

SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)

(Incorporated in Singapore. Registration Number: 200917667D)

ANNUAL REPORT

For the financial year ended 31 March 2016

SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)
(Incorporated in Singapore)

ANNUAL REPORT

For the financial year ended 31 March 2016

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SINGAPORE INSTITUTE OF TECHNOLOGY

TRUSTEES' STATEMENT

For the financial year ended 31 March 2016

The Board of Trustees present their report to the members together with the audited financial statements of Singapore Institute of Technology ("SIT") for the financial year ended 31 March 2016.

In the opinion of the Trustees,

- (a) the financial statements of SIT as set out on pages 4 to 37 are drawn up so as to give a true and fair view of the financial position of SIT as at 31 March 2016 and of the financial performance, changes in funds and reserves and cash flows of SIT for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that SIT will be able to pay its debts as and when they fall due.

Trustees

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

Mr Ng Yat Chung	Chairman
Ms Rachel Eng Yaag Ngee	
Dr Richard Charles Helfer	
Mr Lam Yi Young	
Dr Lim Kiang Wee	
Professor Tan Thiam Soon	
Ms Teoh Zsin Woon	
Mr T K Udairam	
Professor Heng Chye Kiang	(Appointed on 16 September 2015)
Mrs Margaret Lui	(Appointed on 16 September 2015)
Mr Abu Bakar Bin Mohd Nor	(Appointed on 16 September 2015)
Mr Nagaraj Sivaram	(Appointed on 16 September 2015)
Mr Wen Khai Meng	(Appointed on 16 September 2015)

Arrangements to enable Trustees to acquire shares and debentures

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

Trustees' interests in shares or debentures

SIT is a company limited by guarantee and has no share capital or debentures. Therefore, there are no matters to be disclosed under Section 201(6)(f) and (g), Section 201(6A)(g) and (h), Section 201(11) and Section 201(12) of the Companies Act, Cap 50.

SINGAPORE INSTITUTE OF TECHNOLOGY

TRUSTEES' STATEMENT

For the financial year ended 31 March 2016

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 201(8) 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 27 to the financial statements.

Independent auditor


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

On behalf of the Trustees



Mr Ng Yat Chung
Trustee

25 August 2016



Professor Tan Thiam Soon
Trustee

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

Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Institute of Technology ("SIT") set out on pages 4 to 37, which comprise the balance sheet as at 31 March 2016, and the statement of comprehensive income, the statement of changes in funds and reserves and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act"), the Singapore Charities Act (the "Charities Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

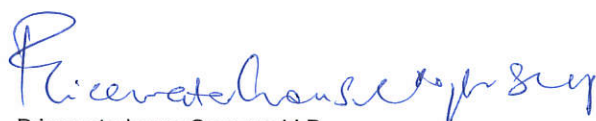
In our opinion, the financial statements of SIT are properly drawn up in accordance with the provisions of the Act, the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of SIT as at 31 March 2016, and the financial performance, changes in funds and reserves and cash flows of SIT for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

- a) The use of the donation moneys was not in accordance with the objectives of SIT as required under regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- b) SIT has not complied with the requirements of regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 25 August 2016

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2016

	Note	General funds		Endowment and term funds		Total	
		2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Revenue	4	45,176,520	38,592,658	-	-	45,176,520	38,592,658
Other income	4	1,334,249	332,110	1,492,604	1,261,000	2,826,853	1,593,110
Operating expenditure							
Staff and related expenses	5	(48,041,802)	(32,111,370)	-	-	(48,041,802)	(32,111,370)
Depreciation and amortisation expenses		(30,220,893)	(15,696,574)	-	-	(30,220,893)	(15,696,574)
Programme and student-related expenses		(57,277,352)	(58,424,324)	(910,620)	(767,649)	(58,187,972)	(59,191,973)
Rental and other facilities expenses		(18,283,788)	(7,170,560)	-	-	(18,283,788)	(7,170,560)
Other operating expenses		(13,763,628)	(7,333,064)	(547,684)	(794,142)	(14,311,312)	(8,127,206)
Total operating expenditure		(167,587,463)	(120,735,892)	(1,458,304)	(1,561,791)	(169,045,767)	(122,297,683)
(Deficit)/surplus before investment income and government grants		(121,076,694)	(81,811,124)	34,300	(300,791)	(121,042,394)	(82,111,915)
Net investment income/(loss)	6	381,911	170,670	(16,512,302)	5,251,706	(16,130,391)	5,422,376
(Deficit)/surplus before government grants		(120,694,783)	(81,640,454)	(16,478,002)	4,950,915	(137,172,785)	(76,689,539)
Government grants	7	141,349,096	89,421,732	-	-	141,349,096	89,421,732
Net surplus/(deficit) and total comprehensive income/(loss)		20,654,313	7,781,278	(16,478,002)	4,950,915	4,176,311	12,732,193

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

SINGAPORE INSTITUTE OF TECHNOLOGY

BALANCE SHEET

As at 31 March 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	130,281,892	55,271,249
Financial assets, at fair value through profit or loss	9	345,657,818	396,738,853
Fees and other receivables	11	30,122,947	50,485,293
Student loans	12	133,096	106,270
Other current assets	13	6,203,466	7,614,071
		<u>512,399,219</u>	<u>510,215,736</u>
Non-current assets			
Property, plant and equipment	14	232,364,580	231,795,991
Intangible assets	15	2,133,688	2,649,690
Student loans	12	363,484	250,967
Other non-current assets	16	81,836,074	77,999,488
		<u>316,697,826</u>	<u>312,696,136</u>
Total assets		<u>829,097,045</u>	<u>822,911,872</u>
LIABILITIES			
Current liabilities			
Trade and other payables	17	23,794,579	29,532,719
Deferred tuition fee income		7,640,483	6,591,879
Grants received in advance	18	61,568,303	51,731,854
Derivative financial instruments	10	-	13,819,772
		<u>93,003,365</u>	<u>101,676,224</u>
Non-current liabilities			
Deferred capital grants	19	234,488,511	234,445,681
Other deferred grants	20	86,780,063	84,336,554
		<u>321,268,574</u>	<u>318,782,235</u>
Total liabilities		<u>414,271,939</u>	<u>420,458,459</u>
NET ASSETS		<u>414,825,106</u>	<u>402,453,413</u>
FUNDS AND RESERVES			
Endowment	21	374,531,852	366,336,470
Accumulated surplus			
- General funds		51,272,661	30,618,348
- Endowment and term funds	21	(10,979,407)	5,498,595
		<u>414,825,106</u>	<u>402,453,413</u>
Funds managed on behalf of Ministry of Education ("MOE")	22	<u>15,424,915</u>	<u>11,829,639</u>

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

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the financial year ended 31 March 2016

	Note	Accumulated surplus - General funds \$	Endowment and term funds \$	Total \$
2016				
Beginning of financial year		30,618,348	371,835,065	402,453,413
Government grants and donations	21	-	8,195,382	8,195,382
Total comprehensive income/(loss)		20,654,313	(16,478,002)	4,176,311
End of financial year		51,272,661	363,552,445	414,825,106
2015				
Beginning of financial year		22,837,070	361,585,550	384,422,620
Government grants and donations	21	-	5,298,600	5,298,600
Total comprehensive income		7,781,278	4,950,915	12,732,193
End of financial year		30,618,348	371,835,065	402,453,413

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

SINGAPORE INSTITUTE OF TECHNOLOGY

STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Deficit before government grants		(137,172,785)	(76,689,539)
Adjustments for:			
- Depreciation and amortisation		30,220,893	15,696,574
- Donations	4	(1,492,604)	(1,261,000)
- Loss on disposal of property, plant and equipment		-	84
- Write-off of property, plant and equipment		1,855	-
- Net investment loss/(income)	6	16,130,391	(5,422,376)
		<u>(92,312,250)</u>	<u>(67,676,257)</u>
Change in operating assets and liabilities			
- Fees and other receivables		3,125,456	(15,911,410)
- Student loans and other assets		(2,565,324)	(25,401,968)
- Trade and other payables		1,240,562	(25,253,763)
Cash used in operations		<u>(90,511,556)</u>	<u>(134,243,398)</u>
Donations		1,492,604	1,261,000
Net cash used in operating activities		<u>(89,018,952)</u>	<u>(132,982,398)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(36,495,358)	(67,644,047)
Proceeds from disposal of property, plant and equipment		-	16,440
Purchase of financial assets, at fair value through profit or loss		(24,577,634)	(352,732,484)
Proceeds from disposal of financial assets, at fair value through profit or loss		59,392,537	-
Settlement of currency forwards		(13,819,772)	(25,101,049)
Dividends and interest received		323,442	369,354
Net cash used in investing activities		<u>(15,176,785)</u>	<u>(445,091,786)</u>
Cash flows from financing activities			
Operating grants received		135,992,666	65,530,358
Development grants received		33,446,014	157,194,172
Other government grants received		1,572,318	3,401,638
Endowment funds received		8,195,382	5,298,600
Net cash provided by financing activities		<u>179,206,380</u>	<u>231,424,768</u>
Net increase/(decrease) in cash and cash equivalents		75,010,643	(346,649,416)
Cash and cash equivalents at beginning of financial year		55,271,249	401,920,665
Cash and cash equivalents at end of financial year	8	<u>130,281,892</u>	<u>55,271,249</u>

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

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

1. General information

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

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

Under Clause 9 of the Memorandum of Association of SIT, each member of SIT undertakes to contribute a sum not exceeding \$1 to the assets of SIT in the event of it being wound up. The number of members at the balance sheet date is 2 (2015: 2).

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards

On 1 April 2015, SIT adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to SIT's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.2 Funds

(a) *General funds*

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

(b) *Endowment funds*

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

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

(c) *Term funds*

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

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

2.3 Revenue recognition

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

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

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

(b) *Service fees*

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

(c) *Sponsorships and donations*

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(d) *Interest income*

Interest income is recognised using the effective interest method.

2.4 Employee compensation

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

2.5 Property, plant and equipment

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

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

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

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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

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

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

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

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

2.6 Intangible assets

Computer software licences costs

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

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

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.7 Trade and other payables

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

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

2.8 Cash and cash equivalents

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

2.9 Financial assets

(a) *Classification*

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

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

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

(ii) *Loans and receivables*

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(a) *Classification* (continued)

(ii) *Loans and receivables* (continued)

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

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(e) *Impairment*

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

Loans and receivables

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

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

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

2.10 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

Fair value changes on derivatives are recognised in the income and expenditure when the changes arise. The fair value of a trading derivative is presented as a current asset or liability.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.11 Currency translation

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

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

2.12 Grants

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

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

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

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

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

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

2. Significant accounting policies (continued)

2.13 Impairment of non-financial assets

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation and amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in income and expenditure.

2.14 Lessee - Operating lease payments

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

2.15 Fair value estimation of financial assets and liabilities

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

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

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of other current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

3. Critical accounting estimates, assumptions and judgements

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

Provision for student attrition

Provision for student attrition relates to the portion of the grants to be refunded to MOE in the event that SIT achieves fewer graduates than MOE's output target. The provision for student attrition is assessed annually by management based on the estimated graduate output in each year for the respective degree programmes. Management has made judgements on the amount of the grants to be refunded to MOE based on the current discussions with MOE. As at 31 March 2016, SIT has recognised provision for student attrition of \$22,126,941 (2015: \$25,104,094) (Note 18). If the management's estimates of the amount payable are different from the final amounts determined by MOE, this would have an impact on the grants received in advance account and net surplus in the financial statements.

Useful lives of property, plant and equipment

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

Fair value estimation of unquoted financial instruments

SIT invests in unquoted securities that are not traded in an active market with a carrying amount of \$103,070,610 (2015: \$83,141,029). The fair values of these investments are based on valuations obtained from third party fund managers. The valuations are determined using market-observable data to the extent it is available. Where quoted prices are not available, the fund managers establish the fair values of these investments based on the net asset value which would approximate the fair value of the investments at the balance sheet date. Changes in the key assumptions used in the third party fund managers' valuation methods would impact the financial assets at fair value through profit or loss and net surplus in the financial statements.

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For the financial year ended 31 March 2016

4. Revenue and other income

	General funds		Endowment and term funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Revenue:						
Tuition and other student-related fees	43,147,437	37,002,087	-	-	43,147,437	37,002,087
Service fees	2,029,083	1,590,571	-	-	2,029,083	1,590,571
	<u>45,176,520</u>	<u>38,592,658</u>	<u>-</u>	<u>-</u>	<u>45,176,520</u>	<u>38,592,658</u>
Other income:						
Donations	-	-	1,492,604	1,261,000	1,492,604	1,261,000
Others	1,334,249	332,110	-	-	1,334,249	332,110
	<u>1,334,249</u>	<u>332,110</u>	<u>1,492,604</u>	<u>1,261,000</u>	<u>2,826,853</u>	<u>1,593,110</u>
Total revenue and other income	<u>46,510,769</u>	<u>38,924,768</u>	<u>1,492,604</u>	<u>1,261,000</u>	<u>48,003,373</u>	<u>40,185,768</u>

5. Staff and related expenses

	2016	2015
	\$	\$
Wages and salaries	39,993,965	27,010,115
Employer's contribution to defined contribution plans including Central Provident Fund	4,421,333	2,897,801
Other employee benefits	3,626,504	2,203,454
	<u>48,041,802</u>	<u>32,111,370</u>

6. Net investment income/(loss)

	General funds		Endowment and term funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Interest income	381,911	170,670	41,950	85,474	423,861	256,144
Dividend income	-	-	1,805	10,342	1,805	10,342
Financial assets designated as fair value through profit or loss at initial recognition						
- Fair value (loss)/gain	-	-	(16,161,983)	44,006,369	(16,161,983)	44,006,369
- Net loss on disposal	-	-	(104,149)	-	(104,149)	-
Derivative financial instruments						
- Fair value loss	-	-	-	(38,920,821)	-	(38,920,821)
Currency exchange (loss)/gain	-	-	(289,925)	70,342	(289,925)	70,342
	<u>381,911</u>	<u>170,670</u>	<u>(16,512,302)</u>	<u>5,251,706</u>	<u>(16,130,391)</u>	<u>5,422,376</u>

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For the financial year ended 31 March 2016

7. Government grants

	2016 \$	2015 \$
Operating and other grants utilised (Note 18)	107,799,998	72,061,159
Deferred capital grants amortised (Note 19)	30,220,164	15,696,574
Other deferred grants amortised (Note 20)	3,327,079	1,647,475
Transfer from deferred capital grants for asset write-off / disposal (Note 19)	1,855	16,524
	<u>141,349,096</u>	<u>89,421,732</u>

8. Cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	20,755,692	27,171,249
Short-term bank deposits	109,526,200	28,100,000
	<u>130,281,892</u>	<u>55,271,249</u>

The short-term bank deposits at balance sheet date have a weighted average effective interest rate of 1.233% (2015: 1.022%) per annum.

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

	2016 \$	2015 \$
<i>Designated at fair value on initial recognition</i>		
Quoted securities		
- Fixed income securities	117,551,007	174,316,044
- Equity securities	125,036,201	139,281,780
Unquoted equity securities	25,659,901	27,334,678
Other unquoted securities	77,410,709	55,806,351
	<u>345,657,818</u>	<u>396,738,853</u>

The weighted average yield to maturity for the fixed income securities is 3.75% (2015: 3.2%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

10. Derivative financial instruments

	Contract notional amount		Fair value - Liability	
	2016	2015	2016	2015
	\$	\$	\$	\$
Currency forwards				
- Sales of United States Dollar ("USD")		- 358,973,880	-	(9,577,879)
- Purchases of USD		- 358,973,880	-	(4,241,893)
				<u>(13,819,772)</u>

Currency forwards are transacted to hedge fluctuation in foreign currency exposure of investments denominated in USD. As at 31 March 2016, there are no outstanding forward contract position.

11. Fees and other receivables

	2016	2015
	\$	\$
Fees receivables	5,187,308	4,195,740
Less: Allowance for impairment of receivables [Note 26(b)(ii)]	(158,216)	(35,833)
Fees receivables – net	<u>5,029,092</u>	<u>4,159,907</u>
Grant receivables from MOE	18,686,197	28,973,446
Other receivables from MOE	5,426,523	16,361,104
Others	981,135	990,836
	<u>30,122,947</u>	<u>50,485,293</u>

12. Student loans

	2016	2015
	\$	\$
Current	133,096	106,270
Non-current	363,484	250,967
	<u>496,580</u>	<u>357,237</u>

These are the Overseas Immersion Programme loans which are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods of up to 5 years after the students' graduation. Interest is charged based on the average of the prevailing prime rates of the 3 local banks. The interest rate as at balance sheet date is 4.75% (2015: 4.75%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

13. Other current assets

	2016 \$	2015 \$
Deposits	45,541	48,602
Prepayments		
- Polytechnics	3,327,079	3,327,079
- Programme and student-related expenses	878,117	2,073,167
- Others	1,952,729	2,165,223
	<u>6,203,466</u>	<u>7,614,071</u>

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

14. Property, plant and equipment

	Buildings and infrastructure \$	Furniture, office and sports equipment \$	IT, AV and network equipment \$	Machinery, laboratory and workshop equipment \$	Motor vehicles \$	Assets under construction \$	Total \$
2016							
<u>Cost</u>							
Beginning of financial year	209,740,610	13,839,022	21,845,697	1,702,707	514,477	1,028,500	248,671,013
Additions	9,249,303	4,128,048	8,248,669	5,581,644	-	2,312,551	29,520,215
Transfers	1,099	127,439	115,203	-	-	(243,741)	-
Disposals	-	-	(204,298)	(2,782)	-	-	(207,080)
End of financial year	<u>218,991,012</u>	<u>18,094,509</u>	<u>30,005,271</u>	<u>7,281,569</u>	<u>514,477</u>	<u>3,097,310</u>	<u>277,984,148</u>
<u>Accumulated depreciation</u>							
Beginning of financial year	9,336,667	2,950,850	4,068,514	451,866	67,125	-	16,875,022
Depreciation charge	16,259,446	5,297,973	6,703,238	624,804	64,310	-	28,949,771
Disposals	-	-	(204,298)	(927)	-	-	(205,225)
End of financial year	<u>25,596,113</u>	<u>8,248,823</u>	<u>10,567,454</u>	<u>1,075,743</u>	<u>131,435</u>	<u>-</u>	<u>45,619,588</u>
<u>Net book value</u>							
End of financial year	<u>193,394,899</u>	<u>9,845,686</u>	<u>19,437,817</u>	<u>6,205,826</u>	<u>383,042</u>	<u>3,097,310</u>	<u>232,364,580</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

14. Property, plant and equipment (continued)

	Buildings and infrastructure	Furniture, office and sports equipment	IT, AV and network equipment	Machinery, laboratory and workshop equipment	Motor vehicles	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$
2015							
<u>Cost</u>							
Beginning of financial year	35,092,191	582,581	3,191,902	1,261,044	392,381	132,561,329	173,081,428
Additions	41,082	6,663,223	3,007,330	424,104	122,096	66,149,117	76,406,952
Transfers	174,607,337	6,600,718	15,646,465	36,748	-	(196,891,268)	-
Transfer to intangible assets (Note 15)	-	-	-	-	-	(790,678)	(790,678)
Disposals	-	(7,500)	-	(19,189)	-	-	(26,689)
End of financial year	209,740,610	13,839,022	21,845,697	1,702,707	514,477	1,028,500	248,671,013
<u>Accumulated depreciation</u>							
Beginning of financial year	57,188	205,118	1,464,447	217,473	4,087	-	1,948,313
Depreciation charge	9,279,479	2,753,232	2,604,067	237,058	63,038	-	14,936,874
Disposals	-	(7,500)	-	(2,665)	-	-	(10,165)
End of financial year	9,336,667	2,950,850	4,068,514	451,866	67,125	-	16,875,022
Net book value							
End of financial year	200,403,943	10,888,172	17,777,183	1,250,841	447,352	1,028,500	231,795,991

15. Intangible assets

Computer software licences costs

	2016 \$	2015 \$
<u>Cost</u>		
Beginning of financial year	4,027,334	1,309,653
Additions	755,120	1,927,003
Transfer from assets under construction (Note 14)	-	790,678
End of financial year	4,782,454	4,027,334
<u>Accumulated amortisation</u>		
Beginning of financial year	1,377,644	617,944
Amortisation charge	1,271,122	759,700
End of financial year	2,648,766	1,377,644
Net book value		
End of financial year	2,133,688	2,649,690

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

16. Other non-current assets

	2016 \$	2015 \$
Deposits	296,165	328,459
Prepayments		
- Polytechnics	81,503,029	77,597,707
- Others	36,880	73,322
	<u>81,836,074</u>	<u>77,999,488</u>

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

17. Trade and other payables

	2016 \$	2015 \$
Trade payables	5,208,417	5,494,360
Payables for property, plant and equipment	4,469,885	10,689,908
Accrued operating expenses	7,864,351	9,719,670
Provision for unutilised leave	2,495,024	1,633,714
Other payables	3,756,902	1,995,067
	<u>23,794,579</u>	<u>29,532,719</u>

18. Grants received in advance

	Government Operating \$	Government- Development \$	Other government grants \$	Total \$
2016				
Beginning of financial year	51,524,849	-	207,005	51,731,854
Grants received/receivable	113,032,447	22,562,890	1,801,349	137,396,686
Debt grants received/receivable	-	16,275,198	-	16,275,198
Transfer to statement of comprehensive income (Note 7)	(102,806,132)	(3,383,915)	(1,609,951)	(107,799,998)
Transfer to other deferred grants (Note 20)	-	(5,770,588)	-	(5,770,588)
Transfer to deferred capital grants (Note 19)	(6,316,522)	(23,746,645)	(201,682)	(30,264,849)
End of financial year	<u>55,434,642</u>	<u>5,936,940</u>	<u>196,721</u>	<u>61,568,303</u>

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For the financial year ended 31 March 2016

18. Grants received in advance (continued)

	Government- Operating \$	Government- Development \$	Other government grants \$	Total \$
2015				
Beginning of financial year	41,935,774	-	368,685	42,304,459
Grants received/receivable	80,319,832	105,438,119	3,604,800	189,362,751
Transfer to statement of comprehensive income (Note 7)	(68,403,976)	(222,589)	(3,434,594)	(72,061,159)
Transfer to other deferred grants (Note 20)	-	(29,540,242)	-	(29,540,242)
Transfer to deferred capital grants (Note 19)	(2,326,781)	(75,675,288)	(331,886)	(78,333,955)
End of financial year	51,524,849	-	207,005	51,731,854

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

Included in operating grants received in advance is the provision for student attrition of \$22,126,941 (2015: \$25,104,094) which is refundable to MOE in the event that SIT achieves fewer graduates than MOE's output target (Note 3).

19. Deferred capital grants

	2016 \$	2015 \$
Beginning of financial year	234,445,681	171,824,824
Additions		
- Operating grants (Note 18)	6,316,522	2,326,781
- Development grants (Note 18)	23,746,645	75,675,288
- Other government grants (Note 18)	201,682	331,886
Deferred capital grants amortised (Note 7)	(30,220,164)	(15,696,574)
Transfer to income and expenditure for asset write- off / disposal (Note 7)	(1,855)	(16,524)
End of financial year	234,488,511	234,445,681

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For the financial year ended 31 March 2016

20. Other deferred grants

	2016 \$	2015 \$
Beginning of financial year	84,336,554	56,443,787
Transfer from development grants received in advance (Note 18)	5,770,588	29,540,242
Deferred grants amortised (Note 7)	<u>(3,327,079)</u>	<u>(1,647,475)</u>
End of financial year	<u>86,780,063</u>	<u>84,336,554</u>

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

21. Endowment and term funds

(a) Composition:

	Endowment funds		Term funds		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Capital:						
- Government grants	366,424,631	360,673,582	-	-	366,424,631	360,673,582
- Donations	8,107,221	5,662,888	-	-	8,107,221	5,662,888
	<u>374,531,852</u>	366,336,470	-	-	<u>374,531,852</u>	366,336,470
Accumulated (deficit)/surplus	<u>(12,490,192)</u>	4,574,953	<u>1,510,785</u>	923,642	<u>(10,979,407)</u>	5,498,595
	<u>362,041,660</u>	370,911,423	<u>1,510,785</u>	923,642	<u>363,552,445</u>	371,835,065
<u>Represented by:</u>						
Cash and cash equivalents	16,561,752	4,876,754	1,510,785	923,642	18,072,537	5,800,396
Financial assets at fair value through profit or loss	345,657,818	396,738,853	-	-	345,657,818	396,738,853
Interest receivable	9,998	-	-	-	9,998	-
Other receivable	5,573	-	-	-	5,573	-
Derivative financial instruments	-	(13,819,772)	-	-	-	(13,819,772)
Payable to General funds (Note A)	-	(16,700,000)	-	-	-	(16,700,000)
Other payables	<u>(193,481)</u>	<u>(184,412)</u>	-	-	<u>(193,481)</u>	<u>(184,412)</u>
	<u>362,041,660</u>	370,911,423	<u>1,510,785</u>	923,642	<u>363,552,445</u>	371,835,065

Note A

The transactions between the Endowment funds and General funds are eliminated in SIT's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

21. Endowment and term funds (continued)

(b) Movements:

	Endowment funds		Term funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Beginning of financial year	370,911,423	361,155,259	923,642	430,291	371,835,065	361,585,550
Government grants	5,751,049	3,328,600	-	-	5,751,049	3,328,600
Donations	2,444,333	1,970,000	-	-	2,444,333	1,970,000
Net (deficit)/surplus	(17,065,145)	4,457,564	587,143	493,351	(16,478,002)	4,950,915
End of financial year	362,041,660	370,911,423	1,510,785	923,642	363,552,445	371,835,065

(c) Income and expenditure for the year:

	Endowment funds		Term funds		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Income:						
- Donations	-	-	1,492,604	1,261,000	1,492,604	1,261,000
- Net investment (loss)/income	(16,517,461)	5,251,706	5,159	-	(16,512,302)	5,251,706
	(16,517,461)	5,251,706	1,497,763	1,261,000	(15,019,698)	6,512,706
Operating expenditure:						
- Programme and student-related expenses	-	-	(910,620)	(767,649)	(910,620)	(767,649)
- Other operating expenses	(547,684)	(794,142)	-	-	(547,684)	(794,142)
Net (deficit)/surplus for the year	(17,065,145)	4,457,564	587,143	493,351	(16,478,002)	4,950,915
Beginning accumulated surplus	4,574,953	117,389	923,642	430,291	5,498,595	547,680
Ending accumulated (deficit)/surplus	(12,490,192)	4,574,953	1,510,785	923,642	(10,979,407)	5,498,595

Endowment funds

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

Term funds

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

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For the financial year ended 31 March 2016

22. Funds managed on behalf of MOE

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

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

	2016 \$	2015 \$
Beginning of financial year	11,829,639	9,149,496
Student loans granted to students	7,074,719	5,475,798
Repayments received from students	<u>(3,479,443)</u>	<u>(2,795,655)</u>
End of financial year	<u>15,424,915</u>	<u>11,829,639</u>
<i>Represented by:</i>		
Student loans receivable	15,424,915	11,829,639
Other receivables from MOE	162,334	5,502,429
Payables to SIT	<u>(162,334)</u>	<u>(5,502,429)</u>
Net assets	<u>15,424,915</u>	<u>11,829,639</u>

Student tuition fee and study loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods of up to 20 years after the students' graduation. Interest is charged by MOE based on the average of the prevailing prime rates of the 3 local banks. The interest rate as at balance sheet date is 4.75% (2015: 4.75%) per annum.

23. Commitments

(a) Lessee - Operating lease commitments

Office equipment and land leases at the Polytechnics

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

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

	2016 \$	2015 \$
Not later than one year	2,634,634	2,576,656
Between one and five years	10,152,682	10,115,161
Later than five years	<u>53,095,893</u>	<u>55,607,774</u>
	<u>65,883,209</u>	<u>68,299,591</u>

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23. Commitments (continued)

(b) Other commitments

(i) *SIT infrastructure*

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

	2016 \$	2015 \$
Infrastructure	<u>5,112,222</u>	<u>16,875,009</u>

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

At balance sheet date, SIT has signed collaboration agreements with 11 (2015: 11) OUs to offer and manage industry focused degree programmes. The contractual periods for the collaboration agreements are for periods of 5 to 10 years. The committed fees under the collaboration agreements cover a period up to 2025 (2015: 2024).

(iii) *Investments*

As at 31 March 2016, SIT has made total commitment of \$22,238,007 (2015: \$27,433,999) for investments in other unquoted securities, which have not been drawn down as at balance sheet date.

24. Income taxes

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

25. Charity Act and Regulation

As required for disclosure under regulation 17 of the Charities (Institutions of Public Character) Regulations, SIT has received tax deductible donations of \$3,936,937 (2015: \$3,231,000) in the current financial year.

There was no fund-raising appeal conducted by SIT during the financial year.

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For the financial year ended 31 March 2016

26. Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) *Currency risk*

SIT's investments are exposed to significant currency risk as they are denominated in USD. Most of SIT's other transactions are transacted in Singapore Dollar ("SGD"), with some trade and other payable balances denominated in United States Dollar ("USD"), Great Britain Pound ("GBP"), Euro ("EUR") and Australian Dollar ("AUD"). SIT's currency exposure is as follows:

	<u>SGD</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>AUD</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
At 31 March 2016						
<u>Financial assets</u>						
Cash and cash equivalents	120,526,057	9,755,835	-	-	-	130,281,892
Financial assets, at fair value through profit or loss	-	345,657,818	-	-	-	345,657,818
Fee and other receivables	30,122,947	-	-	-	-	30,122,947
Student loans	496,580	-	-	-	-	496,580
Deposits	341,706	-	-	-	-	341,706
	<u>151,487,290</u>	<u>355,413,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>506,900,943</u>
<u>Financial liabilities</u>						
Trade and other payables	(22,940,383)	(620,991)	(184,368)	(48,837)	-	(23,794,579)
Net financial assets/ (liabilities) and currency profile	<u>128,546,907</u>	<u>354,792,662</u>	<u>(184,368)</u>	<u>(48,837)</u>	<u>-</u>	<u>483,106,364</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

At 31 March 2015

Financial assets

Cash and cash equivalents	55,168,735	48,054	54,460	-	-	55,271,249
Financial assets, at fair value through profit or loss	-	396,738,853	-	-	-	396,738,853
Fee and other receivables	50,485,293	-	-	-	-	50,485,293
Student loans	357,237	-	-	-	-	357,237
Deposits	377,061	-	-	-	-	377,061
	<u>106,388,326</u>	<u>396,786,907</u>	<u>54,460</u>	<u>-</u>	<u>-</u>	<u>503,229,693</u>

Financial liabilities

Trade and other payables	(26,505,846)	(598,173)	(1,014,209)	(1,408,718)	(5,773)	(29,532,719)
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Net financial assets/
(liabilities) and
currency profile

	<u>79,882,480</u>	<u>396,188,734</u>	<u>(959,749)</u>	<u>(1,408,718)</u>	<u>(5,773)</u>	<u>473,696,974</u>
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With all other variables held constant, if USD, GBP, EUR and AUD change against SGD by 5% (2015: 5%), the increase/(decrease) on net surplus arising from the change will be as follows:

	2016 \$	2015 \$
USD against SGD		
- strengthened	17,739,633	19,809,437
- weakened	(17,739,633)	(19,809,437)
GBP against SGD		
- strengthened	(9,218)	(47,987)
- weakened	9,218	47,987
EUR against SGD		
- strengthened	(2,442)	(70,436)
- weakened	2,442	70,436
AUD against SGD		
- strengthened	-	(289)
- weakened	-	289

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Price risk*

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

	Financial assets at fair value through profit or loss	
	2016	2015
	%	%
<u>By geographical area</u>		
Global	62	65
Asia (exclude Japan)	38	35
	<u>100</u>	<u>100</u>

SIT is exposed to price risk arising from its investments. To manage this risk, SIT diversifies its investments across different markets and industries whenever appropriate. With all other variables held constant, if prices for securities increase/decrease by 5% (2015: 5%), this will result in an increase/decrease of \$17,282,891 (2015: \$19,836,943) in net surplus for the current financial year.

(iii) *Interest rate risk*

SIT invests in fixed income securities through externally managed funds, which are subject to interest rate risk, amongst other risks. Changes in interest will have impact on the fair value of the instruments. With all other variables held constant, 1% (2015: 1%) increase/decrease in interest rate will result in \$5,164,182 (2015: \$7,778,961) decrease/increase in the fair value of financial assets at fair values through profit or loss.

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% (2015: 0.5%) with all other variables held constant, the net surplus would have been higher/lower by \$547,631 (2015: \$140,500) as a result of higher/lower interest income.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(b) Credit risk

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

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

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

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. SIT has fee receivables amounting to \$3,034,499 (2015: \$3,089,023) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	2016	2015
	\$	\$
Current	<u>1,994,593</u>	1,070,884
<u>Past due but not impaired:</u>		
1 to 30 days	1,007,037	1,591,339
31 to 60 days	1,661,247	1,287,135
61 to 90 days	395	24,586
More than 90 days	365,820	185,963
Total past due but not impaired	<u>3,034,499</u>	3,089,023
Fees receivables	<u>5,029,092</u>	4,159,907

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and impaired

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

	2016 \$	2015 \$
Gross amount	158,216	35,833
Less: Allowance for impairment of fees receivables (Note 11)	<u>(158,216)</u>	<u>(35,833)</u>
	-	-
Beginning of financial year	35,833	75,266
Allowance made	145,905	29,672
Allowance written back	<u>(23,522)</u>	<u>(69,105)</u>
End of financial year	<u>158,216</u>	<u>35,833</u>

(c) Liquidity risk

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

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

	Less than 1 year \$
At 31 March 2016	
Trade and other payables	<u>23,794,579</u>
At 31 March 2015	
Trade and other payables	<u>29,532,719</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses SIT's trading portfolio derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the expected settlement date. The amounts disclosed in the table are net fair values, as the amounts at which an orderly settlement of the transactions would take place between market participants at the balance sheet date.

	Less than 1 year \$
At 31 March 2016	
Net settled currency forwards	
- Held for trading	-
At 31 March 2015	
Net settled currency forwards	
- Held for trading	13,819,772

(d) Capital risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(e) Fair value measurement

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

Level 1

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

Level 2

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

Level 3

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

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>
	\$	\$	\$	\$
2016				
Financial Assets				
Financial assets at fair value through profit or loss				
- Quoted fixed income securities	-	117,551,007	-	117,551,007
- Quoted equity securities	-	125,036,201	-	125,036,201
- Unquoted equity securities	-	25,659,901	-	25,659,901
- Other unquoted securities	-	-	77,410,709	77,410,709
At 31 March 2016	-	268,247,109	77,410,709	345,657,818
Financial Liabilities				
Derivative financial instruments				
- Currency forwards	-	-	-	-
At 31 March 2016	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(e) Fair value measurement (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2015				
Financial Assets				
Financial assets at fair value through profit or loss				
- Quoted fixed income securities	-	174,316,044	-	174,316,044
- Quoted equity securities	-	139,281,780	-	139,281,780
- Unquoted equity securities	-	27,334,678	-	27,334,678
- Other unquoted securities	-	-	55,806,351	55,806,351
At 31 March 2015	-	340,932,502	55,806,351	396,738,853
Financial Liabilities				
Derivative financial instruments				
- Currency forwards	-	(13,819,772)	-	(13,819,772)
At 31 March 2015	-	(13,819,772)	-	(13,819,772)

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 infrequent 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:

	2016 \$	2015 \$
<u>Financial assets at fair value through profit or loss</u>		
Beginning of financial year	55,806,351	-
Purchases	23,929,246	47,452,229
Fair value (losses)/gains recognised in income and expenditure	(2,324,888)	8,354,122
End of financial year	77,410,709	55,806,351
Total fair value (losses)/gains recognised in the statement of comprehensive income	(2,324,888)	8,354,122

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2016

26. Financial risk management (continued)

(f) Financial instruments by category

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

	2016	2015
	\$	\$
Loans and receivables	161,243,125	106,490,840
Financial assets at fair value through profit or loss	345,657,818	396,738,853
Financial liabilities at amortised cost	23,794,579	29,532,719
Financial liabilities at fair value through profit or loss - Derivative financial liabilities	-	13,819,772

27. Related party transactions

Key management personnel compensation

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

	2016	2015
	\$	\$
Wages and salaries	8,366,435	6,098,932
Post-employment benefits - contribution to CPF	470,316	277,302
	<u>8,836,751</u>	<u>6,376,234</u>

28. New or revised accounting standards and interpretations

SIT has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for SIT's accounting periods beginning on or after 1 April 2016. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of SIT in the period of their initial adoption.

29. 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 25 August 2016.