

# SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)

*(Incorporated in Singapore. Registration Number: 200917667D)*

## ANNUAL REPORT

*For the financial year ended 31 March 2015*

# SINGAPORE INSTITUTE OF TECHNOLOGY

(Company Limited by Guarantee)  
(Incorporated in Singapore)

## ANNUAL REPORT

For the financial year ended 31 March 2015

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## SINGAPORE INSTITUTE OF TECHNOLOGY

### REPORT OF THE TRUSTEES

*For the financial year ended 31 March 2015*

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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 2015.

#### **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	
Professor Hang Chang Chieh	
Dr Richard Charles Helfer	
Mr Lam Yi Young	
Dr Lim Kiang Wee	
Mr Pek Hak Bin	
Professor Tan Thiam Soon	
Mr Alvin Tan Yew Hua	
Ms Teoh Zsin Woon	
Mr T K Udairam	
Mr Michael Yap Kiam Siew	
Ms Mary Yeo Chor Gek	

#### **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.

#### **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.

**SINGAPORE INSTITUTE OF TECHNOLOGY**

**REPORT OF THE TRUSTEES**

*For the financial year ended 31 March 2015*

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**Independent auditor**

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

On behalf of the Trustees



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Mr Ng Yat Chung  
Trustee

27 August 2015



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Professor Tan Thiam Soon  
Trustee

**SINGAPORE INSTITUTE OF TECHNOLOGY**

**STATEMENT BY TRUSTEES**

*For the financial year ended 31 March 2015*

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In the opinion of the Trustees,

- (a) the financial statements of SIT as set out on pages 5 to 38 are drawn up so as to give a true and fair view of the state of affairs of SIT as at 31 March 2015 and of the results of the business, changes in funds and reserves and cash flows of SIT for the financial year then ended; 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.

On behalf of the Trustees



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Mr Ng Yat Chung  
Trustee

27 August 2015



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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 5 to 38, which comprise the balance sheet as at 31 March 2015, and the statement of comprehensive income, 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, Chapter 50 (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*

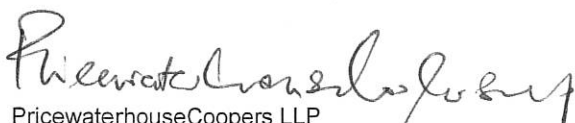
In our opinion, the financial statements of SIT are properly drawn up in accordance with the provisions of the Act, the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of SIT as at 31 March 2015, and the financial performance, changes 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, 27 August 2015

**SINGAPORE INSTITUTE OF TECHNOLOGY**

**STATEMENT OF COMPREHENSIVE INCOME**

*For the financial year ended 31 March 2015*

	Note	General funds		Endowment and term funds		Total	
		2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Revenue	4	38,592,658	32,355,018	-	-	38,592,658	32,355,018
Other income	4	332,110	148,895	1,261,000	405,339	1,593,110	554,234
<b>Operating expenditure</b>							
Staff and related expenses	5	(32,111,370)	(20,595,642)	-	-	(32,111,370)	(20,595,642)
Depreciation and amortisation expenses		(15,696,574)	(1,346,944)	-	-	(15,696,574)	(1,346,944)
Programme and student-related expenses		(58,424,324)	(52,283,324)	(767,649)	(661,172)	(59,191,973)	(52,944,496)
Rental and other facilities expenses		(7,170,560)	(3,063,072)	-	-	(7,170,560)	(3,063,072)
Other operating expenses		(7,333,064)	(3,482,770)	(794,142)	-	(8,127,206)	(3,482,770)
<b>Total operating expenditure</b>		<b>(120,735,892)</b>	<b>(80,771,752)</b>	<b>(1,561,791)</b>	<b>(661,172)</b>	<b>(122,297,683)</b>	<b>(81,432,924)</b>
<b>Deficit before investment income and government grants</b>		<b>(81,811,124)</b>	<b>(48,267,839)</b>	<b>(300,791)</b>	<b>(255,833)</b>	<b>(82,111,915)</b>	<b>(48,523,672)</b>
Net investment income	6	170,670	147,787	5,251,706	113,818	5,422,376	261,605
<b>(Deficit)/surplus before government grants</b>		<b>(81,640,454)</b>	<b>(48,120,052)</b>	<b>4,950,915</b>	<b>(142,015)</b>	<b>(76,689,539)</b>	<b>(48,262,067)</b>
Government grants	7	89,421,732	54,452,133	-	-	89,421,732	54,452,133
<b>Net surplus/(deficit) and total comprehensive income/(loss)</b>		<b>7,781,278</b>	<b>6,332,081</b>	<b>4,950,915</b>	<b>(142,015)</b>	<b>12,732,193</b>	<b>6,190,066</b>

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

# SINGAPORE INSTITUTE OF TECHNOLOGY

## BALANCE SHEET

As at 31 March 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	55,271,249	401,920,665
Financial assets, at fair value through profit or loss	9	396,738,853	-
Fees and other receivables	11	50,485,293	71,369,828
Student loans	12	106,270	-
Other current assets	13	7,614,071	4,125,853
		<u>510,215,736</u>	<u>477,416,346</u>
<b>Non-current assets</b>			
Property, plant and equipment	14	231,795,991	171,133,115
Intangible assets	15	2,649,690	691,709
Student loans	12	250,967	313,280
Other non-current assets	16	77,999,488	56,129,695
		<u>312,696,136</u>	<u>228,267,799</u>
<b>Total assets</b>		<u>822,911,872</u>	<u>705,684,145</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	29,532,719	45,270,297
Deferred tuition fee income		6,591,879	5,418,158
Grants received in advance	18	51,731,854	42,304,459
Derivative financial instruments	10	13,819,772	-
		<u>101,676,224</u>	<u>92,992,914</u>
<b>Non-current liabilities</b>			
Deferred capital grants	19	234,445,681	171,824,824
Other deferred grants	20	84,336,554	56,443,787
		<u>318,782,235</u>	<u>228,268,611</u>
<b>Total liabilities</b>		<u>420,458,459</u>	<u>321,261,525</u>
<b>NET ASSETS</b>		<u>402,453,413</u>	<u>384,422,620</u>
<b>FUNDS AND RESERVES</b>			
Endowment	21	366,336,470	361,037,870
Accumulated surplus			
- General funds		30,618,348	22,837,070
- Endowment and term funds	21	5,498,595	547,680
		<u>402,453,413</u>	<u>384,422,620</u>
<b>Funds' net assets managed on behalf of Ministry of Education ("MOE")</b>	22	<u>11,829,639</u>	<u>9,149,496</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 2015*

	Note	Accumulated surplus - <u>General funds</u> \$	Endowment and <u>term funds</u> \$	<u>Total</u> \$
<b>2015</b>				
<b>Beginning of financial year</b>		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
<b>End of financial year</b>		<b>30,618,348</b>	<b>371,835,065</b>	<b>402,453,413</b>
<b>2014</b>				
<b>Beginning of financial year</b>		16,504,989	1,973,165	18,478,154
Government grants and donations	21	-	359,754,400	359,754,400
Total comprehensive income/(loss)		6,332,081	(142,015)	6,190,066
<b>End of financial year</b>		<b>22,837,070</b>	<b>361,585,550</b>	<b>384,422,620</b>

*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 2015

	Note	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Deficit before government grants		(76,689,539)	(48,262,067)
Adjustments for:			
- Depreciation and amortisation		15,696,574	1,346,944
- Donations	4	(1,261,000)	(405,339)
- Loss on disposal of property, plant and equipment		84	406
- Net investment income	6	(5,422,376)	(261,605)
		<u>(67,676,257)</u>	<u>(47,581,661)</u>
Change in operating assets and liabilities			
- Fees and other receivables		(15,911,410)	(1,229,563)
- Student loans and other assets		(25,401,968)	(43,726,851)
- Trade and other payables		(25,253,763)	7,145,105
Cash used in operations		<u>(134,243,398)</u>	<u>(85,392,970)</u>
Donations		1,261,000	405,340
<b>Net cash used in operating activities</b>		<u>(132,982,398)</u>	<u>(84,987,630)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(67,644,047)	(115,132,732)
Proceeds from disposal of property, plant and equipment		16,440	-
Purchase of financial assets, at fair value through profit or loss		(352,732,484)	-
Settlement of currency forwards		(25,101,049)	-
Dividends and interest received		369,354	261,605
<b>Net cash used in investing activities</b>		<u>(445,091,786)</u>	<u>(114,871,127)</u>
<b>Cash flows from financing activities</b>			
Operating grants received		65,530,358	65,564,055
Development grants received		157,194,172	132,846,520
Grants received from other government agencies		3,401,638	559,277
Endowment funds received		5,298,600	360,443,982
<b>Net cash provided by financing activities</b>		<u>231,424,768</u>	<u>559,413,834</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(346,649,416)</u>	<u>359,555,077</u>
Cash and cash equivalents at beginning of financial year		401,920,665	42,365,588
<b>Cash and cash equivalents at end of financial year</b>	8	<u>55,271,249</u>	<u>401,920,665</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 2015*

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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 (2014: 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 2014, 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 2015

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#### 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 2015*

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#### 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 2015

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#### 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 2015*

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#### 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 2015

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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.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

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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 2015*

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#### 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 2015*

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#### 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.

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### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2015*

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#### 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 2015, SIT has recognised provision for student attrition of \$25,104,094 (2014: \$20,058,139) (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 \$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 2015

4. Revenue and other income

	General funds		Endowment and term funds		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
Tuition and other student-related fees	37,002,087	30,856,079	-	-	37,002,087	30,856,079
Service fees	1,590,571	1,498,939	-	-	1,590,571	1,498,939
	<u>38,592,658</u>	<u>32,355,018</u>	<u>-</u>	<u>-</u>	<u>38,592,658</u>	<u>32,355,018</u>
<b>Other income:</b>						
Donations	-	-	1,261,000	405,339	1,261,000	405,339
Others	332,110	148,895	-	-	332,110	148,895
	<u>332,110</u>	<u>148,895</u>	<u>1,261,000</u>	<u>405,339</u>	<u>1,593,110</u>	<u>554,234</u>
Total revenue and other income	<u>38,924,768</u>	<u>32,503,913</u>	<u>1,261,000</u>	<u>405,339</u>	<u>40,185,768</u>	<u>32,909,252</u>

5. Staff and related expenses

	2015	2014
	\$	\$
Wages and salaries	27,010,115	17,460,901
Employer's contribution to defined contribution plans including Central Provident Fund	2,897,801	1,850,576
Other employee benefits	2,203,454	1,284,165
	<u>32,111,370</u>	<u>20,595,642</u>

6. Net investment income

	General funds		Endowment and term funds		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Interest income	170,670	147,787	85,474	113,818	256,144	261,605
Dividend income	-	-	10,342	-	10,342	-
Fair value gains/(losses)						
- Financial assets designated as fair value through profit or loss at initial recognition	-	-	44,006,369	-	44,006,369	-
- Derivative financial instruments	-	-	(38,920,821)	-	(38,920,821)	-
Currency exchange gain	-	-	70,342	-	70,342	-
	<u>170,670</u>	<u>147,787</u>	<u>5,251,706</u>	<u>113,818</u>	<u>5,422,376</u>	<u>261,605</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

7. Government grants

	2015 \$	2014 \$
Operating and other grants utilised (Note 18)	72,061,159	53,104,783
Deferred capital grants amortised (Note 19)	15,696,574	1,346,944
Other deferred grants amortised (Note 20)	1,647,475	-
Transfer from deferred capital grants for asset disposal (Note 19)	16,524	406
	<u>89,421,732</u>	<u>54,452,133</u>

8. Cash and cash equivalents

	2015 \$	2014 \$
Cash at bank and on hand	27,171,249	17,070,588
Short-term bank deposits	28,100,000	384,850,077
	<u>55,271,249</u>	<u>401,920,665</u>

The short-term bank deposits at balance sheet date have a weighted average effective interest rate of 1.022% (2014: 0.349%) per annum.

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

	2015 \$	2014 \$
<i>Designated at fair value on initial recognition</i>		
Quoted securities		
- Fixed income securities	174,316,044	-
- Equity securities	139,281,780	-
Unquoted equity securities	27,334,678	-
Other unquoted securities	55,806,351	-
	<u>396,738,853</u>	<u>-</u>

The weighted average yield to maturity for the fixed income securities is 3.2% per annum.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

10. Derivative financial instruments

	Contract notional amount		Fair value - Liability	
	2015	2014	2015	2014
	\$	\$	\$	\$
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>	<u>-</u>

Currency forwards are transacted to hedge fluctuation in foreign currency exposure of investments denominated in foreign currency. As at 31 March 2015, the settlement dates on open currency forward contracts ranged from one month to a year from the balance sheet date.

11. Fees and other receivables

	2015	2014
	\$	\$
Fees receivables	4,195,740	2,128,841
Less: Allowance for impairment of receivables [Note 26(b)(ii)]	(35,833)	(75,266)
Fees receivables – net	<u>4,159,907</u>	<u>2,053,575</u>
Grant receivables from MOE	28,973,446	65,940,025
Other receivables from MOE	16,361,104	2,490,336
Others	990,836	885,892
	<u>50,485,293</u>	<u>71,369,828</u>

12. Student loans

	2015	2014
	\$	\$
Current	106,270	-
Non-current	250,967	313,280
	<u>357,237</u>	<u>313,280</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% (2014: 4.75%) per annum.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

13. Other current assets

	2015	2014
	\$	\$
Deposits	48,602	328,142
Prepayments		
- Polytechnics	3,327,079	505,898
- Programme and student-related expenses	2,073,167	2,927,906
- Others	2,165,223	363,907
	<u>7,614,071</u>	<u>4,125,853</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
	\$	\$	\$	\$	\$	\$	\$
<b>2015</b>							
<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	<u>209,740,610</u>	<u>13,839,022</u>	<u>21,845,697</u>	<u>1,702,707</u>	<u>514,477</u>	<u>1,028,500</u>	<u>248,671,013</u>
<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	<u>9,336,667</u>	<u>2,950,850</u>	<u>4,068,514</u>	<u>451,866</u>	<u>67,125</u>	<u>-</u>	<u>16,875,022</u>
<b>Net book value</b>							
End of financial year	<u>200,403,943</u>	<u>10,888,172</u>	<u>17,777,183</u>	<u>1,250,841</u>	<u>447,352</u>	<u>1,028,500</u>	<u>231,795,991</u>



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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

14. Property, plant and equipment (continued)

	Buildings and <u>infrastructure</u>	Furniture, office and sports <u>equipment</u>	IT, AV and network <u>equipment</u>	Machinery, laboratory and workshop <u>equipment</u>	Motor <u>vehicles</u>	Assets under <u>construction</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
<b>2014</b>							
<u>Cost</u>							
Beginning of financial year	-	253,824	2,147,547	663,225	-	31,922,580	34,987,176
Additions	-	328,757	1,057,457	597,819	392,381	135,730,940	138,107,354
Transfers	35,092,191	-	-	-	-	(35,092,191)	-
Disposals	-	-	(13,102)	-	-	-	(13,102)
End of financial year	35,092,191	582,581	3,191,902	1,261,044	392,381	132,561,329	173,081,428
<u>Accumulated depreciation</u>							
Beginning of financial year	-	115,991	743,565	65,254	-	-	924,810
Depreciation charge	57,188	89,127	733,578	152,219	4,087	-	1,036,199
Disposals	-	-	(12,696)	-	-	-	(12,696)
End of financial year	57,188	205,118	1,464,447	217,473	4,087	-	1,948,313
<b>Net book value</b>							
End of financial year	35,035,003	377,463	1,727,455	1,043,571	388,294	132,561,329	171,133,115

15. Intangible assets

Computer software licences costs

	2015 \$	2014 \$
<u>Cost</u>		
Beginning of financial year	1,309,653	920,408
Additions	1,927,003	389,245
Transfer from assets under construction (Note 14)	790,678	-
End of financial year	4,027,334	1,309,653
<u>Accumulated amortisation</u>		
Beginning of financial year	617,944	307,199
Amortisation charge	759,700	310,745
End of financial year	1,377,644	617,944
<b>Net book value</b>		
End of financial year	2,649,690	691,709

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

16. Other non-current assets

	2015 \$	2014 \$
Deposits	328,459	183,600
Prepayments		
- Polytechnics	77,597,707	55,937,889
- Others	73,322	8,206
	<u>77,999,488</u>	<u>56,129,695</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

	2015 \$	2014 \$
Trade payables	5,494,360	7,642,232
Payables for property, plant and equipment	10,689,908	30,486,978
Accrued operating expenses	9,719,670	4,782,853
Provision for unutilised leave	1,633,714	959,301
Other payables	1,995,067	1,398,933
	<u>29,532,719</u>	<u>45,270,297</u>

18. Grants received in advance

	Government- Operating \$	Government- Development \$	Other government agencies \$	Total \$
<b>2015</b>				
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)
<b>End of financial year</b>	<u>51,524,849</u>	<u>-</u>	<u>207,005</u>	<u>51,731,854</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

18. Grants received in advance (continued)

	Government- Operating \$	Government- Development \$	Other government agencies \$	Total \$
<b>2014</b>				
Beginning of financial year	28,822,452	399,353	2,120,000	31,341,805
Grants received/receivables	66,466,585	180,950,024	921,072	248,337,681
Transfer to statement of comprehensive income (Note 7)	(50,715,988)	-	(2,388,795)	(53,104,783)
Transfer to other deferred grants (Note 20)	-	(45,773,645)	-	(45,773,645)
Transfer to deferred capital grants (Note 19)	(2,637,275)	(135,575,732)	(283,592)	(138,496,599)
<b>End of financial year</b>	<b>41,935,774</b>	<b>-</b>	<b>368,685</b>	<b>42,304,459</b>

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 \$25,104,094 (2014: \$20,058,139) which is refundable to MOE in the event that SIT achieves fewer graduates than MOE's output target (Note 3).

19. Deferred capital grants

	2015 \$	2014 \$
Beginning of financial year	171,824,824	34,675,575
Additions		
- Operating grants (Note 18)	2,326,781	2,637,275
- Development grants (Note 18)	75,675,288	135,575,732
- Grants from other government agencies (Note 18)	331,886	283,592
Deferred capital grants amortised (Note 7)	(15,696,574)	(1,346,944)
Transfer to income and expenditure for asset disposal (Note 7)	(16,524)	(406)
<b>End of financial year</b>	<b>234,445,681</b>	<b>171,824,824</b>

SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

20. Other deferred grants

	2015 \$	2014 \$
Beginning of financial year	56,443,787	10,670,142
Transfer from development grants received in advance (Note 18)	29,540,242	45,773,645
Deferred grants amortised (Note 7)	(1,647,475)	-
End of financial year	<u>84,336,554</u>	<u>56,443,787</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	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Capital:						
- Government grants	360,673,582	357,344,982	-	-	360,673,582	357,344,982
- Donations	5,662,888	3,692,888	-	-	5,662,888	3,692,888
	<u>366,336,470</u>	<u>361,037,870</u>	-	-	<u>366,336,470</u>	<u>361,037,870</u>
Accumulated surplus	4,574,953	117,389	923,642	430,291	5,498,595	547,680
	<u>370,911,423</u>	<u>361,155,259</u>	<u>923,642</u>	<u>430,291</u>	<u>371,835,065</u>	<u>361,585,550</u>
<u>Represented by:</u>						
Cash and cash equivalents	4,876,754	361,056,015	923,642	430,291	5,800,396	361,486,306
Financial assets at fair value through profit or loss	396,738,853	-	-	-	396,738,853	-
Interest receivable	-	99,244	-	-	-	99,244
Derivative financial instruments	(13,819,772)	-	-	-	(13,819,772)	-
Payable to General funds (Note A)	(16,700,000)	-	-	-	(16,700,000)	-
Other payables	(184,412)	-	-	-	(184,412)	-
	<u>370,911,423</u>	<u>361,155,259</u>	<u>923,642</u>	<u>430,291</u>	<u>371,835,065</u>	<u>361,585,550</u>

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 2015

21. Endowment and term funds (continued)

(b) Movements:

	Endowment funds		Term funds		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Beginning of financial year	361,155,259	1,287,042	430,291	686,123	361,585,550	1,973,165
Government grants	3,328,600	356,195,400	-	-	3,328,600	356,195,400
Donations	1,970,000	3,559,000	-	-	1,970,000	3,559,000
Net surplus/(Deficit)	4,457,564	113,817	493,351	(255,832)	4,950,915	(142,015)
End of financial year	370,911,423	361,155,259	923,642	430,291	371,835,065	361,585,550

(c) Income and expenditure for the year:

	Endowment funds		Term funds		Total	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Income:						
- Donations	-	-	1,261,000	405,340	1,261,000	405,340
- Net investment income	5,251,706	113,817	-	-	5,251,706	113,817
	5,251,706	113,817	1,261,000	405,340	6,512,706	519,157
Operating expenditure:						
- Programme and student-related expenses	-	-	(767,649)	(661,172)	(767,649)	(661,172)
- Other operating expenses	(794,142)	-	-	-	(794,142)	-
Net surplus/(deficit) for the year	4,457,564	113,817	493,351	(255,832)	4,950,915	(142,015)
Beginning accumulated surplus	117,389	3,572	430,291	686,123	547,680	689,695
Ending accumulated surplus	4,574,953	117,389	923,642	430,291	5,498,595	547,680

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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### NOTES TO THE FINANCIAL STATEMENTS

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#### 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.

	2015 \$	2014 \$
Beginning of financial year	9,149,496	6,072,252
Student loans granted to students	5,475,798	4,694,759
Repayments received from students	(2,795,655)	(1,617,515)
End of financial year	<u>11,829,639</u>	<u>9,149,496</u>
Represented by:		
Student loans receivable	11,829,639	9,126,401
Other receivables from MOE	5,502,429	23,095
Payables to SIT	(5,502,429)	-
Net assets	<u>11,829,639</u>	<u>9,149,496</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 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% (2014: 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:

	2015 \$	2014 \$
Not later than one year	2,576,656	22,308
Between one and five years	10,115,161	18,467
Later than five years	55,607,774	-
	<u>68,299,591</u>	<u>40,775</u>

## SINGAPORE INSTITUTE OF TECHNOLOGY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

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#### 23. Commitments (continued)

##### (a) Lessee - Operating lease commitments (continued)

The expenses on operating leases during the year are as follows:

	2015 \$	2014 \$
Operating lease	<u>3,865,966</u>	<u>2,293,635</u>

##### (b) Other commitments

###### (i) *SIT infrastructure*

The construction of SIT's 5 campuses (2014: 5 campuses) in the Polytechnics and its headquarter campus are largely financed by grants from MOE.

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

	2015 \$	2014 \$
Infrastructure	<u>16,875,009</u>	<u>69,420,986</u>

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

At balance sheet date, SIT has signed collaboration agreements with 11 (2014: 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 2024 (2014: 2023).

###### (iii) *Investments*

As at 31 March 2015, SIT has made total commitment equivalent to Singapore dollar of \$27 million for new investments, which have not been drawn down as at balance sheet date.

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### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2015*

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#### **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 \$3,231,000 (2014: \$3,964,340) in the current financial year.

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

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



SINGAPORE INSTITUTE OF TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

26. Financial risk management (continued)

(a) Market risk

(i) Currency risk

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

	SGD \$	USD \$	GBP \$	EUR \$	AUD \$	Total \$
<b>At 31 March 2015</b>						
<u>Financial assets</u>						
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>
<u>Financial liabilities</u>						
Trade and other payables	(26,505,846)	(598,173)	(1,014,209)	(1,408,718)	(5,773)	(29,532,719)
<b>Net financial assets/ (liabilities) and currency profile</b>	<b><u>79,882,480</u></b>	<b><u>396,188,734</u></b>	<b><u>(959,749)</u></b>	<b><u>(1,408,718)</u></b>	<b><u>(5,773)</u></b>	<b><u>473,696,974</u></b>
<b>At 31 March 2014</b>						
<u>Financial assets</u>						
Cash and cash equivalents	401,920,665	-	-	-	-	401,920,665
Fee and other receivables	71,369,828	-	-	-	-	71,369,828
Student loans	313,280	-	-	-	-	313,280
Deposits	511,742	-	-	-	-	511,742
	<u>474,115,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,115,515</u>
<u>Financial liabilities</u>						
Trade and other payables	(42,977,788)	(295,683)	(1,948,065)	(42,899)	(5,862)	(45,270,297)
<b>Net financial assets/ (liabilities) and currency profile</b>	<b><u>431,137,727</u></b>	<b><u>(295,683)</u></b>	<b><u>(1,948,065)</u></b>	<b><u>(42,899)</u></b>	<b><u>(5,862)</u></b>	<b><u>428,845,218</u></b>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

26. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

With all other variables held constant, if USD, GBP, EUR and AUD change against SGD by 5% (2014: 5%), the increase/(decrease) on net surplus arising from the change will be as follows:

	2015 \$	2014 \$
USD against SGD		
- strengthened	19,809,437	(14,784)
- weakened	(19,809,437)	14,784
GBP against SGD		
- strengthened	(47,987)	(97,403)
- weakened	47,987	97,403
EUR against SGD		
- strengthened	(70,436)	(2,145)
- weakened	70,436	2,145
AUD against SGD		
- strengthened	(289)	(293)
- weakened	289	293

(ii) *Price risk*

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

	<b>Financial assets at fair value through profit or loss</b>	
	2015 %	2014 %
<u>By geographical area</u>		
Global	65	-
Asia (exclude Japan)	35	-
	<u>100</u>	<u>-</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%, this will result in an increase/decrease of \$18,187,983 in net surplus for the current financial year.

**26. Financial risk management (continued)**

(a) Market risk (continued)

(iii) *Interest rate risk*

SIT invests in fixed income securities through externally managed funds, which are subject to interest rate risk, amongst other risks. Excess funds may be placed in short-term fixed deposits, which are subject to changes in market interest rates.

The interest rates of the short-term bank deposits and fixed income securities are disclosed in Note 8 and Note 9 to the financial statements.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

26. Financial risk management (continued)

(b) Credit risk (continued)

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. SIT has fee receivables amounting to \$3,089,023 (2014: \$1,824,200) 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:

	2015 \$	2014 \$
Current	<u>1,070,884</u>	229,375
<u>Past due but not impaired:</u>		
1 to 30 days	1,591,339	676,257
31 to 60 days	1,287,135	1,016,602
61 to 90 days	24,586	-
More than 90 days	185,963	131,341
Total past due but not impaired	<u>3,089,023</u>	1,824,200
Fees receivables	<u>4,159,907</u>	2,053,575

(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:

	2015 \$	2014 \$
Gross amount	35,833	75,266
Less: Allowance for impairment of fees receivables (Note 11)	<u>(35,833)</u>	<u>(75,266)</u>
	-	-
Beginning of financial year	75,266	57,044
Allowance made	29,672	69,960
Allowance written back	(69,105)	(51,738)
End of financial year	<u>35,833</u>	<u>75,266</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

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26. Financial risk management (continued)

(c) Liquidity risk

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

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

	Less than 1 year \$
<b>At 31 March 2015</b>	
Trade and other payables	<u>29,532,719</u>
<b>At 31 March 2014</b>	
Trade and other payables	<u>45,270,297</u>

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 \$
<b>At 31 March 2015</b>	
Net settled currency forwards	
- Held for trading	<u>13,819,772</u>
<b>At 31 March 2014</b>	
Net settled currency forwards	
- Held for trading	<u>-</u>

(d) Capital risk

SIT's objectives when managing capital are to ensure that SIT is adequately capitalised and to maintain an optimal capital structure.

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 2015

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>
	\$	\$	\$	\$
<b>2015</b>				
<b><i>Financial Assets</i></b>				
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	<u>- 340,932,502</u>		<u>55,806,351</u>	<u>396,738,853</u>
<b><i>Financial Liabilities</i></b>				
Derivative financial instruments				
- Currency forwards	-	(13,819,772)	-	(13,819,772)
At 31 March 2015		<u>- (13,819,772)</u>		<u>- (13,819,772)</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

26. Financial risk management (continued)

(e) Fair value measurement (continued)

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:

	2015 \$	2014 \$
<i>Financial assets at fair value through profit or loss</i>		
Beginning of financial year	-	-
Purchases	47,452,229	-
Fair value gains recognised in income and expenditure	8,354,122	-
End of financial year	<u>55,806,351</u>	-
Total gains included in income and expenditure for assets held at the end of the financial year	<u>8,354,122</u>	-

(f) Financial instruments by category

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

	2015 \$	2014 \$
Loans and receivables	106,490,840	474,115,515
Financial assets at fair value through profit or loss	396,738,853	-
Financial liabilities at amortised cost	29,532,719	45,270,297
Derivative financial liabilities	<u>13,819,772</u>	-

27. Related party transactions

Key management personnel compensation

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

	2015 \$	2014 \$
Wages and salaries	6,098,932	4,797,836
Post-employment benefits - contribution to CPF	277,302	187,387
	<u>6,376,234</u>	<u>4,985,223</u>

**SINGAPORE INSTITUTE OF TECHNOLOGY**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 March 2015*

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**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 2015. 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 27 August 2015.