

# **SINGAPORE INSTITUTE MANAGEMENT AND ITS SUBSIDIARIES FINANCIAL REPORT 2015**

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## Governing Council's Statement

In the opinion of the Governing Council, the consolidated financial statements of Singapore Institute of Management and its subsidiaries (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of Singapore Institute of Management (the "Institute") as set out on pages 5 to 58 are drawn up so as to give a true and fair view of the financial position of the Group and Institute as at 31 December 2015, and of the financial performance and changes in equity of the Group and Institute and cash flows of the Group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the Institute will be able to pay its debts when they fall due.

On behalf of the Governing Council



Mr Tan Soo Jin



Mr Victor Liew Cheng San

24 March 2016

## Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

TO THE MEMBERS OF SINGAPORE INSTITUTE OF MANAGEMENT

### Report on the financial statements

We have audited the accompanying financial statements of Singapore Institute of Management (the "Institute") and its subsidiaries (collectively, the "Group") set out on pages 5 to 58, which comprise the statements of financial position of the Group and Institute as at 31 December 2015, and the statements of comprehensive income and statements of changes in equity of the Group and the Institute and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

The Institute's Governing Council ("Governing Council") is responsible for the preparation and fair presentation of these financial statements in accordance with the provision of the Singapore Societies Act Chapter 311 (the "Societies Act"), the Singapore Charities Act, Chapter 37 (the "Charities Act") and Singapore Financial Reporting Standards and for such internal controls as Governing Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 judgment, 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 and fair presentation of the financial statements 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.

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015  
TO THE MEMBERS OF SINGAPORE INSTITUTE OF MANAGEMENT

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Institute are properly drawn up in accordance with the provisions of the Societies Act, the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Institute as at 31 December 2015 and of the financial performance and changes in equity of the Group and the Institute and cash flows of the Group 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 Societies Act and Charities Act to be kept by the Group have been properly kept in accordance with the provisions of the Societies Act and Charities Act.

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

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore

24 March 2016

# Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Institute	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Income</b>					
Course, conference and consultancy fees		283,741	286,986	6,630	7,044
Membership fees and services		476	796	581	886
Grants		22,637	13,639	4,207	4,151
Interest income		4,211	3,081	318	175
Rental income		2,033	1,651	2,052	1,536
Dividend income		1,102	1,410	35,000	35,064
Group corporate service charges to subsidiaries		-	-	47,401	44,729
Other income		4,479	3,985	1,665	1,130
Other gains	4	23,188	130	15,367	70
<b>Total income</b>		<b>341,867</b>	<b>311,678</b>	<b>113,221</b>	<b>94,785</b>
<b>Expenditure</b>					
Course, conference and consultancy expenditure		122,187	123,724	7,804	7,559
Membership expenses		1,384	2,558	1,384	2,558
Donations to outside parties		148	134	71	36
Administrative expenses	5	160,878	149,492	74,325	67,973
<b>Total expenditure</b>		<b>284,597</b>	<b>275,908</b>	<b>83,584</b>	<b>78,126</b>
Excess of income over expenditure before income tax		57,270	35,770	29,637	16,659
Taxation	7	(5,863)	(6,703)	-	-
<b>Excess of income over expenditure</b>		<b>51,407</b>	<b>29,067</b>	<b>29,637</b>	<b>16,659</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified subsequently to income and expenditure:</i>					
Funds received/(utilised)		145	(24)	-	-
<i>Items that may be reclassified subsequently to income and expenditure:</i>					
Net change in fair value of cash flow hedges		1,052	(623)	-	-
Net fair value (losses)/gains on available-for-sale financial assets		(593)	5,854	-	2,421
Net fair value changes on available-for-sale financial assets reclassified to income and expenditure		(18,993)	(2,611)	(13,075)	(863)
<b>Other comprehensive income for the year, net of tax</b>		<b>(18,389)</b>	<b>2,596</b>	<b>(13,075)</b>	<b>1,558</b>
<b>Total comprehensive income for the year</b>		<b>33,018</b>	<b>31,663</b>	<b>16,562</b>	<b>18,217</b>

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

## Statements of Financial Position

AS AT 31 DECEMBER 2015

	Note	Group		Institute	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>ASSETS</b>					
NON-CURRENT ASSETS					
Property, plant and equipment	8	299,743	328,775	293,027	316,768
Investment properties	9	1,935	2,278	1,935	2,278
Investment in subsidiaries	10	-	-	2,500	2,500
Trade and other receivables	11	4,107	1,958	-	-
Available-for-sale investments	13	19,456	114,151	-	30,693
Held-to-maturity investments	14	15,123	18,168	-	-
<b>Total non-current assets</b>		<b>340,364</b>	<b>465,330</b>	<b>297,462</b>	<b>352,239</b>
CURRENT ASSETS					
Trade and other receivables	11	14,788	14,076	6,597	5,958
Prepayments		3,872	3,669	679	657
Grant receivables		7,780	4,304	3,141	1,951
Derivatives	12	188	411	-	5
Held-to-maturity investments	14	3,000	2,000	-	-
Cash and bank balances	15	389,325	240,968	83,173	13,438
<b>Total current assets</b>		<b>418,953</b>	<b>265,428</b>	<b>93,590</b>	<b>22,009</b>
<b>TOTAL ASSETS</b>		<b>759,317</b>	<b>730,758</b>	<b>391,052</b>	<b>374,248</b>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>					
CURRENT LIABILITIES					
Trade and other payables	16	48,845	50,489	18,600	16,937
Income tax payable		6,132	7,189	-	-
Course and membership fees received in advance		42,332	43,072	372	403
Grant received in advance	17	3,231	2,371	-	-
Deferred capital grant	18	13,557	14,812	13,128	14,518
Derivatives	12	69	2,218	-	-
<b>Total current liabilities</b>		<b>114,166</b>	<b>120,151</b>	<b>32,100</b>	<b>31,858</b>
<b>NET CURRENT ASSETS</b>		<b>304,787</b>	<b>145,277</b>	<b>61,490</b>	<b>(9,849)</b>
NON-CURRENT LIABILITIES					
Trade and other payables	16	3,393	1,746	-	-
Deferred tax liabilities	19	101	338	-	-
<b>Total non-current liabilities</b>		<b>3,494</b>	<b>2,084</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>117,660</b>	<b>122,235</b>	<b>32,100</b>	<b>31,858</b>
<b>NET ASSETS</b>		<b>641,657</b>	<b>608,523</b>	<b>358,952</b>	<b>342,390</b>

## Statements of Financial Position

AS AT 31 DECEMBER 2015

	Note	Group		Institute	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>RESERVES AND FUND BALANCES</b>					
General fund:					
Accumulated surplus		563,301	508,123	358,952	329,315
Fair value reserve	25	(515)	13,810	-	13,075
Hedging reserve	12	145	(906)	-	-
		562,931	521,027	358,952	342,390
Education fund:					
Accumulated surplus		63,470	76,499	-	-
Fair value reserve	25	(11)	5,250	-	-
Endowment fund	21	1,144	1,061	-	-
Other restricted fund	22	231	-	-	-
	20	64,834	82,810	-	-
College fund	23	13,165	4,105	-	-
Other restricted funds	24	727	581	-	-
<b>Total reserves and fund balances</b>		<b>641,657</b>	<b>608,523</b>	<b>358,952</b>	<b>342,390</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>759,317</b>	<b>730,758</b>	<b>391,052</b>	<b>374,248</b>

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

## Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	General fund				Education fund							Total
	Accumulated surplus	Fair value reserve	Hedging reserve	Sub-Total	Accumulated surplus	Fair value reserve	Endowment fund	Other restricted fund	Sub-Total	College fund	Other restricted funds	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>												
Balance at 1 January 2014	465,399	11,101	(283)	476,217	94,223	4,716	1,016	-	99,955	83	634	576,889
Excess of income over expenditure for the year	42,724	-	-	42,724	(17,724)	-	45	-	(17,679)	4,022	-	29,067
Other comprehensive income for the year	-	2,709	(623)	2,086	-	534	-	-	534	-	(24)	2,596
Total comprehensive income for the year	42,724	2,709	(623)	44,810	(17,724)	534	45	-	(17,145)	4,022	(24)	31,663
Refund of funds	-	-	-	-	-	-	-	-	-	-	(29)	(29)
Balance at 31 December 2014 and 1 January 2015	508,123	13,810	(906)	521,027	76,499	5,250	1,061	-	82,810	4,105	581	608,523
Excess of income over expenditure for the year	55,178	-	-	55,178	(12,914)	-	83	-	(12,831)	9,060	-	51,407
Other comprehensive income for the year	-	(14,325)	1,051	(13,274)	-	(5,261)	-	-	(5,261)	-	146	(18,389)
Total comprehensive income for the year	55,178	(14,325)	1,051	41,904	(12,914)	(5,261)	83	-	(18,092)	9,060	146	33,018
Donation from a foundation	-	-	-	-	-	-	-	116	116	-	-	116
Transfer of funds	-	-	-	-	(115)	-	-	115	-	-	-	-
Balance at 31 December 2015	563,301	(515)	145	562,931	63,470	(11)	1,144	231	64,834	13,165	727	641,657

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

## Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

## Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Accumulated surplus \$'000	Fair value reserve \$'000	Total \$'000
<b>Institute</b>			
Balance at 1 January 2014	312,656	11,517	324,173
Excess of income over expenditure for the year	16,659	-	16,659
Other comprehensive income	-	1,558	1,558
Total comprehensive income for the year	16,659	1,558	18,217
Balance at 31 December 2014 and 1 January 2015	329,315	13,075	342,390
Excess of income over expenditure for the year	29,637	-	29,637
Other comprehensive income	-	(13,075)	(13,075)
Total comprehensive income for the year	29,637	(13,075)	16,562
Balance at 31 December 2015	358,952	-	358,952

## Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
<b>Operating activities</b>			
Excess of income over expenditure before income tax		57,270	35,770
Adjustments for :			
Depreciation	8,9	43,287	37,387
Gain on disposal of available-for-sale investments	4	(22,664)	(2,611)
Gain on redemption of held-to-maturity investments	4	-	(113)
Amortisation of premium for held-to-maturity investments	4	45	62
Impairment loss on available-for-sale investments	4	-	897
Impairment loss on trade and other receivables	11	113	41
Interest income		(4,211)	(3,081)
Dividend income		(1,102)	(1,410)
Grants utilised	17,18	(3,613)	(2,573)
Distribution income from investment in REITs		(97)	(45)
Other restricted funds utilised	24	(185)	(119)
Gain on disposal of property, plant and equipment	4	(84)	(90)
Grants received	17,18	3,218	2,632
Unrealised foreign exchange gain on available-for-sale investments	4	-	(223)
Unrealised foreign exchange gain	4	(105)	(61)
<b>Operating cash flows before movements in working capital</b>		71,872	66,463
Trade and other receivables and grant receivables		(6,080)	(7,133)
Prepayments		(203)	1,000
Trade and other payables		6	(14,996)
Course and membership fees received in advance		(740)	657
Income tax paid		(7,157)	-
<b>Net cash flows from operating activities</b>		57,698	45,991

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

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
<b>Investing activities</b>			
Proceeds from disposal of property, plant and equipment		84	139
Purchase of property, plant and equipment	8	(13,912)	(89,364)
Proceeds on disposal of available-for-sale investments		99,407	19,777
Purchase of available-for-sale investments		(406)	(39,641)
Proceeds from redemption of held-to-maturity investments		2,000	6,113
Purchase of held-to-maturity investments		-	(11,580)
Distribution income from investment in REITs	21	97	45
Change in fair value of forward foreign exchange contracts		(875)	974
Change in fair value of available-for-sale investments		(1,344)	-
Dividend received		1,102	944
Interest received		3,943	2,892
Placement of fixed deposits		(46,620)	(21,314)
<b>Net cash flows generated from/(used in) investing activities</b>		<b>43,476</b>	<b>(131,015)</b>
<b>Financing activities</b>			
Other restricted funds received		331	66
Education funds received		231	-
<b>Net cash flows from financing activities</b>		<b>562</b>	<b>66</b>
Net increase/(decrease) in cash and cash equivalents		101,736	(84,958)
Effect of exchange rate changes on cash and cash equivalent		-	24
Cash and cash equivalents at beginning of year		160,026	244,960
Cash and cash equivalents at end of year	15	261,762	160,026

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 1. General information

Singapore Institute of Management (the "Institute") is incorporated in Singapore and is registered with the Commissioner of Charities as a charity under the Charities Act, Chapter 37.

The registered office and principal place of operations is located at 461 Clementi Road, Singapore 599491.

The principal activities of the Institute comprise the provision of membership services to its members and the conduct of short seminars and customised in-company training. It also functions as a Group Corporate Services Centre providing support services to its subsidiaries.

The principal activities of subsidiaries are disclosed in Note 10 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Institute.



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 16 <i>Property, plant and equipment</i> and FRS 41: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(c) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	to be determined

Except for FRS 115 and FRS 109, the Governing Council expects that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

The nature of the impending changes in accounting period on adoption of FRS 115 and FRS 109 are described below:

#### FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

#### FRS 115 *Revenue from Contracts with Customers (cont'd)*

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

#### FRS 109 *Financial Instruments*

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

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

### 2.4 Basis of consolidation

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

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

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

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.4 Basis of consolidation (cont'd)

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

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

### 2.5 Functional and foreign currency

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

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

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

### 2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land, building and improvements	2% to 8.57%
Office equipment, furniture and fittings (excluding artifacts and paintings)	25%
Motor vehicles	20%
Computers	33.33%

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.6 Property, plant and equipment (cont'd)

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

### 2.7 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the investment property. The depreciation rate is 2%.

### 2.8 Subsidiaries

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

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

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

### 2.9 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.9 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### Subsequent measurement

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

##### (i) Loans and receivables

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

The Group classifies sundry debtors and deposits as loans and receivables.

##### (ii) Available-for-sale financial assets

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

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

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

##### (iii) Held-to-maturity investments

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

##### De-recognition

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.9 Financial instruments (cont'd)

#### (b) Financial liabilities

##### Initial recognition and measurement

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

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

##### Subsequent measurement

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

##### De-recognition

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

### 2.10 Impairment of financial assets

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

#### (a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the statement of comprehensive income.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.10 Impairment of financial assets (cont'd)

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

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

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

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

#### (b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### (c) Available-for-sale financial assets

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.11 Cash and cash equivalents

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

### 2.12 Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 12 to the financial statements.

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

### 2.13 Embedded derivatives

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

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

### 2.14 Hedge accounting

The Group designates certain hedging instruments which include forward foreign exchange contracts as cash flow hedges.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.14 Hedge accounting (cont'd)

#### *Cash flow hedges*

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

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

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

### 2.15 Government grants

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

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

### 2.16 Leases

#### (a) *As lessee*

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.16 Leases (cont'd)

#### (b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.17(g). Contingent rents are recognised as revenue in the period in which they are earned.

### 2.17 Revenue

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

#### (a) *Course, conference and consultancy fees*

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

#### (b) *Membership fees*

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

#### (c) *Rendering of services*

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

#### (d) *Non-endowed donations*

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

#### (e) *Interest income*

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

#### (f) *Dividend income*

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

#### (g) *Rental income*

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

### 2.18 Education fund

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.19 Endowment fund

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

### 2.20 Other restricted funds

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

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

### 2.21 Employee benefits

#### (a) Defined contribution plan

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

#### (b) Employee leave entitlement

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

### 2.22 Taxes

#### (a) Current income tax

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.22 Taxes (cont'd)

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income and expenditure; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income and expenditure; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside income and expenditure is recognised outside income and expenditure. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 2.22 Taxes (cont'd)

#### (c) Sales tax

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

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

## 3. Significant accounting judgements and estimates

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

### 3.1 Judgements made in applying accounting policies

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

#### *Impairment of available-for-sale equity investments*

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

### 3.2 Key sources of estimation uncertainty

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

#### (a) Fair value of financial instruments

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

The carrying amounts of these instruments are disclosed in Notes 12, 13 and 14.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### 3.2 Key sources of estimation uncertainty (cont'd)

#### (b) Impairment of loans and receivables

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

#### (c) Income taxes

The Group has exposure to income taxes in Singapore. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at the end of the reporting period was \$6,132,000 (2014: \$7,189,000). The carrying amount of the Group's deferred tax liabilities at the end of the reporting period was \$101,000 (2014: \$338,000).

## 4. Other gains and losses

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Gain on disposal of property, plant and equipment	(84)	(90)	(1)	(9)
Realised foreign exchange loss/(gain)	7	(3)	(2)	(5)
Unrealised foreign exchange (gain)/loss	(105)	(61)	-	1
Change in fair value of forward foreign exchange contracts not used in hedging purposes	-	974	-	43
Realised exchange (gain)/loss on forward foreign exchange contracts	(387)	1,038	6	763
Unrealised foreign exchange gain on available-for-sale investments	-	(223)	-	-
Impairment loss on available-for-sale investments	-	897	-	-
Amortisation of premium for held-to-maturity investments	45	62	-	-
Gain on disposal of available-for-sale investments	(22,664)	(2,611)	(15,370)	(863)
Gain on redemption of held-to-maturity investments	-	(113)	-	-
	(23,188)	(130)	(15,367)	(70)



## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 5. Administrative expenses

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Staff costs (Note 6)	93,491	86,700	25,696	24,564
Depreciation of property, plant and equipment (Note 8)	42,944	37,334	35,333	28,856
Depreciation of investment properties (Note 9)	343	53	343	53
Maintenance	14,490	12,950	6,866	7,351
Utilities and telephone	3,403	3,593	3,339	3,519
Professional fees	1,642	3,991	849	1,258
Others	4,565	4,871	1,899	2,372
	160,878	149,492	74,325	67,973

### 6. Staff costs

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Wages and salaries	80,766	75,031	22,047	20,682
Defined contribution plans	9,720	8,545	2,807	2,547
Other staff benefits	3,005	3,124	842	1,335
	93,491	86,700	25,696	24,564

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 7. Taxation

With effect from Year of Assessment 2008, the Institute and its subsidiary, SIM University, as registered charities, enjoy automatic income tax exemption without having the need to meet the 80% spending rule in respect of its annual receipts.

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015 \$'000	2014 \$'000
<i>Current income tax</i>		
- Current income taxation	6,132	7,189
- Over provision in respect of previous year	(32)	-
	6,100	7,189
<i>Deferred income tax</i>		
- Origination and reversal of temporary differences (Note 19)	(237)	(486)
Income tax expense recognised in profit or loss	5,863	6,703

Relationship between tax expense and excess of income over expenditure before tax:

	Group	
	2015 \$'000	2014 \$'000
Excess of income over expenditure before tax	57,270	35,770
Income tax expense at statutory rate 17% (2014: 17%)	9,736	6,081
<i>Adjustments:</i>		
(Income)/loss not subject to tax	(3,625)	859
Expenses not deductible for tax purposes	6	29
Tax benefits	(176)	(211)
Effect of partial tax relief	(30)	(9)
Over provision in respect of previous year	(32)	-
Others	(16)	(46)
	5,863	6,703

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 8. Property, plant and equipment

	Leasehold land, building and improvements \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in-progress \$'000	Total \$'000
<b>Group</b>						
<b>Cost:</b>						
At 1 January 2014	254,965	38,653	693	84,208	91,238	469,757
Additions	70,850	12,033	-	6,481	-	89,364
Disposals	(12,228)	(8,116)	(219)	(1,224)	-	(21,787)
Reclassification	84,492	3,171	-	3,575	(91,238)	-
At 31 December 2014 and 1 January 2015	398,079	45,741	474	93,040	-	537,334
Additions	6,796	2,253	215	4,648	-	13,912
Disposals	-	(332)	(185)	(639)	-	(1,156)
At 31 December 2015	404,875	47,662	504	97,049	-	550,090
<b>Accumulated depreciation</b>						
At 1 January 2014	96,110	30,742	449	65,662	-	192,963
Depreciation for the year	20,283	5,656	120	11,275	-	37,334
Disposals	(12,228)	(8,092)	(215)	(1,203)	-	(21,738)
At 31 December 2014 and 1 January 2015	104,165	28,306	354	75,734	-	208,559
Depreciation for the year	26,050	6,833	69	9,992	-	42,944
Disposals	-	(332)	(185)	(639)	-	(1,156)
At 31 December 2015	130,215	34,807	238	85,087	-	250,347
<b>Net carrying amount:</b>						
At 31 December 2014	293,914	17,435	120	17,306	-	328,775
At 31 December 2015	274,660	12,855	266	11,962	-	299,743

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

	Leasehold land, building and improvements \$'000	Office equipment, furniture and fittings \$'000	Motor vehicles \$'000	Computers \$'000	Construction in-progress \$'000	Total \$'000
<b>Institute</b>						
<b>Cost:</b>						
At 1 January 2014	254,965	25,879	76	28,016	91,238	400,174
Additions	70,850	11,041	-	2,258	-	84,149
Disposals	(12,228)	(202)	(32)	(477)	-	(12,939)
Reclassification	84,492	3,171	-	3,575	(91,238)	-
At 31 December 2014 and 1 January 2015	398,079	39,889	44	33,372	-	471,384
Additions	6,796	2,119	-	2,677	-	11,592
Disposals	-	(230)	-	(213)	-	(443)
At 31 December 2015	404,875	41,778	44	35,836	-	482,533
<b>Accumulated depreciation:</b>						
At 1 January 2014	96,110	18,558	76	23,936	-	138,680
Depreciation for the year	20,283	5,171	-	3,402	-	28,856
Disposals	(12,228)	(202)	(32)	(458)	-	(12,920)
At 31 December 2014 and 1 January 2015	104,165	23,527	44	26,880	-	154,616
Depreciation for the year	26,050	6,338	-	2,945	-	35,333
Disposals	-	(230)	-	(213)	-	(443)
At 31 December 2015	130,215	29,635	44	29,612	-	189,506
<b>Net carrying amount:</b>						
At 31 December 2014	293,914	16,362	-	6,492	-	316,768
At 31 December 2015	274,660	12,143	-	6,224	-	293,027

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 9. Investment properties

	Group and Institute	
	2015	2014
	\$'000	\$'000
<b>Cost:</b>		
At 1 January and 31 December	3,965	3,965
<b>Accumulated depreciation:</b>		
At 1 January	1,687	1,634
Depreciation charge for the year	343	53
At 31 December	2,030	1,687
Net carrying amount	1,935	2,278
<b>Statement of comprehensive income</b>		
Rental income from investment property	839	369
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	227	227

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

#### Valuation of investment properties

The fair value of the investment properties at 31 December 2015 approximates \$29,500,000 (2014: \$29,500,000). The independent valuation was performed by an independent professional valuation firm. Details of valuation techniques and inputs used are disclosed in Note 28.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 10. Investment in subsidiaries

	Institute	
	2015	2014
	\$'000	\$'000
Unquoted equity shares, at cost	2,500	2,500

Details of the Institute's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Principal activities	Proportion (%) of ownership interest and voting power	
			2015	2014
			%	%
<b>Held by the Institute</b>				
Singapore Institute of Management Pte. Ltd.	Singapore	Engaged in higher and continuing education	100	100
SIM University <sup>(a)</sup>	Singapore	Engaged in the advancement of education and dissemination of knowledge, the promotion of research and the conferring and awarding of degrees, diplomas and certificates	100	100

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 11. Trade and other receivables

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current:</b>				
Amounts due from subsidiaries	-	-	4,449	4,288
Course fees receivable	2,904	3,297	1,126	1,042
Staff loans	6	4	-	1
Interest receivable	1,064	795	115	1
Dividend receivable	101	-	-	-
Due from Ministry of Education ("MOE")	8,573	7,792	-	-
Deposits	157	133	128	80
Others	1,983	2,055	779	546
	14,788	14,076	6,597	5,958
<b>Non-current:</b>				
Tuition fee loans and study loans receivable	4,107	1,958	-	-
<b>Total trade and other receivables</b>	18,895	16,034	6,597	5,958
Add: Cash and bank balances	389,325	240,968	83,173	13,438
Add: Grant receivables	7,780	4,304	3,141	1,951
<b>Total loans and receivables</b>	416,000	261,306	92,911	21,347

Amount due from MOE relates to mainly tuition fee subsidies.

Tuition fee loans and study loans receivable from students are interest-free during the course of study and repayable within 2 years (for tuition fee loans) and 6 years (for study loans) after graduation or upon graduates securing employment, whichever is earlier. The loans are funded by MOE and the repayments from students will be collected and returned to MOE.

### Course fees receivable that are past due but not impaired

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

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

### Course fees receivable that are past due but not impaired

The Group and the Institute have course fees receivable amounting to \$1,150,000 and \$723,000 (2014: \$1,565,000 and \$473,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 11. Trade and other receivables (cont'd)

### Course fees receivables that are past due but not impaired and past due and impaired (cont'd)

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

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Not past due and not impaired	1,754	1,732	403	569
Past due but not impaired	1,150	1,565	723	473
Past due and impaired	-	41	-	-
	2,904	3,338	1,126	1,042

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

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Less than 90 days	617	388	445	319
More than 90 days	533	1,177	278	154
	1,150	1,565	723	473

### Receivables that are impaired

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

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Course fees receivable – nominal amounts	3,017	3,338	1,126	1,042
Less: Allowance for impairment	(113)	(41)	-	-
	2,904	3,297	1,126	1,042
<b>Movement in allowance accounts:</b>				
At 1 January	(41)	-	-	-
Charge for the year	(72)	(41)	-	-
At 31 December	(113)	(41)	-	-

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 11. Trade and other receivables (cont'd)

The Group's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2015	2014
	\$'000	\$'000
United States dollar	881	792

## 12. Derivatives

	2015			2014		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

### Group

Forward foreign exchange contracts

- Buy GBP/Sell SGD <sup>(b)</sup>	2,061	-	69	1,993	-	38
- Buy USD/Sell SGD <sup>(a)</sup>	-	-	-	18,396	-	871
- Buy USD/Sell SGD <sup>(a)</sup>	1,383	35	-	8,988	403	-
- Buy USD/Sell SGD <sup>(b)</sup>	8,110	30	-	-	-	-
- Buy AUD/Sell SGD <sup>(a)</sup>	3,488	110	-	24,300	-	1,309
- Buy AUD/Sell SGD <sup>(b)</sup>	16,943	13	-	-	-	-
- Buy SGD/Sell USD <sup>(b)</sup>	-	-	-	26,360	8	-
		188	69		411	2,218

	2015			2014		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

### Institute

Forward foreign exchange contracts

- Buy SGD/Sell USD <sup>(b)</sup>	-	-	-	18,307	5	-
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(a) These forward foreign exchange contracts are designated as hedging instruments in cash flow hedges and are assessed to be effective.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 12. Derivatives (cont'd)

### Foreign currency risk

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

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

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

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

### Cash flow hedges

The terms of certain foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. Ineffective cash flow hedges requiring recognition through profit or loss amount to a net unrealised gain of \$43,000 (2014: Nil).

The cash flow hedges of the expected future payments in January 2016 were assessed to be highly effective and a net unrealised gain of \$145,000 (2014: unrealised loss of \$906,000) is included in other comprehensive income.

At the end of December 2015, the cash flow hedges of the expected future payments in 2016 were assessed to be highly effective and an unrealised gain of \$145,000 (2014: unrealised loss of \$906,000) was included in other comprehensive income in respect of these contracts.

### Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date amounted to \$145,000 (2014: \$906,000) are made up of the net movements in cash flow hedges and the effective portion of the forward contract, net of tax.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 13. Available-for-sale investments

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Quoted investment funds	-	77,322	-	30,693
Unquoted debt securities	-	16,604	-	-
Unquoted preference shares	18,308	19,143	-	-
Quoted real estate investment trusts (REITs)	1,028	1,082	-	-
Quoted shares	120	-	-	-
	19,456	114,151	-	30,693

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

In 2014, the Group recognised an impairment loss of \$897,000 on one of the quoted funds managed by fund managers as there was a "significant" decline in the fair value of the investment below its cost. The Group treats "significant" generally as more than 30%.

The Group's and Institute's available-for-sale investments that are not denominated in the functional currency of the respective entities are as follows:

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
United States dollar	-	63,231	-	30,693

### 14. Held-to-maturity investments

	Group	
	2015	2014
	\$'000	\$'000
<b>Unquoted debt securities at amortised cost:</b>		
Current	3,000	2,000
Non-current	15,123	18,168
	18,123	20,168

The unquoted debt securities comprise bonds issued by financial institutions and public listed companies. As at 31 December 2015, the unquoted debt securities have nominal values amounting to \$18.1 million (2014: \$20.2 million) with coupon rates ranging from 3.50% to 4.88% (2014: 3.50% to 4.88%) per annum and maturity dates ranging from March 2016 to May 2026 (2014: February 2015 to May 2026). The average effective interest rate of the unquoted debt securities ranges from 1.43% to 2.47% (2014: 1.43% to 2.47%) per annum.

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 15. Cash and bank balances

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash held by fund manager	-	1,801	-	-
Cash and bank balances	58,860	42,345	3,327	4,233
Fixed deposits	330,465	196,822	79,846	9,205
	389,325	240,968	83,173	13,438

The carrying amounts of these assets approximate their fair values.

Fixed deposits earn interest at average rates ranging from 0.14% to 1.80% (2014: 0.22% to 1.80%) per annum and are for a tenure of approximately 11 days to 12 months (2014: 7 days to 12 months).

Cash and cash equivalents comprise cash on hand and at bank and short-term fixed deposits with maturity period of up to 3 months.

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash held by fund manager	-	1,801	-	-
Cash on hand and at bank	58,860	42,345	3,327	4,233
Fixed deposits (with maturity period of up to 3 months)	202,902	115,880	49,123	8,204
	261,762	160,026	52,450	12,437

The Group's and Institute's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Australian dollar	454	415	-	-
Sterling pound	140	207	-	-
United States dollar	1,672	826	146	94



## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 16. Trade and other payables

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Current:</b>				
Deposits	639	675	590	614
Accruals	30,885	30,852	5,680	5,451
Trade payables	2,159	2,672	1,567	1,685
Other payables	15,162	16,290	10,763	9,187
<b>Total trade and other payables</b>	<b>48,845</b>	<b>50,489</b>	<b>18,600</b>	<b>16,937</b>
<b>Add:</b>				
<b>Non-current:</b>				
Tuition fee loans and study loans payable to MOE	3,393	1,746	-	-
<b>Total financial liabilities carried at amortised cost</b>	<b>52,238</b>	<b>52,235</b>	<b>18,600</b>	<b>16,937</b>

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

Tuition fee loans and study loans payable to MOE relate to the funds from MOE for purpose of providing loans to students, collection of loan repayment from students and refundable to MOE. The amount due to MOE also includes any unutilised funds refundable to MOE.

The Group's and Institute's sundry creditors that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Australian dollar	23	566	-	-
Sterling pound	167	569	-	9
United States dollar	48	27	87	9

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 17. Grant received in advance

	Group	
	2015 \$'000	2014 \$'000
Balance at 1 January	2,371	1,284
Received during the year	3,218	2,632
Transfer to deferred capital grant upon utilisation (Note 18)	(301)	(295)
Utilised during the year (income and expenditure)	(2,057)	(1,250)
<b>Balance at 31 December</b>	<b>3,231</b>	<b>2,371</b>

### 18. Deferred capital grant

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at 1 January	14,812	15,840	14,518	15,823
Transfer from grants received in advance during the year (Note 17)	301	295	-	-
Amortisation (to match depreciation in income and expenditure) (Note 8)	(1,556)	(1,323)	(1,390)	(1,305)
<b>Balance at 31 December</b>	<b>13,557</b>	<b>14,812</b>	<b>13,128</b>	<b>14,518</b>

### 19. Deferred tax liabilities

	Group	
	2015 \$'000	2014 \$'000
At 1 January	338	824
Charge to income and expenditure (Note 7)	(237)	(486)
<b>At 31 December</b>	<b>101</b>	<b>338</b>
The balances in the account comprise the tax effects of:		
Differences in depreciation for tax purposes	101	338

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 20. Education fund

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

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

	Group	
	2015	2014
	\$'000	\$'000
At 1 January	82,810	99,955
Total comprehensive income	(18,092)	(17,145)
Donation from a foundation	116	-
<b>At 31 December</b>	<b>64,834</b>	<b>82,810</b>
<i>Represented by:</i>		
<b>Current assets</b>		
Cash and bank balances	52,795	37,911
Trade and other receivables	403	418
Prepayments	353	276
Forward foreign exchange contracts	-	2
Held-to-maturity investments	3,000	-
	56,551	38,607
<b>Non-current assets</b>		
Available-for-sale investments	1,148	33,993
Held-to-maturity investments	8,058	11,092
Plant and equipment	1,898	2,870
	11,104	47,955
<b>Less: current liability</b>		
Trade and other payables	2,821	3,400
Derivatives	-	352
<b>Total net assets</b>	<b>64,834</b>	<b>82,810</b>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 21. Endowment fund

Endowment fund comprises the Social Resilience Enhancement Fund which was set up on 11 October 2013 to receive funds for the purpose of awarding of scholarships and sponsoring faculty programme and prizes to students.

	Group	
	2015	2014
	\$'000	\$'000
<b>Social Resilience Enhancement</b>		
Balance at 1 January	1,061	1,016
Earned income received	97	45
Utilised	(14)	-
<b>Balance at 31 December</b>	<b>1,144</b>	<b>1,061</b>

### 22. Education Fund: Other restricted fund

The Wong Lan Eng ("WLE") Fund was set up on 15 December 2015 to receive funds for the purpose of providing scholarships in the Master of Non-Profit Management Programme.

	Group	
	2015	2014
	\$'000	\$'000
<b>Education Fund: Other restricted fund</b>		
At 1 January	-	-
Donation from a foundation	116	-
Transfer of funds	115	-
<b>At 31 December</b>	<b>231</b>	<b>-</b>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 23. College fund

The SIM University College Fund relates to grants received from MOE to establish, operate and maintain UniSIM full-time programme.

	Group	
	2015 \$'000	2014 \$'000
<b>College Fund</b>		
Balance at 1 January	4,105	83
Total comprehensive income	9,060	4,022
Balance at 31 December	13,165	4,105

### 24. Other restricted funds

Name of fund	Purpose
Research and development fund	For the purpose of providing scholarship to students and to fund research activities.
Sponsorship awards fund	Donations and sponsorships received for the purpose of awarding of scholarships, medals, prizes to deserving students.
Other funds — Spring Singapore and Economic Development Board	Funds received for the purpose of course development for Biomedical Sciences Proof of Concept Scheme and Executive Master in Technology Entrepreneurship and Rotman Design Work.
Other funds — Taipei Representative Office in Singapore & Taipei Economic and Cultural Office in Malaysia	Funds received for the purpose of planning, organising, and executing events and activities that foster cultural exchanges and promote Taiwan's culture in Singapore.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 24. Other restricted funds (cont'd)

	Research and development fund \$'000	Sponsorship awards fund \$'000	Other funds \$'000	Total \$'000
Balance at 1 January 2014	407	141	86	634
Received/receivable during the year	95	-	-	95
Utilised during the year	(68)	-	(51)	(119)
Refunded during the year	-	-	(29)	(29)
Balance at 31 December 2014	434	141	6	581
Received/receivable during the year	93	-	238	331
Utilised during the year	(87)	-	(98)	(185)
Balance at 31 December 2015	440	141	146	727
<i>Represented by:</i>				
Cash and bank balances:				
At 31 December 2015	440	141	146	727
At 31 December 2014	434	141	6	581

### 25. Fair value reserve

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	19,060	15,817	13,075	11,517
Reclassification to income and expenditure from equity on disposal of available-for-sale investments	(18,993)	(2,611)	(13,075)	(863)
Impairment loss on available-for-sale investments	-	897	-	-
Fair value changes during the year	(593)	4,957	-	2,421
At 31 December	(526)	19,060	-	13,075

The fair value reserve relates to cumulative fair value changes, net of tax of the available-for-sale investments until they are disposed or impaired. As certain of these investments are funded by the SIM University Education Fund, the fair value reserve which forms part of the SIM University Education Fund amounted to a loss of \$9,000 (2014: gain of \$5,250,000).

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 26. Related party transactions

#### Compensation of key management personnel

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

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Short-term benefits	13,012	12,854	3,218	3,192
Contributions to Central Provident Fund	610	552	154	146
	13,622	13,406	3,372	3,338

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

Number of key management in remuneration bands for the Group is shown below. Key management personnel comprises chief executive officers, directors and deans. Trustees of Singapore Institute of Management and SIM University are not remunerated for their board services.

	2015	2014
\$950,001 to \$1,000,000	-	-
\$900,001 to \$950,000	-	1
\$850,000 to \$900,000	1	-
\$600,001 to \$650,000	1	1
\$550,001 to \$600,000	-	-
\$500,001 to \$550,000	2	2
\$450,001 to \$500,000	-	-
\$400,001 to \$450,000	1	1
\$350,001 to \$400,000	3	1
\$300,001 to \$350,000	4	3
\$250,001 to \$300,000	8	10
\$200,001 to \$250,000	18	13
\$150,001 to \$200,000	8	14
\$100,001 to \$150,000	2	4
\$100,000 and below	10	7
	58	57

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 27. Operating lease and commitments

#### (a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Capital commitments in respect of property, plant and equipment	14,557	24,216	12,262	22,550

#### (b) Operating lease commitments - As lessee

The Group and Institute have entered into commercial leases on certain office equipment. These leases have an average tenure of between two and five years. The Group and Institute are restricted from subleasing the leased equipment to third parties.

Minimum lease payments recognised as an expense in income and expenditure for the financial year ended 31 December 2015 of the Group and Institute amounted to \$4,940,000 and \$112,000 (2014: \$3,269,000 and \$101,000) respectively.

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

	Group		Institute	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Not later than one year	2,094	3,275	90	86
Later than one year but not later than five years	386	1,145	105	153
Total minimum lease payments	2,480	4,420	195	239

#### (c) Operating lease commitments - As lessors

The Group and the Institute have entered into commercial property leases on its premises. These non-cancellable leases have remaining lease terms of between 3 months and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Minimum lease payments recognised as rental income in income and expenditure for the financial year ended 31 December 2015 of the Group and Institute amounted to \$2,033,000 and \$2,052,000 (2014: \$1,651,000 and \$1,536,000) respectively.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

### 27. Operating lease and commitments (cont'd)

#### (c) Operating lease commitments - As lessors (cont'd)

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

	Group and Institute	
	2015	2014
	\$'000	\$'000
Not later than one year	1,977	1,705
Later than one year but not later than five years	1,651	2,338
	3,628	4,043

### 28. Fair value of financial assets and liabilities

#### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

#### (b) Assets and liabilities measured at fair value

The following table shows an analysis of financial instruments that carried at fair value by the above hierarchy:

Group	Note	Fair value measurements at the end of the reporting period using			
		Level 1	Level 2	Level 3	Total
		\$'000	\$'000	\$'000	\$'000
<b>2015</b>					
<b>Assets measured at fair value</b>					
<b>Financial assets:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	188	-	188
<i>Available-for-sale investments</i>					
Unquoted preference shares	13	-	18,308	-	18,308
Quoted real estate investment trusts (REITs)		1,028	-	-	1,028
Quoted shares		120	-	-	120
<b>Financial assets as at 31 December 2015</b>		1,148	18,496	-	19,644
<b>Liabilities measured at fair value</b>					
<b>Financial liabilities:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	69	-	69
<b>Financial liabilities as at 31 December 2015</b>		-	69	-	69

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

Group	Note	Fair value measurements at the end of the reporting period using			
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2014</b>					
<b>Assets measured at fair value</b>					
<b>Financial assets:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	411	-	411
<i>Available-for-sale investments</i>	13				
Quoted investment funds		-	77,322	-	77,322
Unquoted debt securities		-	16,604	-	16,604
Unquoted preference shares		-	19,143	-	19,143
Quoted real estate investment trusts (REITs)		1,082	-	-	1,082
<b>Financial assets as at 31 December 2014</b>		<b>1,082</b>	<b>113,480</b>	<b>-</b>	<b>141,562</b>
<b>Liabilities measured at fair value</b>					
<b>Financial liabilities:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	2,218	-	2,218
<b>Financial liabilities as at 31 December 2014</b>		<b>-</b>	<b>2,218</b>	<b>-</b>	<b>2,218</b>

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

Institute	Note	Fair value measurements at the end of the reporting period using			
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2015</b>					
<b>Assets measured at fair value</b>					
<b>Financial assets:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	-	-	-
<i>Available-for-sale investments</i>	13				
Quoted investment funds		-	-	-	-
<b>Financial assets as at 31 December 2015</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2014</b>					
<b>Assets measured at fair value</b>					
<b>Financial assets:</b>					
<i>Derivatives</i>					
Forward foreign exchange contracts	12	-	5	-	5
<i>Available-for-sale investments</i>	13				
Quoted investment funds		-	30,693	-	30,693
<b>Financial assets as at 31 December 2014</b>		<b>-</b>	<b>30,698</b>	<b>-</b>	<b>30,698</b>

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities:

#### *Forward foreign exchange contracts*

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

#### Quoted investment funds

The Group and the Institute invests in managed funds which are not in an active market. The Group and the Institute investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. The management used the NAV per share as an appropriate basis for the market value of the said funds as this will be the redemption price to be received in case the Group and the Institute redeem. The Group and the Institute classify these funds as Level 2.

#### Unquoted debt securities and preference shares

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

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

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

	Note	Group and Institute				Carrying amount
		Level 1	Level 2	Level 3	Total	
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>						
<b>Assets</b>						
Investment properties	9	-	29,500	-	29,500	1,935
<b>2014</b>						
<b>Assets</b>						
Investment properties	9	-	29,500	-	29,500	2,278

#### Determination of fair value

The valuation of commercial investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

### (d) Financial instruments whose carrying amount approximates fair value

The carrying amounts of cash and bank balances, trade and other receivables and trade and other payables, based on their notional amounts, reasonably approximate their fair values because they are short-term in nature.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 29. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, liquidity risk and interest risk.

The Governing Council reviews and agrees policies and procedures for the management of these risks, which are executed by the Head of Treasury. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Foreign exchange risk

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

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

	Group			
	Assets		Liabilities	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Australian dollar	454	415	23	566
United States dollar	2,553	64,849	135	27
Sterling pound	140	207	167	569

	Institute			
	Assets		Liabilities	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
United States dollar	146	30,787	87	9
Sterling pound	-	-	-	9

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

#### (a) Foreign exchange risk (cont'd)

Entities in the Group use forward foreign exchange contracts to hedge their exposure to foreign currency risk in the local reporting currency. The Treasury Department is responsible for hedging the net position in each borrowing currency.

Further details of the forward foreign exchange contracts are found in Note 12 to the financial statements.

#### Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk is 10%, which is the change in foreign exchange rate that the Governing Council deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, without considering the effect of the derivative financial instruments, income and expenditure will increase by:

	Group		Institute	
	Income and expenditure		Income and expenditure	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Australian dollar	43	(15)	-	-
United States dollar	242	6,482	6	3,078
Sterling pound	(3)	(36)	-	(1)

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, there will be an equal and opposite impact on income and expenditure.

In the Governing Council's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### (b) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets. All financial assets and liabilities at year end bear no interest except for cash and fixed deposits and held-to-maturity investments. The average interest rate on held-to-maturity investments is disclosed in Note 14.

#### Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for cash and bank balances at the end of the reporting period and the stipulated change taking place at the beginning of the respective financial year. A 100 basis point increase or decrease represents management's assessment of the possible change in interest rate.

If interest rates had been 100 basis points higher/lower with all the other variables held constant, the Group's and Institute's net surplus would increase/decrease by approximately \$3.9 million and \$0.8 million respectively (2014: \$2.4 million and \$0.1 million respectively).

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

#### (c) Credit risk

The Group and Institute are not exposed to significant credit risk as most of its fees are received in advance. In 2015 and 2014, the Group's trade and other receivables comprise mainly grant receivable from Ministry of Education.

Cash and cash equivalents are held with reputable financial institutions.

#### (d) Liquidity risk

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

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities.

The Group's and Institute's derivative financial instruments comprise foreign exchange forward contracts with net mark-to-market gain of \$119,000 (2014: net mark-to-market loss of S\$1,807,000) and net mark-to-market gain of \$Nil (2014: net mark-to-market gain of \$5,000) as at 31 December 2015 respectively with contracted gross cash flows due within 1 year (2014: due within 1 year).

#### Non-derivative financial assets

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

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

#### (d) Liquidity risk (cont'd)

Non-derivative financial assets (cont'd)

Group	Within one year \$'000	More than one year \$'000	Total \$'000
<b>2015</b>			
<b>Financial assets:</b>			
Available-for-sale investments	-	19,456	19,456
Forward foreign exchange contracts	188	-	188
Held-to-maturity investments	3,000	15,123	18,123
Loans and receivables	411,893	4,107	416,000
Total undiscounted financial assets	415,081	38,686	453,767
<b>Financial liabilities:</b>			
Trade and other payables	48,845	3,393	52,238
Forward foreign exchange contracts	69	-	69
Total undiscounted financial liabilities	48,914	3,393	52,307
Net undiscounted financial assets	366,167	35,293	401,460
<b>2014</b>			
<b>Financial assets:</b>			
Available-for-sale investments	-	114,151	114,151
Forward foreign exchange contracts	411	-	411
Held-to-maturity investments	2,000	18,168	20,168
Loans and receivables	257,397	1,958	259,355
Total undiscounted financial assets	259,808	134,277	394,085
<b>Financial liabilities:</b>			
Trade and other payables	50,489	1,746	52,235
Forward foreign exchange contracts	2,218	-	2,218
Total undiscounted financial liabilities	52,707	1,746	54,453
Net undiscounted financial assets	207,101	132,531	339,632

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

#### (d) Liquidity risk (cont'd)

Institute	Within one year \$'000	More than one year \$'000	Total \$'000
<b>2015</b>			
<b>Financial assets:</b>			
Loans and receivables	92,911	-	92,911
Total undiscounted financial assets	92,911	-	92,911
<b>Financial liabilities:</b>			
Trade and other payables	18,600	-	18,600
Total undiscounted financial liabilities	18,600	-	18,600
Net undiscounted financial assets	74,311	-	74,311
<b>2014</b>			
<b>Financial assets:</b>			
Available-for-sale investments	-	30,693	30,693
Derivatives	5	-	5
Loans and receivables	21,347	-	21,347
Total undiscounted financial assets	21,352	30,693	52,045
<b>Financial liabilities:</b>			
Trade and other payables	16,937	-	16,937
Total undiscounted financial liabilities	16,937	-	16,937
Net undiscounted financial assets	4,415	30,693	35,108

#### (e) Market price risk

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

Further details of these investments can be found in Note 13 to the financial statements.

#### Price sensitivity analysis

In respect of available-for-sale equity investments, if the prices had been 10% higher/lower, the Group's and Institute's fair value reserves would increase/decrease by \$1,946,000 (2014: \$11,415,000) and \$Nil (2014: \$3,069,000) respectively.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

### (f) *Categories of financial instruments*

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

	Group		Institute	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b><i>Financial assets:</i></b>				
Loans and receivables	416,000	257,002	92,911	21,347
Derivatives	188	411	-	5
Available-for-sale-investments	19,456	114,151	-	30,693
Held-to-maturity investments	18,123	20,168	-	-
	453,767	391,732	92,911	52,045
<b><i>Financial liabilities:</i></b>				
Trade and other payables	52,238	52,235	18,600	16,937
Derivatives	69	2,218	-	-
	52,307	54,453	18,600	16,937

### (g) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and Institute do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

## 30. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

## 31. Authorisation of financial statements for issue

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Institute for the year ended 31 December 2015 were authorised for issue by the Governing Council at their meeting on 24 March 2016.