

SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)

(Incorporated in Singapore. Registration Number: 200917667D)

ANNUAL REPORT

For the financial year ended 31 March 2017

SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)

(Incorporated in Singapore)

ANNUAL REPORT

For the financial year ended 31 March 2017

Contents

	Page
Trustees' Statement	1
Independent Auditor's Report	3
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Funds and Reserves	9
Statement of Cash Flows	10
Notes to the Financial Statements	11

SINGAPORE INSTITUTE OF TECHNOLOGY

TRUSTEES' STATEMENT

For the financial year ended 31 March 2017

The Board of Trustees present their statement to the members together with the audited financial statements of Singapore Institute of Technology ("SIT") for the financial year ended 31 March 2017.

In the opinion of the Trustees,

- (a) the financial statements of SIT as set out on pages 7 to 38 are drawn up so as to give a true and fair view of the financial position of SIT as at 31 March 2017 and of the financial performance, changes in funds and reserves and cash flows of SIT for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that SIT will be able to pay its debts as and when they fall due.

Trustees

The Trustees of SIT in office at the date of this statement are as follows:

Mr Ng Yat Chung (Chairman)
Ms Rachel Eng Yaag Ngee
Dr Richard Charles Helfer
Dr Lim Kiang Wee
Professor Tan Thiam Soon
Ms Teoh Zsin Woon
Mr T K Udairam
Professor Heng Chye Kiang
Mrs Margaret Lui
Mr Abu Bakar Bin Mohd Nor
Mr Nagaraj Sivaram
Mr Wen Khai Meng
Ms Lai Wei Lin (appointed on 1 January 2017)

Arrangements to enable Trustees to acquire shares and debentures

Neither at the end of nor at any time during the financial year was SIT a party to any arrangement whose object was to enable the Trustees of SIT to acquire benefits by means of the acquisition of shares in, or debentures of, SIT or any other body corporate.

Trustees' interests in shares or debentures

SIT is a company limited by guarantee and has no share capital or debentures. Therefore, there are no matters to be disclosed under Section 9, Twelfth Schedule of the Companies Act, Cap 50.

SINGAPORE INSTITUTE OF TECHNOLOGY

TRUSTEES' STATEMENT

For the financial year ended 31 March 2017

Trustees' contractual benefits

Since the end of the previous financial year, no trustee has received or become entitled to receive a benefit, which is required to be disclosed under Section 164(1) of the Singapore Companies Act, by reason of a contract made by SIT or a related corporation with the Trustee or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 26 to the financial statements.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Trustees



Mr Ng Yat Chung
Trustee

16 August 2017



Professor Tan Thiam Soon
Trustee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE INSTITUTE OF TECHNOLOGY

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Singapore Institute of Technology ("SIT") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Companies Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of SIT as at 31 March 2017 and of the financial performance, changes in funds and reserves and cash flows of SIT for the year ended on that date.

What we have audited

The financial statements of SIT comprise:

- the statement of comprehensive income for the year ended 31 March 2017;
- the balance sheet as at 31 March 2017;
- the statement of changes in funds and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of SIT in accordance with the Accounting and Corporate Regulatory Authority 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SINGAPORE INSTITUTE OF TECHNOLOGY (continued)**

Other Information

Management is responsible for the other information. The other information comprises all the sections of 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 and will 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 Companies Act, the Charities Act and Regulations and FRSSs, 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 SIT'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 SIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SIT'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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SINGAPORE INSTITUTE OF TECHNOLOGY (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SIT'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 SIT'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 SIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SINGAPORE INSTITUTE OF TECHNOLOGY (continued)**

Report on Other Legal and Regulatory Requirements

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

During the course of our audit, nothing has come to our attention that causes us to believe that during the year:

- (a) SIT has not used the donation moneys in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) SIT has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 16 August 2017

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2017

	Note	General funds		Endowment and term funds		Total	
		2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Revenue	4	55,180,058	45,176,520	-	-	55,180,058	45,176,520
Other income	4	936,093	1,334,249	1,200,892	1,492,604	2,136,985	2,826,853
Operating expenditure							
Staff and related expenses	5	(64,924,241)	(48,041,802)	-	-	(64,924,241)	(48,041,802)
Depreciation and amortisation expenses		(37,264,513)	(30,220,893)	-	-	(37,264,513)	(30,220,893)
Programme and student-related expenses		(62,960,668)	(57,277,352)	(1,505,450)	(910,620)	(64,466,118)	(58,187,972)
Rental and other facilities expenses		(20,209,264)	(18,283,788)	-	-	(20,209,264)	(18,283,788)
Other operating expenses		(16,738,881)	(13,763,628)	(594,257)	(547,684)	(17,333,138)	(14,311,312)
Total operating expenditure		(202,097,567)	(167,587,463)	(2,099,707)	(1,458,304)	(204,197,274)	(169,045,767)
(Deficit)/surplus before investment income and government grants		(145,981,416)	(121,076,694)	(898,815)	34,300	(146,880,231)	(121,042,394)
Net investment income/(loss)	6	1,066,527	381,911	44,834,456	(16,512,302)	45,900,983	(16,130,391)
(Deficit)/surplus before government grants		(144,914,889)	(120,694,783)	43,935,641	(16,478,002)	(100,979,248)	(137,172,785)
Government grants	7	176,434,443	141,349,096	-	-	176,434,443	141,349,096
Net surplus/(deficit) and total comprehensive income/(loss)		31,519,554	20,654,313	43,935,641	(16,478,002)	75,455,195	4,176,311

The accompanying notes form an integral part of these financial statements.

SINGAPORE INSTITUTE OF TECHNOLOGY

BALANCE SHEET

As at 31 March 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	147,993,484	130,281,892
Financial assets, at fair value through profit or loss	9	389,923,422	345,657,818
Fees and other receivables	10	48,350,239	30,122,947
Student loans	11	142,551	133,096
Other current assets	12	6,305,529	6,203,466
		<u>592,715,225</u>	<u>512,399,219</u>
Non-current assets			
Property, plant and equipment	13	211,208,679	232,364,580
Intangible assets	14	6,478,647	2,133,688
Student loans	11	563,166	363,484
Other non-current assets	15	80,618,645	81,836,074
		<u>298,869,137</u>	<u>316,697,826</u>
Total assets		<u>891,584,362</u>	<u>829,097,045</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	31,712,152	23,794,579
Deferred tuition fee income		9,021,139	7,640,483
Grants received in advance	17	47,698,383	61,568,303
		<u>88,431,674</u>	<u>93,003,365</u>
Non-current liabilities			
Deferred capital grants	18	217,628,279	234,488,511
Other deferred grants	19	83,482,328	86,780,063
		<u>301,110,607</u>	<u>321,268,574</u>
Total liabilities		<u>389,542,281</u>	<u>414,271,939</u>
NET ASSETS		<u>502,042,081</u>	<u>414,825,106</u>
FUNDS AND RESERVES			
Endowment	20	386,293,632	374,531,852
Accumulated surplus			
- General funds		82,792,215	51,272,661
- Endowment and term funds	20	32,956,234	(10,979,407)
		<u>502,042,081</u>	<u>414,825,106</u>
Funds managed on behalf of Ministry of Education ("MOE")	21	<u>20,626,374</u>	<u>15,424,915</u>

The accompanying notes form an integral part of these financial statements.

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the financial year ended 31 March 2017

	Note	Accumulated surplus - <u>General funds</u> \$	Endowment and term funds \$	<u>Total</u> \$
2017				
Beginning of financial year		51,272,661	363,552,445	414,825,106
Total comprehensive income		31,519,554	43,935,641	75,455,195
Government grants and donations	20(b)	-	11,761,780	11,761,780
End of financial year		82,792,215	419,249,866	502,042,081
2016				
Beginning of financial year		30,618,348	371,835,065	402,453,413
Total comprehensive income/(loss)		20,654,313	(16,478,002)	4,176,311
Government grants and donations	20(b)	-	8,195,382	8,195,382
End of financial year		51,272,661	363,552,445	414,825,106

The accompanying notes form an integral part of these financial statements.

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Deficit before government grants		(100,979,248)	(137,172,785)
Adjustments for:			
- Depreciation and amortisation		37,264,513	30,220,893
- Donations	4	(1,200,892)	(1,492,604)
- Net loss on disposal of property, plant and equipment		620	1,855
- Interest income	6	(1,604,234)	(423,861)
- Dividend income	6	(159,429)	(1,805)
- Fair value (gain)/loss on financial assets, at fair value through profit or loss and currency exchange loss	6	(44,137,320)	16,556,057
		<u>(110,815,990)</u>	<u>(92,312,250)</u>
Change in operating assets and liabilities			
- Fees and other receivables		(2,331,320)	3,125,456
- Student loans and other assets		906,229	(2,565,324)
- Trade and other payables		11,146,485	1,240,562
Net cash used in operating activities		<u>(101,094,596)</u>	<u>(90,511,556)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(23,305,274)	(36,495,358)
Proceeds from disposal of property, plant and equipment		16,701	-
Purchase of financial assets, at fair value through profit or loss		(19,877,597)	(24,577,634)
Proceeds from disposal of financial assets, at fair value through profit or loss		20,475,709	59,392,537
Settlement of currency forwards		-	(13,819,772)
Interest received		1,223,842	321,637
Dividends received		159,429	1,805
Net cash used in investing activities		<u>(21,307,190)</u>	<u>(15,176,785)</u>
Cash flows from financing activities			
Operating grants received		110,660,227	135,992,666
Development grants received		11,117,430	33,446,014
Other government grants received		5,373,049	1,572,318
Endowment funds received		11,761,780	8,195,382
Donations received		1,200,892	1,492,604
Cash provided by financing activities		<u>140,113,378</u>	<u>180,698,984</u>
Net increase in cash and cash equivalents		17,711,592	75,010,643
Cash and cash equivalents at beginning of financial year		130,281,892	55,271,249
Cash and cash equivalents at end of financial year	8	<u>147,993,484</u>	<u>130,281,892</u>

The accompanying notes form an integral part of these financial statements.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Singapore Institute of Technology ("SIT") is incorporated and domiciled in Singapore as a company limited by guarantee under the provisions of the Companies Act, Chapter 50. The address of its registered office is 10 Dover Drive Singapore 138683.

The principal activities of SIT are to promote and undertake the advancement of education by providing educational facilities and courses of study in all fields of knowledge; to advance and disseminate knowledge and promote and engage in research and scholarship; to establish, operate, maintain and promote SIT as a going concern; and to conduct any activity necessary or ancillary to achieve the matters mentioned above.

Under Clause 9 of the Memorandum of Association of SIT, each member of SIT undertakes to contribute a sum not exceeding \$1 to the assets of SIT in the event of it being wound up. The number of members at the balance sheet date is 2 (2016: 2).

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying SIT's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, is disclosed in Note 3.

Interpretations and amendments to published standards

On 1 April 2016, SIT adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to SIT's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to SIT's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.2 Funds

(a) *General funds*

Income and expenditure are accounted for under the general funds unless they relate to funds separately accounted under specific self-financing activities.

(b) *Endowment funds*

Grants from government and endowed donations from external sources whereby only income generated from the investment of such grants/donations can be used, are taken directly to funds and reserves in the year in which such grants and donations are granted or received.

Income and expenditure from the management of the endowment funds are taken to Endowment funds.

(c) *Term funds*

Donations received which can be put to immediate use for specific programmes, capital projects or other purposes as specified by the donors for the advancement of education are taken to Term funds.

Income and expenditure relating to term funds are taken to Term funds.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for rendering of services net of goods and services tax in the ordinary course of SIT's activities. Revenue is recognised as follows:

(a) *Tuition and other student-related services*

Revenue from tuition and other student-related services are recognised in the period in which the services are rendered.

(b) *Service fees*

Revenue from service fees are recognised in the period in which the services are rendered.

(c) *Sponsorships and donations*

Sponsorships and donations are recognised in the financial year they are received.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(f) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.4 Employee compensation

(a) *Defined contribution plans*

SIT's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.5 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to SIT and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The assets under construction comprise construction costs and associated costs used in the construction.

Property, plant and equipment costing less than \$2,000 each are taken to income and expenditure when purchased.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Buildings and infrastructure	5 to 30 years or the period of lease, whichever is shorter
Furniture, office and sports equipment	3 to 5 years
IT, AV and network equipment	3 to 5 years
Machinery, laboratory and workshop equipment	6 years
Motor vehicles	8 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in income and expenditure when the changes arise.

No depreciation is provided for assets under construction until construction is completed and the asset is transferred to its appropriate category.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is included in income and expenditure.

2.6 Intangible assets

Computer software licences costs

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

Capitalised computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income and expenditure using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in income and expenditure when the changes arise.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.7 Trade and other payables

Trade and other payables represent unpaid liabilities for goods and services provided to SIT prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank and short-term bank deposits, which are subject to an insignificant risk of change in value.

2.9 Financial assets

(a) *Classification*

SIT classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date.

(i) *Financial assets at fair value through profit or loss*

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented investment strategy.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are presented as "cash and cash equivalents", "fees and other receivables", "student loans" and "deposits" in other current assets on the balance sheet.

They are presented as current assets, except for those that are expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which SIT commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and SIT has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the sale proceeds and the carrying amount is recognised in income and expenditure. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to income and expenditure.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in income and expenditure when the changes arise.

(e) Impairment

SIT assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) *Impairment* (continued)

Loans and receivables (continued)

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in income and expenditure.

The impairment allowance is reduced through income and expenditure in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.10 Currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of SIT.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in income and expenditure.

2.11 Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and SIT will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants to meet the current year's operating expenses are recognised as income in the same financial year. Grants which are received but not utilised are included in the grants received in advance account.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. Significant accounting policies (continued)

2.11 Grants (continued)

Government grants received/receivable to finance capital projects such as purchase of property, plant and equipment, intangible assets and building construction are taken immediately to operating or development grants received in advance account. Upon the utilisation of the grants for the purchase of assets, they are transferred to deferred capital grants for the assets which are being capitalised, or to income and expenditure for the assets costing less than \$2,000 which are written off.

Deferred capital grants are recognised in income and expenditure over the periods necessary to match the depreciation or amortisation of the related assets purchased with the grants. Upon the disposal of the assets, the balance of the related deferred capital grants is recognised in income and expenditure to match the net book value of the assets written off.

Grants from other government agencies are recognised as income over the periods necessary to match them with related costs or over the period the intended activities are carried out, based on the attached conditions. Grants which are received but not utilised are included in the grants received in advance account.

2.12 Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in income and expenditure.

An impairment loss for an asset is reversed if, and 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. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation and amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in income and expenditure.

2.13 Lessee - Operating lease payments

Payments made under operating leases (net of any incentives received from the lessors) are recognised in income and expenditure on a straight-line basis over the period of the lease.

2. Significant accounting policies (continued)

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. SIT uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Useful lives of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives or the period of the land and premise leases, if shorter. Management estimates the useful lives of these assets to be 3 to 30 years, based on the expected useful lives for similar assets, or the period of the land and premise leases, if shorter. Changes in the expected level of usage or in the terms of the land and premises leases would impact the estimated useful lives, leading to potential changes in future depreciation charges and/or write-offs.

Fair value estimation of unquoted financial instruments

SIT invests in unquoted securities that are not traded in an active market with a carrying amount of \$103,579,073 (2016: \$103,070,610). The fair values of these investments are based on valuations obtained from third party fund managers. The valuations are determined using market-observable data to the extent it is available. Where quoted prices are not available, the fund managers establish the fair values of these investments based on the net asset value which would approximate the fair value of the investments at the balance sheet date. Changes in the key assumptions used in the third party fund managers' valuation methods would impact the financial assets at fair value through profit or loss and net surplus in the financial statements.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

4. Revenue and other income

	General funds		Endowment and term funds		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue:						
Tuition and other student-related fees	52,943,429	43,147,437	-	-	52,943,429	43,147,437
Service fees	2,236,629	2,029,083	-	-	2,236,629	2,029,083
	55,180,058	45,176,520	-	-	55,180,058	45,176,520
Other income:						
Donations	-	-	1,200,892	1,492,604	1,200,892	1,492,604
Rental income	309,145	230,680	-	-	309,145	230,680
Others	626,948	1,103,569	-	-	626,948	1,103,569
	936,093	1,334,249	1,200,892	1,492,604	2,136,985	2,826,853
Total revenue and other income	56,116,151	46,510,769	1,200,892	1,492,604	57,317,043	48,003,373

5. Staff and related expenses

	2017	2016
	\$	\$
Wages and salaries	53,771,440	39,993,965
Employer's contribution to defined contribution plans including Central Provident Fund	6,301,674	4,421,333
Other employee benefits	4,851,127	3,626,504
	64,924,241	48,041,802

6. Net investment income/(loss)

	General funds		Endowment and term funds		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Interest income	1,066,527	381,911	537,707	41,950	1,604,234	423,861
Dividend income	-	-	159,429	1,805	159,429	1,805
Financial assets designated as fair value through profit or loss at initial recognition						
- Fair value gain/(loss)	-	-	42,425,260	(16,161,983)	42,425,260	(16,161,983)
- Net gain/(loss) on disposal	-	-	2,438,456	(104,149)	2,438,456	(104,149)
Currency exchange loss	-	-	(726,396)	(289,925)	(726,396)	(289,925)
			44,137,320	(16,556,057)	44,137,320	(16,556,057)
	1,066,527	381,911	44,834,456	(16,512,302)	45,900,983	(16,130,391)

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

7. Government grants

	2017 \$	2016 \$
Operating and other grants utilised (Note 17)	135,828,908	107,799,998
Deferred capital grants amortised (Note 18)	37,261,135	30,220,164
Other deferred grants amortised (Note 19)	3,327,079	3,327,079
Transfer from deferred capital grants for asset disposal (Note 18)	17,321	1,855
	<u>176,434,443</u>	<u>141,349,096</u>

8. Cash and cash equivalents

	2017 \$	2016 \$
Cash at bank	49,655,841	20,755,692
Short-term bank deposits	98,337,643	109,526,200
	<u>147,993,484</u>	<u>130,281,892</u>

The short-term bank deposits at balance sheet date have an average maturity of 136 days (2016: 165 days) from the end of the financial year with a weighted average effective interest rate of 1.140% (2016: 1.233%) per annum.

9. Financial assets, at fair value through profit or loss

	2017 \$	2016 \$
<i>Designated at fair value on initial recognition</i>		
Quoted securities		
- Fixed income securities	124,890,739	117,551,007
- Equity securities	161,453,610	125,036,201
Unquoted securities		
- Fixed income securities	14,330,564	-
- Equity securities	-	25,659,901
- Other unquoted securities	89,248,509	77,410,709
	<u>389,923,422</u>	<u>345,657,818</u>

The weighted average yield to maturity for the fixed income securities is 4.33% (2016: 3.75%) per annum.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

10. Fees and other receivables

	2017 \$	2016 \$
Fees receivables	6,971,308	5,187,308
Less: Allowance for impairment of receivables [Note 25(b)(ii)]	<u>(215,011)</u>	<u>(158,216)</u>
Fees receivables - net	6,756,297	5,029,092
Grant receivables from MOE	33,287,943	18,686,197
Other receivables from MOE	7,412,631	5,426,523
Others	893,368	981,135
	<u>48,350,239</u>	<u>30,122,947</u>

11. Student loans

	2017 \$	2016 \$
Current	142,551	133,096
Non-current	<u>563,166</u>	<u>363,484</u>
	705,717	496,580

These are the Overseas Immersion Programme loans which are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods of up to 5 years after the students' graduation. Interest is charged based on the average of the prevailing prime rates of the 3 local banks. The interest rate as at balance sheet date is 4.75% (2016: 4.75%) per annum.

The carrying amount of non-current student loans approximate their fair values.

12. Other current assets

	2017 \$	2016 \$
Deposits	68,541	45,541
Prepayments		
- Polytechnics	3,327,079	3,327,079
- Programme and student-related expenses	1,345,717	878,117
- Others	<u>1,564,192</u>	<u>1,952,729</u>
	6,305,529	6,203,466

Prepayments to the Polytechnics relate to service fees paid in advance to the Polytechnics for the use of the Polytechnics' facilities.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

13. Property, plant and equipment

	Buildings and infrastructure	Furniture, office and sports equipment	IT, AV and network equipment	Machinery, laboratory and workshop equipment	Motor vehicles	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$
2017							
<u>Cost</u>							
Beginning of financial year	218,991,012	18,094,509	30,005,271	7,281,569	514,477	3,097,310	277,984,148
Additions	4,190,876	474,312	2,169,489	5,877,010	-	2,091,206	14,802,893
Cost adjustment	(259,730)	-	-	-	-	-	(259,730)
Transfers between categories	56,950	33,126	286,739	272,512	-	(649,327)	-
Transfers to intangible assets (Note 14)	-	-	-	-	-	(849,430)	(849,430)
Disposals	-	(42,836)	(33,235)	(18,183)	-	-	(94,254)
End of financial year	222,979,108	18,559,111	32,428,264	13,412,908	514,477	3,689,759	291,583,627
<u>Accumulated depreciation</u>							
Beginning of financial year	25,596,113	8,248,823	10,567,454	1,075,743	131,435	-	45,619,568
Depreciation charge	18,796,754	5,932,366	8,340,041	1,698,842	64,310	-	34,832,313
Disposals	-	(33,344)	(33,235)	(10,354)	-	-	(76,933)
End of financial year	44,392,867	14,147,845	18,874,260	2,764,231	195,745	-	80,374,948
Net book value							
End of financial year	178,586,241	4,411,266	13,554,004	10,648,677	318,732	3,689,759	211,208,679
2016							
<u>Cost</u>							
Beginning of financial year	209,740,610	13,839,022	21,845,697	1,702,707	514,477	1,028,500	248,671,013
Additions	9,249,303	4,128,048	8,248,669	5,581,644	-	2,312,551	29,520,215
Transfers between categories	1,099	127,439	115,203	-	-	(243,741)	-
Disposals	-	-	(204,298)	(2,782)	-	-	(207,080)
End of financial year	218,991,012	18,094,509	30,005,271	7,281,569	514,477	3,097,310	277,984,148
<u>Accumulated depreciation</u>							
Beginning of financial year	9,336,667	2,950,850	4,068,514	451,866	67,125	-	16,875,022
Depreciation charge	16,259,446	5,297,973	6,703,238	624,804	64,310	-	28,949,771
Disposals	-	-	(204,298)	(927)	-	-	(205,225)
End of financial year	25,596,113	8,248,823	10,567,454	1,075,743	131,435	-	45,619,568
Net book value							
End of financial year	193,394,899	9,845,686	19,437,817	6,205,826	383,042	3,097,310	232,364,580

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

14. Intangible assets

Computer software licences costs

	2017 \$	2016 \$
<u>Cost</u>		
Beginning of financial year	4,782,454	4,027,334
Additions	5,927,729	755,120
Transfer from assets under construction (Note 13)	849,430	-
Disposals	(11,457)	-
End of financial year	<u>11,548,156</u>	<u>4,782,454</u>
<u>Accumulated amortisation</u>		
Beginning of financial year	2,648,766	1,377,644
Amortisation charge	2,432,200	1,271,122
Disposals	(11,457)	-
End of financial year	<u>5,069,509</u>	<u>2,648,766</u>
Net book value		
End of financial year	<u>6,478,647</u>	<u>2,133,688</u>

15. Other non-current assets

	2017 \$	2016 \$
Deposits	295,760	296,165
Prepayments		
- Polytechnics	80,155,250	81,503,029
- Others	167,635	36,880
	<u>80,618,645</u>	<u>81,836,074</u>

Prepayments to the Polytechnics relate to service fees paid in advance to the Polytechnics for the use of the Polytechnics' facilities.

16. Trade and other payables

	2017 \$	2016 \$
Trade payables	7,022,526	5,208,417
Payables for property, plant and equipment	1,895,233	4,469,885
Accrued operating expenses	14,841,158	7,864,351
Provision for unutilised leave	3,451,727	2,495,024
Other payables	4,501,508	3,756,902
	<u>31,712,152</u>	<u>23,794,579</u>

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

17. Grants received in advance

	Government Operating \$	Government- Development \$	Other government grants \$	Total \$
2017				
Beginning of financial year	55,434,642	5,936,940	196,721	61,568,303
Grants received/receivable	110,660,227	7,759,419	5,996,902	124,416,548
Debt grants received/receivable	-	18,249,738	-	18,249,738
Transfer to statement of comprehensive income (Note 7)	(129,218,567)	(3,330,204)	(3,280,137)	(135,828,908)
Transfer to other deferred grants (Note 19)	-	(29,344)	-	(29,344)
Transfer to deferred capital grants (Note 18)	(4,907,422)	(15,136,552)	(633,980)	(20,677,954)
End of financial year	31,968,880	13,449,997	2,279,506	47,698,383
2016				
Beginning of financial year	51,524,849	-	207,005	51,731,854
Grants received/receivable	113,032,447	22,562,890	1,801,349	137,396,686
Debt grants received/receivable	-	16,275,198	-	16,275,198
Transfer to statement of comprehensive income (Note 7)	(102,806,132)	(3,383,915)	(1,609,951)	(107,799,998)
Transfer to other deferred grants (Note 19)	-	(5,770,588)	-	(5,770,588)
Transfer to deferred capital grants (Note 18)	(6,316,522)	(23,746,645)	(201,682)	(30,264,849)
End of financial year	55,434,642	5,936,940	196,721	61,568,303

These are operating, development and other grants received/receivable from MOE and other government agencies to fund SIT's operations, development projects and educational programmes.

18. Deferred capital grants

	2017 \$	2016 \$
Beginning of financial year	234,488,511	234,445,681
Additions		
- Operating grants (Note 17)	4,907,422	6,316,522
- Development grants (Note 17)	15,136,552	23,746,645
- Other government grants (Note 17)	633,980	201,682
Deferred capital grants amortised (Note 7)	(37,261,135)	(30,220,164)
Transfer to income and expenditure for asset disposal (Note 7)	(17,321)	(1,855)
Asset cost adjustment (Note 13)	(259,730)	-
End of financial year	217,628,279	234,488,511

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

19. Other deferred grants

	2017 \$	2016 \$
Beginning of financial year	86,780,063	84,336,554
Transfer from development grants received in advance (Note 17)	29,344	5,770,588
Deferred grants amortised (Note 7)	<u>(3,327,079)</u>	<u>(3,327,079)</u>
End of financial year	<u>83,482,328</u>	<u>86,780,063</u>

Other deferred grants relate to grants received from MOE paid or payable to the Polytechnics as service fees in advance for the future use of the Polytechnics' premises.

20. Endowment and term funds

(a) Composition:

	Endowment funds		Term funds		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Capital:						
- Government grants	373,798,058	366,424,631	-	-	373,798,058	366,424,631
- Donations	12,495,574	8,107,221	-	-	12,495,574	8,107,221
	<u>386,293,632</u>	<u>374,531,852</u>	-	-	<u>386,293,632</u>	<u>374,531,852</u>
Accumulated surplus/(deficit)	<u>31,750,007</u>	<u>(12,490,192)</u>	<u>1,206,227</u>	<u>1,510,785</u>	<u>32,956,234</u>	<u>(10,979,407)</u>
	<u>418,043,639</u>	<u>362,041,660</u>	<u>1,206,227</u>	<u>1,510,785</u>	<u>419,249,866</u>	<u>363,552,445</u>
<u>Represented by:</u>						
Cash and cash equivalents	27,886,482	16,373,588	1,206,227	1,510,785	29,092,709	17,884,373
Intrafund settlement	188,164	188,164	-	-	188,164	188,164
Financial assets at fair value through profit or loss	389,923,422	345,657,818	-	-	389,923,422	345,657,818
Interest receivable	216,688	9,998	-	-	216,688	9,998
Other receivable	6,786	5,573	-	-	6,786	5,573
Other payables	<u>(177,903)</u>	<u>(193,481)</u>	<u>-</u>	<u>-</u>	<u>(177,903)</u>	<u>(193,481)</u>
	<u>418,043,639</u>	<u>362,041,660</u>	<u>1,206,227</u>	<u>1,510,785</u>	<u>419,249,866</u>	<u>363,552,445</u>

(b) Movements:

	Endowment funds		Term funds		Total	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Beginning of financial year	362,041,660	370,911,423	1,510,785	923,642	363,552,445	371,835,065
Government grants	7,373,427	5,751,049	-	-	7,373,427	5,751,049
Donations	4,388,353	2,444,333	-	-	4,388,353	2,444,333
	11,761,780	8,195,382	-	-	11,761,780	8,195,382
Net surplus/(deficit)	44,240,199	(17,065,145)	(304,558)	587,143	43,935,641	(16,478,002)
End of financial year	<u>418,043,639</u>	<u>362,041,660</u>	<u>1,206,227</u>	<u>1,510,785</u>	<u>419,249,866</u>	<u>363,552,445</u>

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

20. Endowment and term funds (continued)

(c) Income and expenditure for the year:

	Endowment funds		Term funds		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Income:						
- Donations	-	-	1,200,892	1,492,604	1,200,892	1,492,604
- Net investment income/(loss)	44,834,456	(16,517,461)	-	5,159	44,834,456	(16,512,302)
	44,834,456	(16,517,461)	1,200,892	1,497,763	46,035,348	(15,019,698)
Operating expenditure:						
- Programme and student-related expenses	-	-	(1,505,450)	(910,620)	(1,505,450)	(910,620)
- Other operating expenses	(594,257)	(547,684)	-	-	(594,257)	(547,684)
Net surplus/(deficit) for the year	44,240,199	(17,065,145)	(304,558)	587,143	43,935,641	(16,478,002)
Beginning accumulated (deficit)/surplus	(12,490,192)	4,574,953	1,510,785	923,642	(10,979,407)	5,498,595
Ending accumulated surplus/(deficit)	31,750,007	(12,490,192)	1,206,227	1,510,785	32,956,234	(10,979,407)

Endowment funds

Endowment funds comprising government grants and donations are invested for long term purpose and income generated will be used for the advancement of education.

Term funds

Term funds comprise donations which are used for scholarships, bursaries and other programmes for the advancement of education.

21. Funds managed on behalf of MOE

Student loans comprise principally student tuition fee loans, study loans and overseas study loans.

SIT acts as an agent for the student loans and the government as the financier providing the advances.

	2017	2016
	\$	\$
Beginning of financial year	15,424,915	11,829,639
Student loans granted to students	9,024,353	7,074,719
Repayments received from students	(3,822,894)	(3,479,443)
End of financial year	20,626,374	15,424,915

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. Funds managed on behalf of MOE (continued)

	2017 \$	2016 \$
<i>Represented by:</i>		
Student loans receivable	20,626,374	15,424,915
Other receivables from MOE	286,577	162,334
Payables to SIT	<u>(286,577)</u>	<u>(162,334)</u>
Net assets	<u>20,626,374</u>	<u>15,424,915</u>

Student tuition fee and study loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods of up to 20 years after the students' graduation. Interest is charged by MOE based on the average of the prevailing prime rates of the 3 local banks. The interest rate as at balance sheet date is 4.75% (2016: 4.75%) per annum.

22. Commitments

(a) Lessee - Operating lease commitments

Office equipment and land leases at the Polytechnics

SIT leases office equipment and land under non-cancellable operating lease agreements.

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

	2017 \$	2016 \$
Not later than one year	2,592,674	2,634,634
Between one and five years	10,109,909	10,152,682
Later than five years	<u>50,584,012</u>	<u>53,095,893</u>
	<u>63,286,595</u>	<u>65,883,209</u>

(b) Other commitments

(i) *SIT infrastructure*

The campus development and infrastructure contracted for at the balance sheet date but not recognised in the financial statements are estimated as follows:

	2017 \$	2016 \$
Infrastructure	<u>5,865,507</u>	<u>5,112,222</u>

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. Commitments (continued)

(b) Other commitments (continued)

(ii) Contractual commitments to Overseas Universities (OUs) partners

At balance sheet date, SIT has signed collaboration agreements with 11 (2016: 11) OUs to offer and manage industry focused degree programmes. The contractual periods for the collaboration agreements are for periods of 5 to 10 years. The committed fees under the collaboration agreements cover a period up to 2028 (2016: 2025).

(iii) Investments

As at 31 March 2017, SIT has made total commitment of \$17,195,855 (2016: \$22,238,007) for investments in other unquoted securities, which have not been drawn down as at balance sheet date.

23. Income taxes

SIT obtained Charity and Institution of Public Character ("IPC") status on 16 September 2009 under the Charities Act and Charities (Institutions of a Public Character) Regulations 2007. With effect from the Year of Assessment 2008, all registered charities will enjoy automatic income tax exemption. SIT is exempted from filing income tax returns.

24. Charity Act and Regulation

As required for disclosure under regulation 17 of the Charities (Institutions of Public Character) Regulations, SIT has received tax deductible donations of \$5,589,245 (2016: \$3,936,937) in the current financial year.

25. Financial risk management

Financial risk factors

SIT's activities are exposed to market risk (including currency, price and interest rate risks), credit risk and liquidity risk.

The Board of Trustee (the "Board") has constituted a Finance Committee comprising three Board members to oversee SIT's financial resource management. The Investment Committee comprising two Board members and one Co-opted member has also been constituted to oversee the management and investment of SIT's endowment and other surplus funds. The Investment Committee approves the asset allocations, selection of fund managers and all other investment activities. The Investment Office assists in the implementation and management of SIT investment portfolio within the prescribed investment guidelines and mandates.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

SIT's investments are exposed to significant currency risk as they are denominated in USD. SIT's currency exposure to the USD is as follows:

	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	19,032,100	9,755,835
Financial assets, at fair value through profit or loss	<u>384,929,150</u>	<u>345,657,818</u>
	403,961,250	355,413,653
Financial liabilities		
Trade and other payables	<u>(214,215)</u>	<u>(620,991)</u>
Net currency exposure	<u>403,747,035</u>	<u>354,792,662</u>

At 31 March 2017, if the USD had strengthened/weakened by 5% (2016: 5%) against the SGD with all other variables held constant, the increase/decrease on net surplus arising from the change would have \$20,187,352 (2016: \$17,739,633) as a result of currency translation gains/losses on the USD-denominated financial instruments.

(ii) *Price risk*

The information of the investment portfolio comprising quoted securities and unquoted securities provided to key management is as follows:

	Financial assets at fair value through profit or loss	
	2017 %	2016 %
<u>By geographical area</u>		
Global	62	62
Asia (exclude Japan)	<u>38</u>	<u>38</u>
	100	100

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Price risk*

SIT is exposed to price risk arising from its investments. To manage this risk, SIT diversifies its investments across different markets and industries whenever appropriate. With all other variables held constant, if prices for securities increase/decrease by 5% (2016: 5%), this will result in an increase/decrease of \$19,496,171 (2016: \$17,282,891) in net surplus for the current financial year.

(iii) *Interest rate risk*

SIT invests in fixed income securities through externally managed funds, which are subject to interest rate risk, amongst other risks. Changes in interest will have impact on the fair value of the instruments. With all other variables held constant, 1% (2016: 1%) increase/decrease in interest rate will result in \$8,477,608 (2016: \$5,164,182) decrease/increase in the fair value of financial assets at fair values through profit or loss and net surplus.

Excess funds may be placed in short-term fixed deposits, which are subject to changes in market interest rates. If the interest rate has been higher/lower by 0.5% (2016: 0.5%) with all other variables held constant, the net surplus would have been higher/lower by \$491,688 (2016: \$547,631) as a result of higher/lower interest income.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to SIT.

Other than the fee receivables for students, SIT adopts the policy of dealing only with counterparties of appropriate reputation and history. For other financial assets, SIT adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. SIT's major classes of financial assets are bank deposits, and fees and other receivables. Grant receivables are mainly due from MOE. Other receivables include grant receivables from other government agencies. The credit risk exposure of other receivables from non-government agencies is insignificant.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Financial assets that are past due but not impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. SIT has fee receivables amounting to \$1,603,544 (2016: \$3,034,499) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	2017 \$	2016 \$
Current	<u>5,152,753</u>	1,994,593
<u>Past due but not impaired:</u>		
1 to 30 days	1,100,184	1,007,037
31 to 60 days	683,542	1,661,247
61 to 90 days	(13,337)	395
More than 90 days	(166,845)	365,820
Total past due but not impaired	<u>1,603,544</u>	<u>3,034,499</u>
Fees receivables	<u>6,756,297</u>	<u>5,029,092</u>

(ii) *Financial assets that are past due and impaired*

There is no other class of financial assets that is past due and impaired except for fees receivables. The carrying amount of fees receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2017 \$	2016 \$
Gross amount	215,011	158,216
Less: Allowance for impairment of fees receivables (Note 10)	<u>(215,011)</u>	<u>(158,216)</u>
	-	-
Beginning of financial year	158,216	35,833
Allowance made	156,774	145,905
Allowance written back	(99,979)	(23,522)
End of financial year	<u>215,011</u>	<u>158,216</u>

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that SIT will encounter difficulty in meeting financial obligations due to shortage of funds. SIT maintains an adequate level of highly liquid assets in the form of cash and short-term bank deposits.

The table below analyses SIT's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than <u>1 year</u> \$
At 31 March 2017	
Trade and other payables	<u>31,712,152</u>
At 31 March 2016	
Trade and other payables	<u>23,794,579</u>

(d) Capital risk

SIT's objectives when managing capital are to ensure that SIT is adequately capitalised and to maintain a sound capital base for future development.

SIT is funded by the grants received from government and is not subject to any externally imposed capital requirements.

(e) Fair value measurement

SIT classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(e) Fair value measurement (continued)

The following table shows an analysis of financial instruments measured at fair value and classified by level of fair value measurement hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
2017				
Financial Assets				
Financial assets at fair value through profit or loss				
Quoted securities				
- Fixed income securities	124,890,739	-	-	124,890,739
- Equity securities	161,453,610	-	-	161,453,610
Unquoted securities				
- Fixed income securities	-	-	14,330,564	14,330,564
- Equity securities	-	-	-	-
- Other unquoted securities	-	-	89,248,509	89,248,509
At 31 March 2017	286,344,349	-	103,579,073	389,923,422
2016				
Financial Assets				
Financial assets at fair value through profit or loss				
Quoted securities				
- Fixed income securities	117,551,007*	-	-	117,551,007
- Equity securities	125,036,201*	-	-	125,036,201
Unquoted securities				
- Fixed income securities	-	-	-	-
- Equity securities	-	25,659,901	-	25,659,901
- Other unquoted securities	-	-	77,410,709	77,410,709
At 31 March 2016	242,587,208	25,659,901	77,410,709	345,657,818

During the year, quoted securities were classified as Level 1 to better reflect the fair value measurement hierarchy. As a result, their comparable amounts (*) have been reclassified to Level 1. The reclassification has no material impact to SIT.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by SIT is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques or price quotes by the fund managers. These investments are classified as Level 2.

In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. Financial risk management (continued)

(e) Fair value measurement (continued)

The following table presents the changes in Level 3 instruments:

	2017 \$	2016 \$
<i><u>Financial assets at fair value through profit or loss</u></i>		
Beginning of financial year	77,410,709	55,806,351
Purchases	19,737,687	23,929,246
Fair value gains/(losses) recognised in income and expenditure	6,430,677	(2,324,888)
End of financial year	<u>103,579,073</u>	<u>77,410,709</u>
Total fair value gains/(losses) recognised in the statement of comprehensive income	<u>6,430,677</u>	<u>(2,324,888)</u>

(f) Financial instruments by category

The carrying amounts of loans and receivables, financial assets at fair value through profit or loss and financial liabilities are as follows:

	2017 \$	2016 \$
Loans and receivables	197,413,741	161,243,125
Financial assets at fair value through profit or loss	389,923,422	345,657,818
Financial liabilities at amortised cost	<u>31,712,152</u>	<u>23,794,579</u>

26. Related party transactions

During the year, SIT purchased certain investments of which a trustee is the director of the Issuer of the investments. As at 31 March 2017, these investments amounted to \$14,330,564 (2016: \$nil). The trustee had abstained from making any decision in relation to these investments.

Key management personnel compensation for the financial year is as follows:

	2017 \$	2016 \$
Wages and salaries	9,050,161	8,366,435
Post-employment benefits - contribution to CPF	493,240	470,316
	<u>9,543,401</u>	<u>8,836,751</u>

27. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for SIT's accounting periods beginning on or after 1 April 2017 and which SIT has not early adopted:

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. New or revised accounting standards and interpretations (continued)

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018) (continued)

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of SIT's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for SIT's operating leases. As at the reporting date, SIT has non-cancellable operating lease commitments of \$63,286,595 (2016: \$65,883,209) (Note 22(a)). However, SIT has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect SIT's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

Management is reviewing the impact on which the adoption of the above FRSs are anticipated to have on the financial statements of SIT in the period of their initial adoption.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Trustees of Singapore Institute of Technology on 16 August 2017.