</i>				
Loans and receivables	496,374	412,607	159,610	92,911
Derivatives	643	188	–	–
Available-for-sale-investments	20,679	19,456	–	–
Held-to-maturity investments	12,022	18,123	–	–
	<u>529,718</u>	<u>450,374</u>	<u>159,610</u>	<u>92,911</u>
<i>Financial liabilities</i>				
Trade and other payables	49,687	48,845	18,381	18,600
Derivatives	–	69	–	–
	<u>49,687</u>	<u>48,914</u>	<u>18,381</u>	<u>18,600</u>

30. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

31. Events occurring after the reporting period

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

Following the transfer, SUSS and SIM University Education Fund ("SUEF"), which is part of SUSS, are no longer part of SIM Group and will be deconsolidated from the Group with effect from 1 January 2017. Consequently, a diminution amounting to \$268,053,000 representing the net assets of SUSS and SUEF being deconsolidated shall be recognised in 2017.

Notes to the financial statements

For the financial year ended 31 December 2016

32. Comparative notes and prior year adjustments

The comparative figures for the financial years ended 31 December 2015 have been restated/reclassified principally due to the following:

In the prior years, SUSS disclosed tuition fee and study loans and advances from the Ministry for student loans at gross amounts as the assets and liabilities in the statement of financial position respectively. During the financial year, pursuant to the directive from the Ministry clarifying that SUSS acts as an agent for administering the tuition fee and student loans scheme with the Ministry as the financier providing the advances for student loans, SUSS reclassified its assets and liabilities balances and reflected these amounts at net, as "Trade and other receivables" in the statement of financial position.

The effect on the statement of financial position is as follows:

	As previously reported 2015	As restated 2015
	S\$'000	S\$'000
Statement of financial position		
Non-current assets		
Trade and other receivables	4,107	–
Current assets		
Trade and other receivables	14,788	15,502
Non-current liability		
Trade and other payables	(3,393)	–
	<u>15,502</u>	<u>15,502</u>
Funds managed on behalf of Ministry of Education ("MOE")	<u>–</u>	<u>3,393</u>

Notes to the financial statements

For the financial year ended 31 December 2016

32. Comparative notes and prior year adjustments (cont'd)

The effect on the statement of cash flows is as follows:

	As previously reported 2015 S\$'000	As restated 2015 S\$'000
Operating activities		
Operating surplus before changes in working capital		
<u>Changes in working capital:</u>		
Trade and other receivables and grant receivables	(6,080)	(4,433)
Trade and other payables	6	(1,641)
	<u>(6,074)</u>	<u>(6,074)</u>

33. Authorisation of financial statements for issue

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Institute for the year ended 31 December 2016 were authorised for issue by the Governing Council at their meeting on 28 March 2017.