

SINGAPORE INSTITUTE OF TECHNOLOGY
(Company Limited by Guarantee)
(Incorporated in Singapore. Registration Number: 200917667D)
AND ITS SUBSIDIARIES

Annual Financial Statements
For the financial year ended 31 March 2021



SINGAPORE INSTITUTE OF TECHNOLOGY
(Company Limited by Guarantee)
(INCORPORATED IN SINGAPORE)
AND ITS SUBSIDIARIES

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SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

TRUSTEES' STATEMENT

For the Financial Year ended 31 March 2021

The Board of Trustees present their statement to the members together with the audited financial statements of Singapore Institute of Technology ("SIT") and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 March 2021 and the Balance Sheet of SIT as at 31 March 2021.

In the opinion of the Trustees,

- (a) the consolidated financial statements of the Group, and the Balance Sheet of SIT and as set out on pages 6 to 48 are drawn up so as to give a true and fair view of the financial position of the Group and of SIT as at 31 March 2021 and of the financial performance, changes in funds and reserves and cash flows of the Group for the financial year ended on that date; 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) |
| Mr Bill Chang | (Appointed on 16 September 2020) |
| Dr Chia Tai Tee | |
| Professor Heng Chye Kiang | |
| Ms Melissa Khoo | |
| Dr Benjamin Koh | |
| Mr Kwee Liong Keng | |
| Mrs Margaret Lui | |
| Mr Abu Bakar Bin Mohd Nor | |
| Ms Gail Ong | |
| Mr Quek Gim Pew | |
| Mr Ravinder Singh | |
| Mr Nagaraj Sivaram | |
| Mr Soon Sze Meng | |
| Professor Tan Thiam Soon | |
| Ms Tammie Tham | |
| Mr T K Udairam | |
| Mr Wen Khai Meng | |

Arrangements to Enable the 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, Chapter 50.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

TRUSTEES' STATEMENT

For the Financial Year ended 31 March 2021

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 29 to the financial statements.

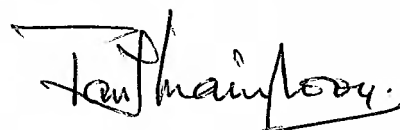
Auditor

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

On behalf of the Board of Trustees



Mr Ng Yat Chung
Trustee



Professor Tan Thiam Soon
Trustee

18 August 2021

Singapore Institute of Technology

Independent auditor's report For the financial year ended 31 March 2021

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Institute of Technology ("SIT") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and SIT as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in funds and reserves and consolidated cash flow statement 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 balance sheet of SIT, are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), the Singapore Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore (the "FRSs") so as to give a true and fair view of the financial position of the Group and SIT as at 31 March 2021 and of the consolidated financial performance, consolidated changes in funds and reserves and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "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 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.

Singapore Institute of Technology

Independent auditor's report For the financial year ended 31 March 2021

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

Report on the audit of the financial statements (cont'd)

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 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.

Those charged with governance are 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 the 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 the SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Singapore Institute of Technology

**Independent auditor's report
For the financial year ended 31 March 2021**

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

Report on the audit of the financial statements (cont'd)

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

- 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 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.

Other matters

The consolidated financial statements of the Group for the year ended 31 March 2020 and the balance sheet of SIT as at 31 March 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 19 August 2020.

Singapore Institute of Technology

**Independent auditor's report
For the financial year ended 31 March 2021**

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required to be kept by SIT and by its subsidiaries incorporated in Singapore of which we are the auditors 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 monies 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.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

18 August 2021

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year ended 31 March 2021

| | Note | General Funds | | Endowment and Term Funds | | Total | |
|--|-------|------------------|-----------|--------------------------|----------|------------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 4(a) | 90,379 | 80,044 | – | – | 90,379 | 80,044 |
| Other Income | 4(a) | 2,876 | 1,436 | 6,957 | 2,926 | 9,833 | 4,362 |
| Operating Expenditure | | | | | | | |
| Staff and Related Expenses | 5 | (119,958) | (111,118) | (374) | (389) | (120,332) | (111,507) |
| Programme and Student-Related Expenses | | (65,668) | (67,958) | (3,779) | (3,459) | (69,447) | (71,417) |
| Depreciation and Amortisation Expenses | 15,17 | (45,072) | (42,886) | – | – | (45,072) | (42,886) |
| Rental and other Facility Expenses | | (14,223) | (15,953) | – | – | (14,223) | (15,953) |
| Interest Expense | 16 | (1,396) | (1,610) | – | – | (1,396) | (1,610) |
| Other Operating Expenses | | (22,207) | (24,924) | (1,071) | (666) | (23,278) | (25,590) |
| Total Operating Expenditure | | (268,524) | (264,449) | (5,224) | (4,514) | (273,748) | (268,963) |
| Deficit before Investment Income and Government Grants | | (175,269) | (182,969) | 1,733 | (1,588) | (173,536) | (184,557) |
| Net Investment Income/(Loss) | 6 | 638 | 1,430 | 129,047 | (9,212) | 129,685 | (7,782) |
| (Deficit)/Surplus before Government Grants | | (174,631) | (181,539) | 130,780 | (10,800) | (43,851) | (192,339) |
| Government Grants | 7 | 217,082 | 196,208 | – | – | 217,082 | 196,208 |
| Net Surplus/(Deficit), representing Total Comprehensive Income/(Loss) | | 42,451 | 14,669 | 130,780 | (10,800) | 173,231 | 3,869 |

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

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

BALANCE SHEETS
As at 31 March 2021

| | Note | Group | | SIT | |
|--|------|------------------|----------------|------------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Investments in subsidiaries | 14 | – | – | – (a) | – (a) |
| Property, Plant and Equipment | 15 | 667,676 | 589,404 | 667,676 | 589,404 |
| Intangible Assets | 17 | 4,558 | 6,665 | 4,530 | 6,603 |
| Student Loans | 11 | 508 | 729 | 508 | 729 |
| Other Non-Current Assets | 18 | 67,155 | 70,386 | 67,155 | 70,386 |
| | | 739,897 | 667,184 | 739,869 | 667,122 |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 8 | 292,344 | 165,355 | 292,244 | 165,270 |
| Financial Assets at Fair Value through Profit or Loss | 9 | 707,400 | 489,158 | 707,400 | 489,158 |
| Deposits for Investments | 9 | 20,154 | – | 20,154 | – |
| Tuition Fees and Other Receivables | 10 | 84,115 | 158,513 | 84,418 | 158,563 |
| Student Loans | 11 | 127 | 58 | 127 | 58 |
| Other Current Assets | 12 | 20,404 | 8,480 | 20,401 | 8,477 |
| Derivative Financial Instruments | 13 | – | 88 | – | 88 |
| | | 1,124,544 | 821,652 | 1,124,744 | 821,614 |
| Total Assets | | 1,864,441 | 1,488,836 | 1,864,613 | 1,488,736 |
| LIABILITIES | | | | | |
| Non-Current Liabilities | | | | | |
| Deferred Capital Grants | 21 | 513,922 | 458,023 | 513,908 | 458,023 |
| Other Deferred Grants | 22 | 70,174 | 73,501 | 70,174 | 73,501 |
| Lease Liabilities | | 37,114 | 42,087 | 37,114 | 42,087 |
| | | 621,210 | 573,611 | 621,196 | 573,611 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 19 | 73,363 | 88,783 | 73,283 | 88,683 |
| Deferred Tuition Fee Income | 4(b) | 9,400 | 11,604 | 9,400 | 11,604 |
| Grants Received In Advance | 20 | 159,981 | 27,997 | 159,981 | 27,997 |
| Lease Liabilities | | 5,598 | 5,376 | 5,598 | 5,376 |
| Derivative Financial Instruments | 13 | 18 | – | 18 | – |
| | | 248,360 | 133,760 | 248,280 | 133,660 |
| Total Liabilities | | 869,570 | 707,371 | 869,476 | 707,271 |
| NET ASSETS | | 994,871 | 781,465 | 995,137 | 781,465 |

(a) Less than \$1,000

“Funds and Reserves” to be continued on next page.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

BALANCE SHEETS
As at 31 March 2021

| | Note | Group | | SIT | |
|---------------------------|------|----------------|----------------|----------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| FUNDS AND RESERVES | | | | | |
| General Funds | | | | | |
| - Accumulated Surplus | | 211,501 | 169,050 | 211,767 | 169,050 |
| Endowment and Term Funds | | | | | |
| - Capital | 23 | 585,511 | 545,336 | 585,511 | 545,336 |
| - Accumulated Surplus | 23 | 197,859 | 67,079 | 197,859 | 67,079 |
| | | 783,370 | 612,415 | 783,370 | 612,415 |
| | | 994,871 | 781,465 | 995,137 | 781,465 |

See Note 24 for Funds Managed on Behalf of Ministry of Education ("MOE")

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

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS AND RESERVES
For the financial year ended 31 March 2021

| | Note | Accumulated Surplus – General Funds \$'000 | Endowment and Term Funds \$'000 | Total \$'000 |
|--|-------|--|--|-----------------|
| 2021 | | | | |
| Balance at 1 April 2020 | | 169,050 | 612,415 | 781,465 |
| Net Surplus, representing Total Comprehensive Income | | 42,451 | 130,780 | 173,231 |
| Government Grants and Donations | 23(b) | – | 40,175 | 40,175 |
| Balance at 31 March 2021 | | 211,501 | 783,370 | 994,871 |
| 2020 | | | | |
| Balance at 1 April 2019 | | 154,381 | 509,640 | 664,021 |
| Net Surplus/(Deficit), representing Total Comprehensive Income/(Loss) | | 14,669 | (10,800) | 3,869 |
| Government Grants and Donations | 23(b) | – | 113,575 | 113,575 |
| Balance at 31 March 2020 | | 169,050 | 612,415 | 781,465 |

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

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year ended 31 March 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|-------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Deficit before Government Grants | | (43,851) | (192,339) |
| Adjustments for: | | | |
| Depreciation and Amortisation | 15,17 | 45,072 | 42,886 |
| Donations | 4(a) | (6,957) | (2,926) |
| Net Loss/(Gain) on Disposal of Property, Plant and Equipment | | 9 | (7) |
| Interest Income | 6 | (1,599) | (2,682) |
| Dividend Income | 6 | (2,405) | (791) |
| Currency Exchange Loss/(Gain) | 6 | 171 | (416) |
| Fair Value (Gain)/Loss on Financial Assets at Fair Value through Profit or Loss | 6 | (95,159) | 13,724 |
| Fair Value (Gain)/Loss on Derivative Financial Instruments | 6 | (177) | 170 |
| Gain on Disposal of Financial Assets at Fair Value through Profit or Loss | 6 | (30,516) | (2,223) |
| Interest Expense | 16 | 1,396 | 1,610 |
| Loss Allowance | | (12) | (81) |
| Operating Cash Flows before Changes in Working Capital | | (134,028) | (143,075) |
| Change in Operating Assets and Liabilities | | | |
| Tuition Fees and Other Receivables | | 10,296 | (5,725) |
| Student Loans and Other Assets | | (8,541) | 5,190 |
| Trade and Other Payables | | 1,735 | 32,188 |
| Net Cash Used in Operating Activities | | (130,538) | (111,422) |
| Cash Flows From Investing Activities | | | |
| Purchase of Property, Plant and Equipment and Intangible Assets | | (119,963) | (102,933) |
| Proceeds from Disposal of Property, Plant and Equipment | | 1 | 56 |
| Purchase of Financial Assets at Fair Value through Profit or Loss | | (259,339) | (67,426) |
| Proceeds from Disposal of Financial Assets at Fair Value through Profit or Loss | | 166,772 | 40,288 |
| Deposits for Investments | 9 | (20,154) | – |
| Prepayment of Right-of-Use Assets | | (17,562) | (250,795) |
| Settlement of Currency Forwards | | 283 | (258) |
| Interest Received | | 1,852 | 2,604 |
| Net Cash Used in Investing Activities | | (248,110) | (378,464) |
| Cash Flows From Financing Activities | | | |
| Operating Grants Received | | 135,518 | 167,156 |
| Development Grants Received | | 230,100 | 280,541 |
| Other Government Grants Received | | 28,062 | 13,883 |
| Matching Endowment Grants Received | | 101,911 | 1,703 |
| Donations Received | | 17,040 | 18,961 |
| Principal Payment of Lease Liabilities | # | (5,598) | (5,189) |
| Interest paid on Lease Liabilities | # | (1,396) | (1,610) |
| Net Cash Flows Generated From Financing Activities | | 505,637 | 475,445 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 126,989 | (14,441) |
| Cash and Cash Equivalents at Beginning of Financial Year | | 165,355 | 179,796 |
| Cash and Cash Equivalents at End of Financial Year | 8 | 292,344 | 165,355 |

See Note A

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 March 2021

Note A: Reconciliation of Liabilities Arising From Financing Activities

| | 1 April 2020 | Principal and Interest Payments | Non-Cash Changes | | 31 March 2021 |
|-------------------|--------------|---------------------------------|------------------|------------------|---------------|
| | | | Additions | Interest Expense | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2021 | | | | | |
| Lease Liabilities | 47,463 | (24,606) | 18,459 | 1,396 | 42,712 |

| | 1 April 2019 | Principal and Interest Payments | Non-Cash Changes | | 31 March 2020 |
|-------------------|--------------|---------------------------------|------------------|------------------|---------------|
| | | | Additions | Interest Expense | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2020 | | | | | |
| Lease Liabilities | 51,905 | (257,594) | 251,542 | 1,610 | 47,463 |

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

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

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

1. Corporate 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; and to conduct any activity necessary or ancillary to achieve the objectives 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 (2020: 2).

2. Summary of Significant Accounting Policies

2.1 New or Revised Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 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. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

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

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

2. Summary of Significant Accounting Policies (cont'd)

2.3 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 investments 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.

Expenditure relating to Term Funds are taken to Term Funds when incurred.

2.4 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 the Group's activities. Under FRS 115, revenue is recognised when an entity satisfies a performance obligation by transferring a promised good or service to a customer.

(a) *Tuition and Other Student-Related Services*

Revenue from tuition and other student-related services is recognised over the duration of the courses, except application fees, matriculation fees, certification fees and fees for student activities that are recognised when payment are received.

(b) *Service Fees*

Revenue from service fees is recognised over the period in which the services are rendered except administrative charges that are recognised upon billing.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

2. Summary of Significant Accounting Policies (cont'd)

2.5 Employee Compensation

(a) *Defined Contribution Plans*

The Group'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.

2.6 Group Accounting

Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in Other Comprehensive Income in respect of that entity are also reclassified to Profit or Loss or transferred directly to Retained Earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in Profit or Loss.

Please refer to paragraph 2.12 "Investments in Subsidiaries" for the accounting policy on investment in subsidiaries.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

2. Summary of Significant Accounting Policies (cont'd)

2.7 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 the Group 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 consist of construction costs and related expenses incurred during the period of construction.

Property, plant and equipment costing less than \$2,000 each, which are insignificant, are taken to Profit or Loss when purchased.

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> |
|--|--|
| Land, Buildings and Infrastructure | 3 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 Profit or Loss 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 Profit or Loss.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

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

2.8 Intangible assets

Computer Software Licence 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 compensation 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.

Computer software licences costing less than \$2,000 each, which are insignificant, are taken to Profit or Loss when purchased.

Capitalised Computer Software Licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to Profit or Loss 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 Profit or Loss when the changes arise.

2.9 Cash and Cash Equivalents

For the purpose of presentation in the Statement of Cash Flows, Cash and Cash Equivalents include cash at banks and short-term bank deposits, which are subject to an insignificant risk of change in value.

2.10 Financial Instruments

Financial Assets

The Group classifies its Financial Assets into the following measurement categories:

- Amortised Cost;
- Fair Value through Profit or Loss (FVPL)

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of cash flows of the financial assets.

The Group reclassifies Debt Instruments when and only when its business model for managing those assets changes.

2. Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Financial Assets (cont'd)

(a) *Initial Recognition*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a Financial Asset not at Fair Value through Profit or Loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of Financial Assets carried at Fair Value through Profit or Loss are expensed in Profit or Loss.

(b) *Subsequent Measurement*

Debt Instruments of the Group mainly consist of Cash and Cash Equivalents, Tuition Fees and Other Receivables, Financial Assets at Fair Value through Profit or Loss and Student Loans.

There are two prescribed subsequent measurement categories, depending on the Group's business model in managing the assets and the cash flow characteristic of the assets.

- Amortised Cost: The Group manages this group of financial assets by collecting the contractual cash flows and these cash flows represent solely payments of principal and interest. Accordingly, this group of financial assets is measured at amortised cost subsequent to initial recognition.

The Group's major classes of Financial Assets at Amortised Cost are Cash and Cash Equivalents, Tuition Fees and Other Receivables and Advance Payment for Investments.

A gain or loss on a Debt Investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

These financial assets are subject to the Expected Credit Loss Impairment Model under FRS 109. The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost.

For Tuition Fees Receivable, the Group applies the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For the other financial assets, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

2. Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Financial Assets (cont'd)

(b) *Subsequent Measurement (cont'd)*

- FVPL: Debt Instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or Fair Value through Other Comprehensive Income are classified as FVPL. Movement in fair value and interest income are recognised in the Profit or Loss in the period in which they arise and presented in "Net Investment Income".

The Debt Instruments classified at FVPL relate to an investment portfolio comprising of quoted securities and unquoted securities. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. These financial assets are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale.

The Group primarily focuses on fair value information to evaluate assets' performance and to make decisions. The collection of contractual cash flows Debt Instrument is only incidental to achieving the business model's objective.

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

(c) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal, the difference between the carrying amount and sale proceeds is recognised in Profit or Loss. Any amount previously recognised in Other Comprehensive Income relating to that asset is reclassified to the Profit or Loss.

Financial Liabilities

The Group classifies its Financial Liabilities into the following measurement categories:

- Amortised Cost;
- Fair Value through Profit or Loss (FVPL)

(a) *Initial Recognition*

At initial recognition, the Group measures a financial liability at fair value plus in the case of Financial Liabilities not at FVPL, directly attributable transaction costs.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

2. Summary of Significant Accounting Policies (cont'd)

2.10 Financial Instruments (cont'd)

Financial Liabilities (cont'd)

(b) Subsequent Measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in Profit or Loss when the liabilities are derecognised, and through the amortisation process.

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in Profit or Loss.

Derivative Financial Instruments

A derivative financial instrument is applied and initially recognised at its fair value on the date the contract is entered and is subsequently carried at its fair value. Changes in its fair value are recognised in Profit or Loss when the changes arise. The Group does not adopt hedge accounting.

2.11 Currency Translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Group's entities.

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 Profit or Loss.

2.12 Investments in Subsidiaries

Investments in Subsidiaries are carried at cost less accumulated impairment losses in SIT's Balance Sheet. On disposal of such investments, the difference between the disposal proceeds and the carrying amount of the investment is recognised in Profit or Loss.

2. Summary of Significant Accounting Policies (cont'd)

2.13 Government Grants

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

Government Grants are recognised as income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants which are received but not utilised are included in the Grants Received In Advance account.

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 the 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 Profit or Loss for assets costing less than \$2,000 which are written off as they are insignificant.

Deferred Capital Grants are recognised in Profit or Loss 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 remaining balance of the related Deferred Capital Grants are recognised in Profit or Loss to match the net book value of the assets written off.

Grants from other government agencies are recognised as income over the periods in which the Group recognises the related costs as expenses or over the period the intended activities are carried out, in accordance with the grant conditions. Grants which are received but not utilised are included in the Grants Received In Advance account.

2.14 Impairment of Non-Financial Assets

Property, Plant and Equipment, Intangible Assets and Investments in Subsidiaries 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 Profit or Loss.

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 Profit or Loss.

2. Summary of Significant Accounting Policies (cont'd)

2.15 Leases

When the Group is the Lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- **Right-of-Use Assets**

The Group recognised a Right-of-Use Asset and Lease Liability at the date which the underlying asset is available for use. Right-of-Use Assets are measured at cost, which comprises the initial lease liabilities adjusted for any lease payments made at or before the commencement date, and the lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The Right-of-Use Assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the Right-of-Use Assets or the end of the lease term.

Right-of-Use Assets are presented within "Property, plant and equipment".

- **Lease Liabilities**

Lease Liability is measured at amortised cost using the effective interest method. Lease Liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original terms.

Lease Liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in Profit or Loss if the carrying amount of the right-of-use asset has been reduced to zero.

- **Short-Term and Low-Value Leases**

The Group has elected to not recognise Right-of-Use Assets and Lease Liabilities for short-term leases that have lease terms of 12 months or less and leases of low value. Lease payments relating to these leases are expensed to Profit or Loss on a straight-line basis over the lease term.

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3. Significant 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

The Group invests in unquoted securities that are not traded in an active market with a carrying amount of \$389,059,000 (2020: \$294,011,000). The fair value of these investments is 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 value 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.

4. Revenue and Other Income

(a) In Total Comprehensive Income

| | General Funds | | Endowment and Term Funds | | Total | |
|--|----------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Revenue: | | | | | | |
| Tuition and Other Student-Related Fees | 90,000 | 79,619 | – | – | 90,000 | 79,619 |
| Service Fees | 379 | 425 | – | – | 379 | 425 |
| | 90,379 | 80,044 | – | – | 90,379 | 80,044 |
| Timing of Revenue Recognition: | | | | | | |
| At A Point In Time | 467 | 608 | – | – | 467 | 608 |
| Over Time | 89,912 | 79,436 | – | – | 89,912 | 79,436 |
| | 90,379 | 80,044 | – | – | 90,379 | 80,044 |

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

4. Revenue and Other Income (cont'd)

(a) In Total Comprehensive Income (cont'd)

| | General Funds | | Endowment and Term Funds | | Total | |
|-----------------------------------|----------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Other income: | | | | | | |
| Donations | – | – | 6,957 | 2,926 | 6,957 | 2,926 |
| Rental Income | 106 | 189 | – | – | 106 | 189 |
| Wage Credit Income | 962 | 305 | – | – | 962 | 305 |
| Others | 1,808 | 942 | – | – | 1,808 | 942 |
| | 2,876 | 1,436 | 6,957 | 2,926 | 9,833 | 4,362 |
| Total Revenue and Other Income | 93,255 | 81,480 | 6,957 | 2,926 | 100,212 | 84,406 |

In Budget 2021, it was announced that the government co-funding ratio under the Wage Credit Scheme (WCS) for wage increases in 2021 remained at 15% and the qualifying gross wage ceiling at \$5,000.

(b) In Balance Sheet

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------|----------------|----------------|
| Deferred Tuition Fee Income | 9,400 | 11,604 |

Deferred Tuition Fee Income mainly relates to fees received from students for tuition and other student-related fees in which the courses have not been delivered. Revenue will be recognised over the time when the courses are delivered to the students. The Deferred Tuition Fee Income of \$11,604,000 in 2020 (2019: \$8,878,000) was fully recognised as revenue during the financial year ended 31 March 2021 upon delivery of the services. Courses relating to the deferred tuition fee income as at 31 March 2021 will be delivered within one year from Balance Sheet date.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

5. Staff and Related Expenses

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Wages and Salaries | 101,148 | 93,051 |
| Employer 's Contribution to Defined Contribution Plans Including Central Provident Fund | 11,104 | 10,510 |
| Other Employee Benefits | 8,080 | 7,946 |
| | 120,332 | 111,507 |

6. Net Investment Income

| | General Funds | | Endowment and Term Funds | | Total | |
|--|----------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Interest Income | 638 | 1,430 | 961 | 1,252 | 1,599 | 2,682 |
| Dividend Income | – | – | 2,405 | 791 | 2,405 | 791 |
| Currency Exchange (Loss)/Gain | – | – | (171) | 416 | (171) | 416 |
| Fair Value Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss | – | – | 95,159 | (13,724) | 95,159 | (13,724) |
| Fair Value Gain/(Loss) on Derivative Financial Instruments | – | – | 177 | (170) | 177 | (170) |
| Gain on Disposal of Financial Assets at Fair Value through Profit or Loss | – | – | 30,516 | 2,223 | 30,516 | 2,223 |
| | 638 | 1,430 | 129,047 | (9,212) | 129,685 | (7,782) |

7. Government Grants

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Operating and Other Grants Utilised (Note 20) | 177,140 | 157,536 |
| Deferred Capital Grants Amortised (Note 21) | 36,615 | 35,295 |
| Other Deferred Grants Amortised (Note 22) | 3,327 | 3,327 |
| Transfer from Deferred Capital Grants for Asset Disposal (Note 21) | – | 50 |
| | 217,082 | 196,208 |

During the year, SIT received JSS payout from the government. The amount of \$3,359,000, which is retainable by SIT, has been recognised as Other Grants.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

8. Cash and Cash Equivalents

| | <u>Group</u> | | <u>SIT</u> | |
|--------------------------|----------------|---------|----------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at Bank | 52,543 | 54,241 | 52,443 | 54,156 |
| Short-Term Bank Deposits | 239,801 | 111,114 | 239,801 | 111,114 |
| | 292,344 | 165,355 | 292,244 | 165,270 |

The Short-Term Bank Deposits at Balance Sheet date have an average maturity of 115 days (2020: 68 days) from the end of the financial year with a weighted average effective interest rate of 0.358% (2020: 1.331%) per annum.

9. Financial Assets at Fair Value through Profit or Loss

| | <u>Group and SIT</u> | |
|---------------------------------|----------------------|---------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Quoted Fixed Income Investments | 155,726 | 100,634 |
| Quoted Equity Investments | 162,615 | 51,055 |
| Quoted Other Investments | – | 43,458 |
| Unquoted Investments | 389,059 | 294,011 |
| | 707,400 | 489,158 |

Quoted Other Investments and Unquoted Investments comprise mainly private equity and multi-asset funds.

The weighted average yield to maturity for the fixed income investments is 3.37% (2020: 4.58%) per annum.

As at 31 March 2021, the Group has placed \$20,154,000 (2020: Nil) as Deposits for Investments.

As at 31 March 2021, the Group has outstanding commitments of \$67,294,000 (2020: \$66,282,000) for investments in other unquoted investments which have not been drawn down as at Balance Sheet date.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

10. Tuition Fees and Other Receivables

| | Group | | SIT | |
|--|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Tuition Fees Receivable | 5,671 | 7,405 | 5,664 | 7,315 |
| Less: Allowance for Impairment (Note 28(b)) | (34) | (43) | (34) | (43) |
| Tuition Fees Receivable - Net | 5,637 | 7,362 | 5,630 | 7,272 |
| Grant Receivables from MOE Matching Endowment Grant | 39,449 | 34,041 | 39,449 | 34,041 |
| Receivables | 24,018 | 95,837 | 24,018 | 95,837 |
| Other Receivables from MOE | 9,519 | 13,856 | 9,519 | 13,856 |
| Other Grant Receivables | 3,686 | 1,790 | 3,364 | 1,790 |
| Other Receivables | 1,806 | 5,627 | 2,438 | 5,767 |
| | 84,115 | 158,513 | 84,418 | 158,563 |

11. Student Loans

| | Group and SIT | |
|-------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Current | 127 | 58 |
| Non-Current | 508 | 729 |
| | 635 | 787 |

These are the overseas student programme loans which are unsecured, interest-free during the course of study and are repayable by monthly instalments with interest over periods of up to 5 years after the students' graduation. The repayment period may be longer if MOE allows loan repayment to be suspended for a certain period of time due to adverse economic situation. Interest charged is 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% (2020: 4.75%) per annum.

The carrying amount of non-current student loans approximates their fair value.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

12. Other Current Assets

| | <u>Group</u> | | <u>SIT</u> | |
|--|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Deposits | 29 | 56 | 29 | 56 |
| Prepayments | | | | |
| - Rental and Other Facility Expenses | 3,327 | 3,327 | 3,327 | 3,327 |
| - Programme and Student Related Expenses | 3,879 | 1,844 | 3,879 | 1,844 |
| - Others | 3,285 | 3,253 | 3,282 | 3,250 |
| Advance Payments | 9,884 | - | 9,884 | - |
| | 20,404 | 8,480 | 20,401 | 8,477 |

Prepayments for rental and other facility expenses relate to service fees paid in advance to the Polytechnics for the use of the Polytechnics' facilities.

Based on BCA advisory circulars issued on 7 April 2020 and 19 May 2020, SIT made advance payments to the Punggol Campus contractors and consultants to help them tide over cashflow issues arising from stoppage of Punggol construction during the Circuit Breaker period. The advance payments will be offset against future progress billing by the contractors.

13. Derivative Financial Instruments

| | <u>Contract Notional Amount</u> | | <u>SIT</u> <u>Fair value – (Liabilities)/Assets</u> | |
|-------------------|---------------------------------|----------------|--|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Currency Forwards | 7,616 | 3,800 | (18) | 88 |

Currency Forwards are entered into to hedge fluctuations in foreign currency exposure of investments denominated in foreign currency. SIT does not apply hedge accounting.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

14. Investments in Subsidiaries

| | 2021 | <u>SIT</u> | 2020 |
|-----------------------------------|----------|------------|----------|
| <i>Equity Investments at Cost</i> | | | |
| Beginning of Financial Year | 6 | | 2 |
| Additions | - | | 4 |
| End of Financial Year | 6 | | 6 |

At the Balance Sheet date, the details of subsidiaries are as follows:

| Name | Principal Activities | Country of Business/ Incorporation | Date of incorporation | Proportion of ordinary shares held by the Group | |
|-----------------------|--|------------------------------------|-----------------------|---|-----------|
| | | | | 2021 % | 2020 % |
| Verbosecurity Pte Ltd | Provision of information technology cybersecurity consultancy services | Singapore | 18 January 2019 | 100 | 100 |
| SIT Microgrid Pte Ltd | Generation of electricity using Multi-Energy Micro-Grid | Singapore | 19 August 2019 | 100 | 100 |
| Foodplant Pte Ltd | Provision of shared food pilot facilities | Singapore | 2 March 2020 | 100 | 100 |

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2021

15. Property, Plant and Equipment

| <u>Group and SIT</u> | <u>Land, Buildings and Infrastructure</u> | <u>Furniture, Office and Sport Equipment</u> | <u>IT, AV and Network Equipment</u> | <u>Machinery, Laboratory and Workshop Equipment</u> | <u>Motor Vehicles</u> | <u>Assets Under Construction</u> | <u>Total</u> |
|--|---|--|---|---|-----------------------|--------------------------------------|----------------|
| 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <u>Cost</u> | | | | | | | |
| Beginning of Financial Year | 538,777 | 20,942 | 44,205 | 37,206 | 938 | 121,787 | 763,855 |
| Additions | 20,543 | 358 | 2,421 | 4,789 | 4 | 91,425 | 119,540 |
| Transfers Between Categories | – | – | 284 | 862 | – | (1,146) | – |
| Transfers to Intangible Assets (Note 17) | – | – | – | – | – | (207) | (207) |
| Disposals | – | (67) | (125) | (26) | – | – | (218) |
| End of Financial Year | 559,320 | 21,233 | 46,785 | 42,831 | 942 | 211,859 | 882,970 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| Beginning of Financial Year | 101,524 | 19,514 | 37,401 | 15,765 | 247 | – | 174,451 |
| Depreciation charge | 29,726 | 847 | 3,844 | 6,517 | 117 | – | 41,051 |
| Disposals | – | (67) | (125) | (16) | – | – | (208) |
| End of Financial Year | 131,250 | 20,294 | 41,120 | 22,266 | 364 | – | 215,294 |
| <u>Net Book Value</u> | | | | | | | |
| End of Financial Year | 428,070 | 939 | 5,665 | 20,565 | 578 | 211,859 | 667,676 |

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2021

15. Property, Plant and Equipment (cont'd)

| | <u>Land, Buildings and Infrastructure</u> \$'000 | <u>Furniture, Office and Sport Equipment</u> \$'000 | <u>IT, AV and Network Equipment</u> \$'000 | <u>Machinery, Laboratory and Workshop Equipment</u> \$'000 | <u>Motor Vehicles</u> \$'000 | <u>Assets Under Construction</u> \$'000 | <u>Total</u> \$'000 |
|--|---|--|---|---|---------------------------------|--|------------------------|
| 2020 | | | | | | | |
| <u>Cost</u> | | | | | | | |
| Beginning of Financial Year | 280,167 | 20,256 | 41,606 | 32,203 | 615 | 18,165 | 393,012 |
| Additions | 258,381 | 907 | 2,520 | 946 | 445 | 109,367 | 372,566 |
| Transfers Between Categories | 229 | 60 | 540 | 4,064 | – | (4,893) | – |
| Transfers to Intangible Assets (Note 17) | – | – | – | – | – | (852) | (852) |
| Disposals | – | (281) | (461) | (7) | (122) | – | (871) |
| End of Financial Year | 538,777 | 20,942 | 44,205 | 37,206 | 938 | 121,787 | 763,855 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| Beginning of Financial Year | 74,968 | 18,875 | 32,832 | 10,149 | 217 | – | 137,041 |
| Depreciation Charge | 26,556 | 920 | 5,026 | 5,622 | 108 | – | 38,232 |
| Disposals | – | (281) | (457) | (6) | (78) | – | (822) |
| End of Financial Year | 101,524 | 19,514 | 37,401 | 15,765 | 247 | – | 174,451 |
| Net Book Value | | | | | | | |
| End of Financial Year | 437,253 | 1,428 | 6,804 | 21,441 | 691 | 121,787 | 589,404 |

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
For the Financial Year ended 31 March 2021

16. Leases – The Group as a Lessee

Nature of the Group's Leasing Activities

Land, Buildings and Infrastructure

The Group leases building and land for use in its operations.

Included in Land, Buildings and Infrastructure (Note 15) is a right-of-use asset comprising a 30-year leasehold land on which the future SIT Punggol Campus is being constructed. Full payment has been made for the right-of-use asset.

Office and Sports Equipment

The Group leases office and sports equipment for use in its operations.

There is no externally imposed covenant on these lease arrangements.

(a) Carrying Amounts

Right-of-Use Assets Classified Within Property, Plant and Equipment

| | <u>Group and SIT</u> | |
|------------------------------------|----------------------|---------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Land, Buildings and Infrastructure | 294,731 | 290,884 |
| Office and Sports Equipment | 79 | 65 |
| | 294,810 | 290,949 |

(b) Depreciation Charge During the Year

| | 2021 | 2020 |
|------------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Land, Buildings and Infrastructure | 14,557 | 12,080 |
| Office and Sports Equipment | 41 | 40 |
| | 14,598 | 12,120 |

(c) Interest Expense

| | 2021 | 2020 |
|---------------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Interest Expense on Lease Liabilities | 1,396 | 1,610 |

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16. Leases – The Group as a Lessee (cont'd)

(d) Lease Expense Not Included in Lease Liabilities

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------|----------------|----------------|
| Short-Term Lease Expense | 1 | 28 |
| Low-Value Lease Expense | 62 | 85 |
| Total | 63 | 113 |

(e) Total Cash Outflow for All Leases in 2021 was \$24,619,000 (2020: \$257,707,000).

(f) Additions of ROU Assets during the financial year ended 31 March 2021 were \$18,459,000 (2020: \$251,542,000).

(g) Future Cash Outflows Which Are Not Included in Lease Liabilities

(i) Extension Option

The leases for certain office and sport equipment contain extension periods, for which the related lease payments have not been included in lease liabilities as the Group is not reasonably certain of exercising the extension options. The Group negotiates extension options to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

17. Intangible Assets

Computer Software Licence Costs

| | <u>Group</u> | | <u>SIT</u> | |
|---|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Cost | | | | |
| Beginning of Financial Year | 24,707 | 20,977 | 24,604 | 20,977 |
| Additions | 1,707 | 3,073 | 1,707 | 2,970 |
| Transfer from Assets Under Construction (Note 15) | 207 | 852 | 207 | 852 |
| Disposals | – | (195) | – | (195) |
| End of Financial Year | 26,621 | 24,707 | 26,518 | 24,604 |
| Accumulated Amortisation | | | | |
| Beginning of Financial Year | 18,042 | 13,583 | 18,001 | 13,583 |
| Amortisation Charge | 4,021 | 4,654 | 3,987 | 4,613 |
| Disposals | – | (195) | – | (195) |
| End of Financial Year | 22,063 | 18,042 | 21,988 | 18,001 |
| Net Book Value | | | | |
| End of Financial Year | 4,558 | 6,665 | 4,530 | 6,603 |

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18. Other Non-Current Assets

| | Group and SIT | |
|--------------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Deposits | 13 | 19 |
| Prepayments | | |
| - Rental and Other Facility Expenses | 66,847 | 70,174 |
| - Others | 295 | 193 |
| | 67,155 | 70,386 |

Prepayments for rental and other facility expenses relate to service fees paid in advance to the Polytechnics for the use of the Polytechnics' facilities.

19. Trade and Other Payables

| | Group | | SIT | |
|--|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Trade Payables | 10,678 | 9,958 | 10,676 | 9,955 |
| Payables for Property, Plant and Equipment | 10,803 | 27,928 | 10,803 | 27,928 |
| Accrued Operating Expenses | 23,283 | 32,317 | 23,249 | 32,303 |
| Provision for Unutilised Leave | 8,050 | 5,464 | 8,044 | 5,459 |
| Other Payables | 20,549 | 13,116 | 20,511 | 13,038 |
| | 73,363 | 88,783 | 73,283 | 88,683 |

20. Grants Received In Advance

| | Government Operating Grants \$'000 | Government Development Grants \$'000 | Other Government Grants \$'000 | Total \$'000 |
|---|---|---|---|-----------------|
| <u>Group and SIT</u> | | | | |
| Balance at 1 April 2020 | 16,296 | 5,716 | 5,985 | 27,997 |
| Grants Received/Receivable During the Year | 154,158 | 216,868 | 30,612 | 401,638 |
| <u>Less:</u> | | | | |
| Transfer to Profit or Loss (Note 7) | (152,526) | (1,635) | (22,979) | (177,140) |
| Transfer to Deferred Capital Grants (Note 21) | (4,279) | (86,860) | (1,375) | (92,514) |
| | (156,805) | (88,495) | (24,354) | (269,654) |
| Balance at 31 March 2021 | 13,649 | 134,089 | 12,243 | 159,981 |

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20. Grants Received In Advance (cont'd)

| | Government operating grants \$'000 | Government development grants \$'000 | Other government grants \$'000 | Total \$'000 |
|--|---|---|---|-----------------|
| <u>Group and SIT</u> | | | | |
| Balance at 1 April 2019 | 11,920 | 10,987 | 3,300 | 26,207 |
| Grants Received/Receivable During the Year | 151,821 | 273,630 | 15,750 | 441,201 |
| Transfer to Profit or Loss (Note 7) | (142,915) | (1,991) | (12,630) | (157,536) |
| Transfer to Deferred Capital Grants (Note 21) | (4,530) | (276,910) | (435) | (281,875) |
| | (147,445) | (278,901) | (13,065) | (439,411) |
| Balance at 31 March 2020 | 16,296 | 5,716 | 5,985 | 27,997 |

Grants Received in Advance relate to Operating, Development and Other Grants Received/Receivable from MOE and other government agencies to fund SIT's operations, capital projects and educational programmes.

21. Deferred Capital Grants

| | <u>Group</u> | | <u>SIT</u> | |
|--|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Beginning of Financial Year | 458,023 | 211,493 | 458,023 | 211,493 |
| Additions (Note 20) | 92,514 | 281,875 | 92,460 | 281,875 |
| <u>Less:</u> | | | | |
| Transfer to Profit or Loss | | | | |
| - Deferred Capital Grants Amortised (Note 7) | (36,615) | (35,295) | (36,575) | (35,295) |
| - Derecognised on Disposal of Assets (Note 7) | - | (50) | - | (50) |
| | (36,615) | (35,345) | (36,575) | (35,345) |
| End of Financial Year | 513,922 | 458,023 | 513,908 | 458,023 |

Deferred capital grants relate to grants utilised for the acquisition of property, plant and equipment and intangible assets by the Group. There are no unfulfilled conditions or contingencies attached to these grants.

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22. Other Deferred Grants

| | <u>Group and SIT</u> | |
|------------------------------------|----------------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Beginning of Financial Year | 73,501 | 76,828 |
| Deferred Grants Amortised (Note 7) | (3,327) | (3,327) |
| End of Financial Year | 70,174 | 73,501 |

Other Deferred Grants relate to grants received from MOE paid or payable to the Polytechnics as service paid in advance to the Polytechnics for the use of the Polytechnics' facilities.

23. Endowment and Term Funds

(a) Composition:

| | <u>Endowment Funds</u> | | <u>Group and SIT</u> <u>Term Funds</u> | | <u>Total</u> | |
|---|------------------------|---------------|---|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Capital: | | | | | | |
| Government Grants | 530,228 | 500,136 | – | – | 530,228 | 500,136 |
| Donations | 55,283 | 45,200 | – | – | 55,283 | 45,200 |
| | 585,511 | 545,336 | – | – | 585,511 | 545,336 |
| Accumulated Surplus | 193,401 | 65,796 | 4,458 | 1,283 | 197,859 | 67,079 |
| | 778,912 | 611,132 | 4,458 | 1,283 | 783,370 | 612,415 |
| <u>Represented by:</u> | | | | | | |
| Cash and Cash Equivalents | 27,646 | 25,929 | 4,474 | 1,360 | 32,120 | 27,289 |
| Financial Assets at Fair Value through Profit or Loss | 707,400 | 489,158 | – | – | 707,400 | 489,158 |
| Deposits for Investments | 20,154 | – | – | – | 20,154 | – |
| Matching Endowment Grant Receivable | 24,018 | 95,837 | – | – | 24,018 | 95,837 |
| Interest Receivable | 323 | 230 | 2 | – | 325 | 230 |
| Other Receivable | 108 | 25 | 2 | 1 | 110 | 26 |
| Derivative Financial Instruments | (18) | 88 | – | – | (18) | 88 |
| Intangible Assets | – | – | 10 | – | 10 | – |
| Trade and Other Payables | (719) | (135) | (30) | (78) | (749) | (213) |
| | 778,912 | 611,132 | 4,458 | 1,283 | 783,370 | 612,415 |

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23. Endowment and Term Funds (cont'd)

(b) Movements:

| | Endowment Funds | | Group and SIT Term Funds | | Total | |
|--|-----------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Beginning of Financial Year | 611,132 | 507,812 | 1,283 | 1,828 | 612,415 | 509,640 |
| Government Grants | 30,092 | 97,540 | – | – | 30,092 | 97,540 |
| Donations | 10,083 | 16,035 | – | – | 10,083 | 16,035 |
| Government Grants and Donations | 40,175 | 113,575 | – | – | 40,175 | 113,575 |
| <u>Income</u> | | | | | | |
| Donations | – | – | 6,957 | 2,926 | 6,957 | 2,926 |
| Net Investment Income (Note 6) | 129,044 | (9,218) | 3 | 6 | 129,047 | (9,212) |
| | 129,044 | (9,218) | 6,960 | 2,932 | 136,004 | (6,286) |
| <u>Operating Expenditure</u> | | | | | | |
| Staff and Related Expenses | (374) | (389) | – | – | (374) | (389) |
| Programme and Student-Related Expenses | – | – | (3,779) | (3,459) | (3,779) | (3,459) |
| Other Operating Expenses | (1,065) | (648) | (6) | (18) | (1,071) | (666) |
| | (1,439) | (1,037) | (3,785) | (3,477) | (5,224) | (4,514) |
| Net Surplus/(Deficit) | 127,605 | (10,255) | 3,175 | (545) | 130,780 | (10,800) |
| End of Financial Year | 778,912 | 611,132 | 4,458 | 1,283 | 783,370 | 612,415 |

Endowment Funds

Endowment Funds comprising government grants and donations are invested for long term purposes and investment income therefrom is either reinvested or used for the advancement of education.

Term Funds

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

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24. Funds Managed on Behalf of MOE

Pursuant to the Student Tuition Fee Loan (TFL), Study Loan (SL) and Overseas Student Program Loan - 50% funded by MOE (OSP) schemes, SIT acts as an agent for these loans schemes and the Government Ministry as the financier providing the funds.

| | <u>Group and SIT</u> | |
|--|----------------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Beginning of Financial Year | 38,288 | 32,168 |
| Funds Received From MOE | 16,252 | 14,756 |
| Repayments From Students | (4,367) | (8,636) |
| End of Financial Year | 50,173 | 38,288 |
| <i>Represented By:</i> | | |
| Student Loans | 49,958 | 38,356 |
| <u>Less:</u> Amount receivables from MOE | 215 | (68) |
| | 50,173 | 38,288 |

These loans are unsecured, interest-free during the course of study and are repayable by monthly instalments with interest over periods of up to 20 years after the students' graduation. The repayment period may be longer if MOE allows loan repayment to be suspended for a certain period of time due to adverse economic situation. Interest charged by MOE is 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% (2020: 4.75%) per annum.

25. Commitments

(i) *Future SIT Punggol Campus*

The campus development and infrastructure expenditure contracted for at the Balance Sheet date but not recognised in the financial statements is estimated as follows:

| | 2021 | 2020 |
|---------------------------------------|----------------|---------------|
| | \$'000 | \$'000 |
| Campus Development and Infrastructure | 818,541 | 902,667 |

(ii) *Contractual Commitments to Overseas Universities (OUs) Partners*

At Balance Sheet date, the Group has signed collaboration agreements with 9 (2020: 9) OUs to offer and manage industry focused degree programmes. The contractual periods for the collaboration agreements are between 5 to 10 years. The committed fees under the collaboration agreements cover a period up to 2030 (2020: 2030).

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26. Income Taxes

SIT obtained the 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. Accordingly, SIT is exempted from filing income tax returns. SIT has no income tax payable.

27. Charities Act and Regulation

As required under regulation 17 of the Charities (Institutions of Public Character) Regulations 2007, SIT received tax deductible donations of \$17,040,000 (2020: \$18,961,000) in the current financial year.

28. Financial Risk Management

Financial Risk Factors

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

The Board of Trustees (the "Board") has constituted a Finance Committee comprising four Board members to oversee the Group's financial resource management.

With respect to Endowment Funds, an Investment Committee comprising two Board members and one co-opted member has also been constituted by the Board to oversee the management and investment of the Group's endowment and other surplus funds. The Investment Committee approves the asset allocations, selection of fund managers and policies governing investment activities. The Investment Office assists in the implementation and management of the Group's investment portfolio within the prescribed investment guidelines and mandates.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
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28. Financial Risk Management (cont'd)

(a) Market Risk

(i) *Foreign Currency Risk*

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

| | Group and SIT | |
|---|----------------|----------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Financial Assets | | |
| Cash and Cash Equivalents | 695 | 1,415 |
| Financial Assets at Fair Value through Profit or Loss | 400,751 | 335,175 |
| Tuition Fees and Other Receivables | 202 | 204 |
| Deposits for Investments | 20,154 | – |
| | 421,802 | 336,794 |
| Financial Liabilities | | |
| Trade and Other Payables | (971) | (664) |
| Net Financial Assets | 420,831 | 336,130 |
| <u>Less: Currency Forwards</u> | (7,616) | (3,800) |
| Net Currency Exposure | 413,215 | 332,330 |

At 31 March 2021, if the USD had strengthened/weakened by 5% (2020: 5%) against the SGD with all other variables held constant, the Net Surplus arising from the change would have increased/decreased by \$20,661,000 (2020: \$16,617,000) as a result of currency translation gains/losses on the USD-denominated financial instruments.

(ii) *Price Risk*

The Group is exposed to price risk arising from its Financial Assets at Fair Value Through Profit or Loss. To manage this risk, the Group diversifies its investments across different markets and industries whenever appropriate. With all other variables held constant, if prices for securities increase/decrease by 5% (2020: 5%), this will result in an increase/decrease of \$35,370,000 (2020: \$24,458,000) in Net Surplus for the current financial year.

SINGAPORE INSTITUTE OF TECHNOLOGY AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

28. Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(iii) *Interest Rate Risk*

The Group invests in fixed income investments, which are exposed to interest rate risk. Changes in interest rates will have impact on the fair value of the instruments. With all other variables held constant, 1% (2020: 1%) increase/decrease in interest rate will result in \$8,667,000 (2020: \$5,339,000) decrease/increase in the fair value of Financial Assets at Fair Value 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% (2020: 0.5%) with all other variables held constant, the Net Surplus would have been higher/lower by \$1,199,000 (2020: \$556,000) 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 the Group.

Cash and bank deposits are held with banks with high credit-ratings assigned by international credit-rating agencies. Other than the fee receivable for students, the Group adopts the policy of dealing only with counterparties of appropriate reputation and history. For other financial assets, the Group 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.

The Group has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for fees receivable which are amounts due from students and non-students.

Other receivables relate mainly to amount due from the organisations providing financial aids to students and other trade debtors.

To measure the expected credit losses, the tuition fees receivable is grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates and adjusts for forward-looking macroeconomic data if it has a significant impact on the expected credit losses.

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NOTES TO FINANCIAL STATEMENTS
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28. Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

The Group's credit risk exposure in relation to fees receivable under FRS 109 is set out in the provision matrix below.

| <u>Group and SIT</u> 31 March 2021 | Current | 1 to 30 days | 31 to 60 days | 61 to 90 days | More than 90 days | Total |
|--|---------|-----------------|------------------|------------------|----------------------|-------|
| Students | | | | | | |
| Expected Loss Rate | -% | 0.1% | 0.1% | 0.3% | 12.2% | |
| Gross Carrying Amount (\$'000) | 60 | 1,383 | 1 | 1 | 141 | 1,586 |
| Loss Allowance (\$'000) | - | 1 | - | - | 17 | 18 |
| Non-Students | | | | | | |
| Expected Loss Rate | -% | -% | -% | -% | -% | |
| Gross Carrying Amount (\$'000) | 391 | 2,719 | 6 | 15 | 954 | 4,085 |
| Loss Allowance (\$'000) | - | - | - | - | - | - |
| Individually Assessed | - | - | - | - | 16 | 16 |
| <u>Group and SIT</u> 31 March 2020 | Current | 1 to 30 days | 31 to 60 days | 61 to 90 days | More than 90 days | Total |
| Students | | | | | | |
| Expected Loss Rate | -% | -% | -% | -% | 9.6% | |
| Gross Carrying Amount (\$'000) | 90 | 727 | 7 | 2 | 115 | 941 |
| Loss Allowance (\$'000) | - | - | - | - | 11 | 11 |
| Non-Students | | | | | | |
| Expected Loss Rate | -% | -% | -% | -% | -% | |
| Gross Carrying Amount (\$'000) | 890 | 4,493 | 33 | 65 | 983 | 6,464 |
| Loss Allowance (\$'000) | - | - | - | - | - | - |
| Individually Assessed | - | - | 8 | 8 | 16 | 32 |

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NOTES TO FINANCIAL STATEMENTS For the Financial Year ended 31 March 2021

28. Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

The movement in the lifetime expected credit loss allowance for fees receivable is as follows:

| | Group and SIT | |
|---|---------------|-----------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Beginning of Financial Year | 43 | 16 |
| <u>During the Year On:</u> | | |
| Additional Loss Allowance During the Year | 12 | 81 |
| Written Off During the Year | (21) | (54) |
| End of Financial Year | 34 | 43 |

For the other financial assets at amortised cost, the Group has applied the general 3-stage expected credit loss approach. Grant Receivables and Other Receivables are mainly from MOE. Other Receivables also include grant receivables from other government agencies. The Group has assessed that these debtors have a low risk of default as they have strong capacity to meet the contractual cash flow obligations in the near term and the expected credit loss in the 12-month period after Balance Sheet date is insignificant.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. Based on the Group's historical experience and available press information, the Group has assessed that there is no significant increase in the credit risk since initial recognition of the assets and the credit risk exposure is insignificant.

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

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probably that the debtor will enter bankruptcy or other financial reorganisation
- All possible means to contact the debtor for payment do not yield any positive response

Financial Assets are written off when there is evidence indicating that the debtor meets the above credit-impaired conditions and there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in Profit or Loss.

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28. Financial Risk Management (cont'd)

(c) Liquidity Risk

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

The table below analyses the Group'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 1 year \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 |
|--------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------------|
| Group | | | | |
| At 31 March 2021 | | | | |
| Trade and Other Payables | 65,313 | – | – | – |
| Lease Liabilities | 7,154 | 5,895 | 7,064 | 38,260 |
| | 72,467 | 5,895 | 7,064 | 38,260 |
| At 31 March 2020 | | | | |
| Trade and Other Payables | 83,319 | – | – | – |
| Lease Liabilities | 6,854 | 6,838 | 10,412 | 40,608 |
| | 90,173 | 6,838 | 10,412 | 40,608 |
| SIT | | | | |
| At 31 March 2021 | | | | |
| Trade and Other Payables | 65,239 | – | – | – |
| Lease Liabilities | 7,154 | 5,895 | 7,064 | 38,260 |
| | 72,393 | 5,895 | 7,064 | 38,260 |
| At 31 March 2020 | | | | |
| Trade and Other Payables | 83,224 | – | – | – |
| Lease Liabilities | 6,854 | 6,838 | 10,412 | 40,608 |
| | 90,078 | 6,838 | 10,412 | 40,608 |

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28. Financial Risk Management (cont'd)

(d) Capital Risk

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

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

(e) Fair Value Measurement

The Group 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).

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> |
|---|----------------|----------------|----------------|----------------|
| <u>Group and SIT</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> | <u>\$'000</u> |
| 2021 | | | | |
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit or Loss | | | | |
| Quoted Investments | | | | |
| - Fixed Income Investments | 155,726 | - | - | 155,726 |
| - Equity Investments | 162,615 | - | - | 162,615 |
| - Other Investments | - | - | - | - |
| Unquoted Investments | - | - | 389,059 | 389,059 |
| Financial Liabilities | | | | |
| Derivative Financial Instruments | | | | |
| - Currency Forwards | - | (18) | - | (18) |
| | 318,341 | (18) | 389,059 | 707,382 |

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28. Financial Risk Management (cont'd)

(e) Fair Value Measurement (cont'd)

| <u>Group and SIT</u> | <u>Level 1</u> \$'000 | <u>Level 2</u> \$'000 | <u>Level 3</u> \$'000 | <u>Total</u> \$'000 |
|---|--------------------------|--------------------------|--------------------------|------------------------|
| 2020 | | | | |
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit or Loss | | | | |
| Quoted Investments | | | | |
| - Fixed Income Investments | 100,634 | - | - | 100,634 |
| - Equity Investments | 51,055 | - | - | 51,055 |
| - Other Investments | 43,458 | - | - | 43,458 |
| Unquoted investments | - | - | 294,011 | 294,011 |
| Derivative Financial Instruments | | | | |
| - Currency Forwards | - | 88 | - | 88 |
| | 195,147 | 88 | 294,011 | 489,246 |

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 Group 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. The fair value of currency forwards is determined using the actively quoted forward exchange rates. These investments are classified as Level 2.

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

The following table presents the changes in Level 3 instruments:

| | <u>Group and SIT</u> | |
|--|-----------------------|-----------------------|
| | <u>2021</u> \$'000 | <u>2020</u> \$'000 |
| <u>Financial Assets at Fair Value through Profit or Loss</u> | | |
| Beginning of Financial Year | 294,011 | 252,940 |
| Purchases | 20,627 | 56,808 |
| Sales | (12,816) | (10,792) |
| Fair Value Gain/(Loss) recognised in Profit or Loss | 87,237 | (4,945) |
| End of Financial Year | 389,059 | 294,011 |

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28. Financial Risk Management (cont'd)

(f) Financial Instruments by Category

The carrying amounts of Financial Assets at Amortised Cost, Financial Assets at Fair Value through Profit or Loss and Financial Liabilities are as follows:

| | <u>Group</u> | | <u>SIT</u> | |
|--|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Financial Assets | | | | |
| At Amortised Cost | 397,290 | 324,730 | 397,493 | 324,695 |
| Financial Assets at Fair Value through Profit or Loss | 707,400 | 489,246 | 707,400 | 489,246 |
| Financial Liabilities at Amortised Cost | 107,973 | 130,704 | 107,951 | 130,687 |
| Financial Liabilities at Fair Value through Profit or Loss | 18 | – | 18 | – |

29. Related Party Transactions

The Group holds certain investments of which a Trustee is the director of the Issuer of the investments. As at 31 March 2021, these investments amounted to \$20,437,000 (2020: \$16,915,000). The Trustee had abstained from making any decision in relation to these investments.

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

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Wages and Salaries | 12,573 | 11,730 |
| Employer's Contribution to Defined Contribution Plans Including Central Provident Fund | 490 | 595 |
| | 13,063 | 12,325 |

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group receives grants from MOE to fund its operations and is subject to certain controls set by MOE and considers MOE a related party.

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29. Related Party Transactions (cont'd)

In addition to the information disclosed elsewhere in the financial statements, the following transactions, that are either individually or collectively significant, took place between the Group and MOE during the year.

| | 2021 | 2020 |
|--------------------------------|----------------|---------|
| | \$'000 | \$'000 |
| Grants received and receivable | 419,650 | 501,586 |

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between SIT and related parties at the prevailing market terms:

| | 2021 | 2020 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Payments made on behalf for Subsidiaries | 1,005 | 610 |
| Audit and Statutory Fees borne for Subsidiaries | 8 | 10 |
| Net Operating Expenditure borne for Subsidiaries | – | 246 |

30. 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 18 August 2021.