Singapore Institute of Management and its Subsidiaries

Financial Report 2018

Contents

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 55 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 2018, 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

Ms Euleen Goh
GC Chairman

Ms Madeleine Lee
Treasurer

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Independent auditor's report

For the financial year ended 31 December 2018

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Institute of Management (the "Institute") and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position of the Group and the Institute as at 31 December 2018, the statement of changes in equity of the Group and the Institute and the consolidated statement of comprehensive income, consolidated statement of changes in equity of the Group and statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of the 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, Chapter 311 (the Societies Act), the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Institute as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Institute for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Institute's Governing Council for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Societies Act, the Charities Act and Regulations and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Institute's Governing Council is responsible for overseeing the Group's financial reporting process.

Independent auditor's report

For the financial year ended 31 December 2018

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 and Regulations.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

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Statements of comprehensive income

For the financial year ended 31 December 2018

		Group		Institute	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
Continuing operations					
Income					
Course, conference and consultancy fees		183,377	185,433	3,841	5,407
Membership fees and services		910	550	948	607
Grant income		2,172	3,274	2,172	3,274
Rental income		2,508	2,187	2,200	2,116
Group corporate service income to subsidiaries		–	–	32,713	34,469
Group corporate service income to third party		40,884	35,698	40,884	35,698
Investment income	5	4,454	6,497	4,028	5,904
Other income		2,609	3,096	1,765	2,228
Other gains	7	547	25	36	9
Total income		237,461	236,760	88,587	89,712
Expenditure					
Course, conference and consultancy expenditure		92,274	93,804	3,851	7,342
Donations to outside parties		40	97	36	71
Investment expenses	5	4,115	685	4,115	685
Administrative expenses	6	121,587	114,942	68,625	70,802
Other losses	7	–	418	–	35
Total expenditure		218,016	209,946	76,627	78,935
Excess of income over expenditure before income tax		19,445	26,814	11,960	10,777
Income tax expenses	9	(3,631)	(3,971)	–	–
Excess of income over expenditure after income tax		15,814	22,843	11,960	10,777
Discontinued operations					
Transfer of control of subsidiary to Ministry of Education ("MOE")		–	(267,840)	–	–
Excess of expenditure over income for the year		15,814	(244,997)	11,960	10,777
Other comprehensive income:					
Items that will not be reclassified subsequently to income and expenditure:					
Funds (utilised)/received		(55)	(1)	–	–
Items that may be reclassified subsequently to income and expenditure:					
Net change in fair value arising from derivatives		111	(705)	–	–
Foreign currency translation		(349)	169	–	–
Other comprehensive income for the year, net of tax		(293)	(537)	–	–
Total comprehensive income for the year		15,521	(245,534)	11,960	10,777

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

Statements of financial position

As at 31 December 2018

		Group		Institute	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	10	217,209	238,744	205,836	233,412
Investment properties	11	968	1,291	968	1,291
Investment in subsidiaries	12	–	–	3,500	3,500
Prepayments		1,390	686	–	–
Total non-current assets		219,567	240,721	210,304	238,203
CURRENT ASSETS					
Financial assets at fair value through profit or loss	13	69,712	51,783	69,712	51,783
Trade and other receivables	14	27,908	17,367	61,487	38,704
Grant receivables		44	2,950	44	2,950
Prepayments		1,526	1,523	574	631
Derivatives	15	175	127	134	127
Cash and bank balances	16	219,804	207,239	100,365	98,104
Total current assets		319,169	280,989	232,316	192,299
TOTAL ASSETS		538,736	521,710	442,620	430,502
LIABILITIES, RESERVES AND FUND BALANCES					
CURRENT LIABILITIES					
Derivatives	15	115	73	3	–
Trade and other payables	17	34,282	26,535	12,013	10,579
Income tax payable		3,664	4,000	–	–
Course and membership fees received in advance		33,736	38,425	258	278
Deferred capital grants	18	1,259	1,259	1,259	1,259
Total current liabilities		73,056	70,292	13,533	12,116
NET CURRENT ASSETS		246,113	210,697	218,783	180,183
NON-CURRENT LIABILITIES					
Deferred tax liabilities	19	207	207	–	–
Deferred capital grants	18	8,081	9,340	8,081	9,340
Total non-current liabilities		8,288	9,547	8,081	9,340
TOTAL LIABILITIES		81,344	79,839	21,614	21,456
NET ASSETS		457,392	441,871	421,006	409,046

Statements of financial position

As at 31 December 2018

		Group		Institute	
		2018	2017	2018	2017
	Note	$'000	$'000	$'000	$'000
RESERVES AND FUND BALANCES					
General fund:					
Accumulated surplus		457,085	441,271	421,006	409,046
Hedging reserve	11	38	(73)	–	–
Foreign currency translation reserve		(180)	169	–	–
		456,943	441,367	421,006	409,046
Other restricted funds	20	449	504	–	
Total reserves and fund balances		457,392	441,871	421,006	409,046
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		538,736	521,710	442,620	430,502

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 2018

	General fund					Education fund						
	Accumulated surplus $'000	Fair value reserve $'000	Hedging reserve $'000	Foreign currency reserve $'000	Sub-Total $'000	Accumulated surplus $'000	Fair value reserve $'000	Endowment fund $'000	Sub-Total $'000	College fund $'000	Other restricted funds $'000	Total $'000
Group												
Balance at 1 January 2017	614,932	44	632	–	615,608	43,539	34	2,552	46,125	25,688	810	688,231
Excess of expenditure over income	(172,835)	(44)	–	–	(172,879)	(43,539)	(34)	(2,552)	(46,125)	(25,688)	(305)	(244,997)
Other comprehensive income												
Net gain/(loss) on fair value arising from derivatives	–	–	(705)	–	(705)	–	–	–	–	–	(1)	(706)
Foreign currency translation	–	–	–	169	169	–	–	–	–	–	–	169
Other comprehensive income for the year	–	–	(705)	169	(536)	–	–	–	–	–	(1)	(537)
Total comprehensive income for the year	(172,835)	(44)	(705)	169	(173,415)	(43,539)	(34)	(2,552)	(46,125)	(25,688)	(306)	(245,534)
Balance at 31 December 2017 and 1 January 2018	442,097	–	(73)	169	442,193	–	–	–	–	–	504	442,697
Effects of adopting FRS 115	(826)	–	–	–	(826)	–	–	–	–	–	–	(826)
Balance at 31 December 2017 and 1 January 2018 (restated)	441,271	–	(73)	169	441,367	–	–	–	–	–	504	441,871
Excess of income over expenditure	15,814	–	–	–	15,814	–	–	–	–	–	–	15,814
Other comprehensive income												
Net gain/(loss) on fair value arising from derivatives	–	–	111	–	111	–	–	–	–	–	(55)	56
Foreign currency translation	–	–	–	(349)	(349)	–	–	–	–	–	–	(349)
Other comprehensive income for the year	–	–	111	(349)	(238)	–	–	–	–	–	(55)	(293)
Total comprehensive income for the year	15,814	–	111	(349)	15,576	–	–	–	–	–	(55)	15,521
Balance at 31 December 2018	457,085	–	38	(180)	456,943	–	–	–	–	–	449	457,392

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 2018

	Accumulated surplus $'000	Total $'000
Institute		
Balance at 1 January 2017	398,269	398,269
Excess of income over expenditure for the year, representing total comprehensive income for the year	10,777	10,777
Balance at 31 December 2017 and 1 January 2018	409,046	409,046
Excess of income over expenditure for the year, representing total comprehensive income for the year	11,960	11,960
Balance at 31 December 2018	421,006	421,006

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 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Excess of income over expenditure from continuing operations before income tax		19,445	26,814
Transfer of control to subsidiary to MOE		–	(267,840)
		19,445	(241,026)
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	6	34,238	35,062
Gain on disposal of property, plant and equipment	7	(35)	(25)
Impairment loss on trade and other receivables	14	144	145
Investment income	5	(3,452)	(3,412)
Dividend income	5	(347)	(238)
Fair value changes arising from financial assets at fair value through profit or loss	5	3,460	(2,162)
Fair value changes arising from derivatives		109	11
Amortisation of deferred capital grants	18	(1,259)	(1,259)
Unrealised foreign exchange gain/(loss)		(4)	20
Foreign currency translation difference		(259)	169
Loss on transfer of control of subsidiary to MOE		–	267,840
Operating cash flows before movements in working capital		52,040	55,125
Trade and other receivables and grant receivables		(7,312)	(15,528)
Prepayments		(697)	(1,091)
Trade and other payables		6,730	5,196
Course and membership fees received in advance		(4,693)	591
Other restricted funds		(55)	(1)
Cash flows from operations		46,013	44,292
Income tax paid		(3,968)	(3,208)
Net cash flows from operating activities		42,045	41,084
Investing activities			
Purchase of property, plant and equipment	10	(12,338)	(8,336)
Proceeds from disposal of property, plant and equipment		35	26
Placement with fund manager		(19,553)	(48,369)
Interest received		2,275	2,070
(Placement)/withdrawal of fixed deposits		(18,446)	51,482
Net cash flows used in investing activities		(48,027)	(3,127)
Net increase in cash and cash equivalents		(5,982)	37,957
Effect of exchange rate changes on cash and cash equivalents		101	(17)
Cash and cash equivalents at the beginning of financial year		177,999	140,059
Cash and cash equivalents at the end of financial year	16	172,118	177,999

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

1. General information

Singapore Institute of Management (the "Institute") is registered in Singapore, as a society under the Societies Act, Chapter 311 and 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 12 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 the provisions of the Singapore Societies Act, Chapter 311 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below.

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 2018. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Institute, except for FRS 115.

FRS 115 Revenue from Contracts with Customers

On 1 January 2018, the Group adopted FRS 115 Revenue from Contracts with Customers, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of FRS 115 have been applied using the modified retrospective approach. The impact arising from FRS 115 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

Application Fees

Timing of revenue recognition

The Group has determined that there is no distinct goods or services that have been transferred to the students, application fees that is part of course, conference and consultancy fees should be recognised over the duration of the course rather than at the time of collection. As a result, the Group has recognised an adjustment of $825,526 to opening retained earnings on 1 January 2018 and fees received in advance of $762,839 as at 31 December 2018.

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
FRS 116 *Leases*	1 January 2019
FRS INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to FRSs *2015-2017 Cycle*	1 January 2019
Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for FRS 116, the director expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

The nature of the impending changes in accounting period on adoption of FRS 116 is described below:

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on statement of financial positions. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of FRS 116, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if FRS 116 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

The Group is currently assessing the potential impact of the new standard, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 116 in 2019.

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

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.

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 accumulated surplus, as appropriate.

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

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Institute'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 leasehold 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 10%
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.

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. Summary of significant accounting policies (cont'd)

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, including transaction costs. Subsequent to initial 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%.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income and expenditure in the year of retirement or disposal.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in income and expenditure.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in income and expenditure unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.9 *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).

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

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

2.10 *Financial instruments (cont'd)*

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

Investments in debt instruments (cont'd)

(ii) *Fair value through other comprehensive income (FVOCI)*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI 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 for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

<u>De-recognition</u>

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 for debt instruments is recognised in profit or loss.

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

2.10 *Financial instruments (cont'd)*

(b) *Financial liabilities*

<u>Initial recognition and measurement</u>

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.

<u>Subsequent measurement</u>

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 profit or loss when the liabilities are derecognised, and through the amortisation process.

<u>De-recognition</u>

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.12 *Cash and cash equivalents*

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

2.13 *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:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in income and expenditure.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Amounts recognised as other comprehensive income are transferred to income and expenditure when the hedged transaction affects income and expenditure. 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.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognised in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

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

2.14 *Provisions*

Provisions are recognised when the Group and Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

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.

(b) *As lessor*

Leases where the Group does not transfer 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. Summary of significant accounting policies (cont'd)

2.17 *Revenue recognition*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Course, conference and consultancy fees*

Course, conference and consultancy fees are recognised over the duration of the programs. Included in the course fees are application fees and capital fees which are recognised over the duration of the programs.

(b) *Membership fees*

Membership fees are recognised over the membership term.

(c) *Group corporate service income*

Revenue from provision of group corporate services are recognised over the period of service.

(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.

Notes to the financial statements

For the financial year ended 31 December 2018

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

2.18 *Employee benefits*

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(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.

2.19 *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.

(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, 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.

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

2.19 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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, 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.

(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, Governing Council is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

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) *Income taxes*

The Group has exposure to income taxes in Singapore. Significant judgement 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 income tax payable at the end of the reporting period was $3,664,000 (2017: $4,000,000). The carrying amount of the Group's deferred tax liabilities at the end of the reporting period was $207,000 (2017: $207,000).

4. Revenue

(a) Disaggregation of revenue

	Group									
	Course, conference and consultancy fees		Membership fees and services		Group corporate services income to third party		Other income*		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segments										
Primary geographical markets										
Singapore	182,200	185,433	910	550	40,884	35,698	7,575	9,524	231,569	231,205
Cambodia	1,177	–	–	–	–	–	35	94	1,212	94
	183,377	185,433	910	550	40,884	35,698	7,610	9,618	232,781	231,299
Major service lines										
Course, conference and consultancy fees	183,377	185,433	–	–	–	–	–	–	183,377	185,433
Membership fees and services	–	–	910	550	–	–	–	–	910	550
Group corporate services income to third party	–	–	–	–	40,884	35,698	–	–	40,884	35,698
Other income	–	–	–	–	–	–	7,610	9,618	7,610	9,618
	183,377	185,433	910	550	40,884	35,698	7,610	9,618	232,781	231,299
Timing of transfer of services										
At a point in time	–	–	–	–	–	–	7,610	9,618	7,610	9,618
Over time	183,377	185,433	910	550	40,884	35,698	–	–	225,171	221,681

*Other income excludes grant income and rental income.

Course and membership fees received in advance at the beginning of the year of S$39,031,386 (2017: S$37,830,149) was recognised as revenue during the year

(a) Disaggregation of revenue (cont'd)

	Institute									
	Course, conference and consultancy fees		Membership fees and services		Group corporate services income to third party		Other income*		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segments										
Primary geographical markets										
Singapore	3,841	5,407	948	607	73,597	70,167	5,829	8,141	84,215	84,322
	3,841	5,407	948	607	73,597	70,167	5,829	8,141	84,215	84,322
Major service lines										
Course, conference and consultancy fees	3,841	5,407	–	–	–	–	–	–	3,841	5,407
Membership fees and services	–	–	948	607	–	–	–	–	948	607
Group corporate service income to subsidiaries	–	–	–	–	32,713	34,469	–	–	32,713	34,469
Group corporate services income to third party	–	–	–	–	40,884	35,698	–	–	40,884	35,698
Other income	–	–	–	–	–	–	5,829	8,141	5,829	8,141
	3,841	5,407	948	607	73,597	70,167	5,829	8,141	84,215	84,322
Timing of transfer of services										
At a point in time	–	–	–	–	–	–	5,829	8,141	5,829	8,141
Over time	3,841	5,407	948	607	73,597	70,167	–	–	78,386	76,181

*Other income excludes grant income and rental income.

5. Investment expenses/(income)

The following items have been included in arriving at the investment expenses/(income) for the year:

	Group 2018 $'000	Group 2017 $'000	Institute 2018 $'000	Institute 2017 $'000
Investment income				
Dividend income from quoted equity securities	(347)	(238)	(347)	(238)
Fair value changes arising from investments in quoted equity and debt securities	–	(2,162)	–	(2,162)
Gain from disposal of investments:				
- *Quoted equity securities*	–	(981)	–	(981)
- *Quoted debt securities*	–	(22)	–	(22)
Interest income from:				
- *Cash held by fund manager*	(14)	(1)	(14)	(1)
- *Quoted debt securities*	(1,405)	(1,100)	(1,405)	(1,100)
- *Deposits*	(2,688)	(1,993)	(2,262)	(1,400)
	(4,454)	(6,497)	(4,028)	(5,904)
Investment expenses				
Fair value changes arising from investments in quoted equity and debt securities	3,460	–	3,460	–
Loss from sale of investments:				
- *Quoted equity securities*	67	–	67	–
- *Quoted debt securities*	152	–	152	–
Foreign exchange loss, net	36	381	36	381
Fund manager's fee	367	283	367	283
Others	33	21	33	21
	4,115	685	4,115	685

6. Administrative expenses

	Group 2018 $'000	Group 2017 $'000	Institute 2018 $'000	Institute 2017 $'000
Employee benefits expense (Note 8)	64,442	59,996	24,434	25,237
Depreciation of property, plant and equipment (Note 10)	33,915	34,740	31,250	33,602
Depreciation of investment properties (Note 11)	323	322	323	322
Utilities and facility management expenses	14,604	13,550	10,348	9,438
Professional fees	2,552	1,988	753	724
Rental of premises	967	133	–	–
Others	4,784	4,213	1,517	1,479
	121,587	114,942	68,625	70,802

Notes to the financial statements

For the financial year ended 31 December 2018

7. Other (gains)/losses

	Group 2018 $'000	Group 2017 $'000	Institute 2018 $'000	Institute 2017 $'000
Other gains				
Gain on disposal of property, plant and equipment	(35)	(25)	(29)	(9)
Net foreign exchange gain	(512)	–	(7)	–
	(547)	(25)	(36)	(9)
Other losses				
Net foreign exchange loss	–	418	–	35
	–	418	–	35

8. Employee benefits expense

	Group 2018 $'000	Group 2017 $'000	Institute 2018 $'000	Institute 2017 $'000
Wages and salaries	55,359	51,249	20,942	21,620
Defined contribution plans	6,973	6,709	2,778	2,810
Other short-term benefits	2,110	2,038	714	807
	64,442	59,996	24,434	25,237

9. Taxation

The Institute is a registered charity and enjoys automatic income tax exemption under section 13(1)(zm) of the Income Tax Act.

(a) ***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Note	Group 2018 $'000	Group 2017 $'000
Current income tax			
- Current income taxation		3,490	4,000
- Under/(over) provision in respect of previous years		141	(117)
		3,631	3,883
Deferred income tax			
- Origination and reversal of temporary differences	19	–	88
Income tax expense recognised in income and expenditure		3,631	3,971

9. Taxation (cont'd)

(b) ***Relationship between tax expense and excess of income over expenditure before tax***

The reconciliation between the tax expense and the product of accounting profit before tax multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	$'000	$'000
Excess of income over expenditure before tax	19,445	26,814
Tax at the domestic rates applicable to profits in the countries where the Group operates		
Adjustments:		
Income not subject to taxation	(2,221)	(1913)
Non-deductible expenses	300	120
Effect of partial tax exemption and tax relief	(67)	(157)
Deferred tax assets not recognised	2,142	1,458
Under/(over) provision in respect of previous years	141	(117)
Others	30	22
	3,631	3,971

Notes to the financial statements

For the financial year ended 31 December 2018

10. Property, plant and equipment

	Leasehold land, building and improvements	Office equipment, furniture and fittings	Motor vehicles	Computers	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Cost:					
At 1 January 2017	405,632	49,549	590	87,979	543,750
Additions	950	5,149	346	1,891	8,336
Disposals	–	(580)	(44)	(10,085)	(10,709)
Transfer of control of subsidiary to MOE	–	(4,115)	(245)	(25,115)	(29,475)
Reclassification	111	(76)	–	(35)	–
At 31 December 2017 and 1 January 2018	406,693	49,927	647	54,635	511,902
Additions	4,336	5,135	166	2,701	12,338
Disposals	–	(1,198)	–	(3,012)	(4,210)
Reclassification	–	616	–	(616)	–
Exchange differences	25	17	6	3	51
At 31 December 2018	411,054	54,497	819	53,711	520,081
Accumulated depreciation:					
At 1 January 2017	155,692	40,167	336	79,246	275,441
Depreciation for the year	25,640	5,235	76	3,789	34,740
Disposals	–	(579)	(44)	(10,085)	(10,708)
Transfer of control of subsidiary to MOE	–	(3,292)	(229)	(22,794)	(26,315)
At 31 December 2017 and 1 January 2018	181,332	41,531	139	50,156	273,158
Depreciation for the year	25,824	4,413	141	3,537	33,915
Disposals	–	(1,197)	–	(3,012)	(4,209)
Exchange differences	1	4	2	1	8
Reclassification	–	616	–	(616)	–
At 31 December 2018	207,157	45,367	282	50,066	302,872
Net carrying amount:					
At 31 December 2017	225,361	8,396	508	4,479	238,744
At 31 December 2018	203,897	9,130	537	3,645	217,209

10. Property, plant and equipment (cont'd)

	Leasehold land, building and improvements $'000	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Total $'000
Institute					
Cost:					
At 1 January 2017	405,632	44,125	130	37,506	487,393
Additions	806	1,577	–	1,178	3,561
Disposals	–	(580)	(44)	(9,813)	(10,437)
Reclassification	111	(76)	–	(35)	–
At 31 December 2017 and 1 January 2018	406,549	45,046	86	28,836	480,517
Additions	1,062	945	–	1,667	3,674
Disposals	–	(1,195)	–	(2,946)	(4,141)
Reclassification	–	616	–	(616)	–
At 31 December 2018	407,611	45,412	86	26,941	480,050
Accumulated depreciation:					
At 1 January 2017	155,692	35,671	49	32,527	223,939
Depreciation for the year	25,640	5,087	17	2,858	33,602
Disposals	–	(579)	(44)	(9,813)	(10,436)
At 31 December 2017 and 1 January 2018	181,332	40,179	22	25,572	247,105
Depreciation for the year	25,762	2,818	17	2,653	31,250
Disposals	–	(1,195)	–	(2,946)	(4,141)
Reclassification	–	616	–	(616)	–
At 31 December 2018	207,094	42,418	39	24,663	274,214
Net carrying amount:					
At 31 December 2017	225,217	4,867	64	3,264	233,412
At 31 December 2018	200,517	2,994	47	2,278	205,836

10. Property, plant and equipment (cont'd)

Assets under construction

The Group and the Institute's property, plant and equipment included $1,485,000 (2017: $4,882,000) and $85,000 (2017: $2,892,000) which relate to expenditure for computers and leasehold land, building and improvements.

11. Investment properties

	Group and Institute 2018 $'000	2017 $'000
Cost:		
At 1 January and 31 December	3,965	3,965
Accumulated depreciation:		
At 1 January	2,674	2,352
Depreciation charge for the year	323	322
At 31 December	2,997	2,674
Net carrying amount	968	1,291
Statement of comprehensive income		
Rental income from investment properties	889	910
Direct operating expenses (including repairs and maintenance) arising from revenue generating properties	323	177

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 2018 approximates $30,000,000 (2017: $29,000,000). The independent valuation was performed by an independent professional valuation firm. Details of valuation techniques and inputs used are disclosed in Note 23.

12. Investment in subsidiaries

	Institute 2018 $'000	Institute 2017 $'000
Unquoted equity shares, at cost	3,500	3,500

Details of the Institute's subsidiaries at 31 December 2018 are as follows:

Name of subsidiary	Country of incorporation/ registration and operation	Principal activities	Proportion (%) of ownership interest and voting power 2018 %	2017 %
Held by the Institute				
Singapore Institute of Management Holdings Pte. Ltd.	Singapore	Investment holding	100	100
SIM AEC Pte. Ltd.	Singapore	Engaged in course programs to train future entrepreneurs	100	100
Held through Singapore Institute of Management Holdings Pte. Ltd.				
Singapore Institute of Management Pte. Ltd.	Singapore	Engaged in higher and continuing education	100	100
Singapore Institute of Management International Pte. Ltd. (formerly known as SIM International Pte. Ltd.)	Singapore	Investment holding and engaged in providing corporate training services at higher level for overseas ventures	100	100
SIM Xtension Pte. Ltd.	Singapore	Engaged in corporate training services and motivational course providers	100	100
Held through Singapore Institute of Management International Pte. Ltd.				
Singapore (Cambodia) International Academy Co., Ltd.	Kingdom of Cambodia	Engaged in operating international schools and providing enrichment programs	100	100

Notes to the financial statements

For the financial year ended 31 December 2018

13. Financial assets at fair value through profit or loss

	Group and Institute 2018 $'000	Group and Institute 2017 $'000
Quoted debt securities	40,620	37,764
Quoted equity securities	8,820	14,019
Unit trusts	20,272	–
	69,712	51,783

In 2018, the quoted debt securities managed by the fund manager earned interest at rates ranging from 2.08% to 4.5% (2017: 2.08% to 5.13%) per annum as at the balance sheet date. Interest was received on a semi-annual basis. The maturity dates ranged from October 2019 to April 2077.

14. Trade and other receivables

	Group		Institute	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Group corporate services income due from subsidiaries	–	–	36,452	23,421
Group corporate services income due from third party	23,526	13,692	23,526	13,692
Course fees receivable	1,445	1,170	659	717
Rental receivable	98	10	–	–
Staff loans	1	3	1	1
Interest receivable	977	519	628	405
Dividend receivable	18	8	18	8
Deposits	219	487	43	42
Others	1,624	1,478	160	418
Total trade and other receivables	27,908	17,367	61,487	38,704
Add: Cash and bank balances (Note 16)	219,804	207,239	100,365	98,104
Add: Grant receivables	44	2,950	44	2,950
Total financial assets carried at amortised cost	247,756	227,556	161,896	139,758

14. Trade and other receivables (cont'd)

Course fees receivable and group corporate services income due from third party 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.

Group corporate services income from subsidiaries are trade, repayable upon demand and are to be settled in cash.

Course fees receivable and group corporate services income due from third party that are past due but not impaired.

The Group and the Institute have course fees receivable and group corporate services income due from third party amounting to $24,322,000 and $23,875,000 (2017: $14,609,000 and $14,184,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

The table below is an analysis of the Group's and the Institute's course fees receivable and group corporate services income due from third party as at 31 December:

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not past due and not impaired	680	254	342	226
Past due but not impaired	24,322	14,609	23,875	14,184
Past due and impaired	258	–	–	–
	25,260	14,863	24,217	14,410

Ageing of course fees receivable and group corporate services income due from third party which are past due but not impaired:

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Less than 90 days	13,059	13,884	12,843	13,815
More than 90 days	11,263	725	11,032	369
	24,322	14,609	23,875	14,184

14. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's and the Institute's course fees receivable and amounts due from third party 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 2017 $'000	Institute 2017 $'000
Collectively Impaired:		
Course fees receivable – nominal amounts	15,018	14,410
Less: allowance for impairment	(145)	–
	14,873	14,410
Movement in allowance accounts:		
At 1 January	(67)	–
Written off during the year	67	–
Charge for the year	(145)	–
At 31 December	(145)	–

Expected credit loss model

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group 2018 $'000	Institute 2018 $'000
Movement in allowance accounts:		
At 1 January	(145)	–
Charge for the year	(144)	(31)
At 31 December	(289)	(31)

Trade and other receivables denominated in foreign currency as at 31 December are as follows:

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Euro	41	–	–	–
United States dollar	1,064	698	33	–

15. Derivatives

	2018			2017		
	Contract/ Notional amount	Assets	Liabilities	Contract/ Notional amount	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Institute						
Forward foreign exchange contracts						
- Buy GBP/Sell SGD[b]	895	–	26	–	–	–
- Buy USD/Sell SGD[b]	677	–	3	–	–	–
- Buy USD/Sell SGD[a]	7,034	41	–	8,746	–	73
- Buy AUD/Sell SGD[a]	245	–	4	–	–	–
- Buy SGD/Sell USD[b]	29,670	134	82	15,181	127	–
		175	115		127	73

[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.

Foreign currency risk

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

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

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

15. Derivatives (cont'd)

Cash flow hedges

The terms of certain foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions. All cash flow hedges are effective during the year.

The cash flow hedges of the expected future payments in January 2019 were assessed to be highly effective and a net unrealised gain of $38,000 (2017: loss of $73,000) is included in other comprehensive income.

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 a gain of $38,000 (2017: loss $73,000) are made up of the net movements in cash flow hedges and the effective portion of the forward contract, net of tax.

16. Cash and bank balances

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash and bank balances	27,821	24,054	1,956	3,101
Cash held by fund manager	2,078	1,631	2,078	1,631
Fixed deposits	189,905	181,554	96,331	93,372
	219,804	207,239	100,365	98,104

Fixed deposits are interest bearing at average rates ranging from 0.60% to 2.03% (2017: 0.28% to 1.70%) per annum and are for a tenure of approximately 7 days to 365 days (2017: 4 days to 381 days).

Cash and cash equivalents comprise cash on hand and at bank, cash held by fund manager 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash on hand and at bank	27,821	24,054	1,956	3,101
Cash held by fund manager	2,078	1,631	2,078	1,631
Fixed deposits (with maturity period of up to 3 months)	142,219	152,314	78,223	74,309
	172,118	177,999	82,257	79,041

16. Cash and bank balances (cont'd)

Cash and bank balances denominated in foreign currencies as at 31 December are as follows:

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Australian dollar	47	341	–	–
Sterling pound	66	47	–	–
United States dollar	373	6,786	32	19

17. Trade and other payables

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	5,094	2,868	1,301	906
Other payables	4,303	2,663	2,190	1,120
Accruals	24,275	20,348	7,912	7,945
Deposits received	610	656	610	608
Total trade and other payables	34,282	26,535	12,013	10,579
Less: Sales tax payable (net)	(1,332)	(994)	(1,439)	(913)
Total financial liabilities carried at amortised cost	32,950	25,541	10,574	9,666

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

Trade and other payables denominated in foreign currencies as at 31 December are as follows:

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Australian dollar	6	316	–	–
Sterling pound	148	43	–	–
Singapore dollar	44	1	–	–
United States dollar	148	45	34	11

18. Deferred capital grants

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At 1 January	10,599	12,781	10,599	11,858
Amortisation of deferred capital grants	(1,259)	(1,259)	(1,259)	(1,259)
Transfer of control of subsidiary to MOE	–	(923)	–	–
At 31 December	9,340	10,599	9,340	10,599
Represented by:				
Current	1,259	1,259	1,259	1,259
Non-current	8,081	9,340	8,081	9,340
	9,340	10,599	9,340	10,599

19. Deferred tax liabilities

	Group	
	2018	2017
	$'000	$'000
At 1 January	207	119
Charge to income and expenditure (Note 9)	–	88
At 31 December	207	207
The balances in the account comprise the tax effects of:		
Differences in depreciation for tax purposes	207	207

20. Other restricted funds

Name of fund	Purpose
Sponsorship awards fund	To receive sponsorships for the purpose of awarding scholarships, medals, prizes to deserving students.

21. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Institute and subsidiaries took place on terms agreed between the parties during the financial year:

	Group	
	2018	2017
	$'000	$'000
Group corporate service income from subsidiaries	32,713	34,469
Loan interest income from subsidiaries	1,055	360
Course, conference and consultancy fees paid by subsidiaries	206	130

Compensation of key management personnel

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

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Short-term employee benefits	7,589	7,877	3,342	3,210
Contributions to Central Provident Fund	426	404	197	185
	8,015	8,281	3,539	3,395

The Human Capital Committee annually reviews and approves on behalf of the SIM Governing Council the guidelines and quantum of incentive payments and annual increments for all staff.

Key management personnel comprises chief executive officers, directors and equivalent.

Number of key management personnel and immediate family members in remuneration bands for the Group is shown below:

	2018	2017
$700,001 to $800,000	–	1
$600,001 to $700,000	–	–
$500,001 to $600,000	1	2
$400,001 to $500,000	2	1
$300,001 to $400,000	2	2
$200,001 to $300,000	17	20
$100,001 to $200,000	10	3
$100,000 and below	7	6
	39	35

22. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	2,223	3,476	499	1,477

(b) ***Operating lease commitments – As lessee***

The Group and the Institute have entered into commercial leases on certain office equipment and building. These leases have an average tenure of between two and fifteen 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 2018 of the Group and the Institute amounted to $2,994,000 and $198,000 (2017: $3,712,000 and $211,000) respectively.

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

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	3,317	3,317	151	227
Later than one year but not later than five years	9,698	4,998	239	585
After five years	22,749	26,319	–	–
Total minimum lease payments	35,764	34,634	390	812

22. Operating lease and commitments (cont'd)

(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 three months and five 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 2018 of the Group and the Institute amounted to $2,508,000 and $2,200,000 (2017: $2,188,000 and $2,116,000) respectively.

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

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	28,344	28,034	28,102	27,758
Later than one year but not later than five years	67,279	94,298	67,208	94,286
	95,623	122,332	95,310	122,044

23. 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.

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

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

The following table shows an analysis of each class of assets and liabilities measured at the end of the reporting period.

		Fair value measurements at the end of the reporting period using			
	Note	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
		$'000	$'000	$'000	$'000
Group					
2018					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	15	–	175	–	175
Financial assets at fair value through profit or loss	13				
Quoted debt securities		40,620	–	–	40,620
Quoted equity securities		8,820	–	–	8,820
Unit trusts		–	20,272	–	20,272
Financial assets as at 31 December 2018		49,440	20,447	–	69,887
Liabilities measured at fair value					
Financial liabilities:					
Derivatives					
Forward foreign exchange contracts	15	–	115	–	115
Financial liabilities as at 31 December 2018		–	115	–	115

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

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

	Note	Fair value measurements at the end of the reporting period using: Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
		$'000	$'000	$'000	$'000
Group					
2017					
Assets measured at fair value					
Financial assets:					
Derivatives					
Forward foreign exchange contracts	15	–	127	–	127
Financial assets at fair value through profit or loss	13				
Quoted debt securities		37,764	–	–	37,764
Quoted equity securities		14,019	–	–	14,019
Financial assets as at 31 December 2017		51,783	127	–	51,910
Liabilities measured at fair value					
Financial liabilities:					
Derivatives					
Forward foreign exchange contracts	15	–	73	–	73
Financial liabilities as at 31 December 2017		–	73	–	73

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

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 2018

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

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

Unit trusts

Investment in the unit trusts offers the Group the opportunity for return through the funds from interest and dividend income from the underlying securities assets and fair value gains. The fair values of the unit trusts are determined as the fund net asset values provided by the fund managers at the last market day of the financial year. The net asset values approximate the fair values as the funds which comprise mainly financial assets at fair value through profit and loss and other monetary assets.

(c) ***Assets and liabilities not measured 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, for which fair value is disclosed:

	Note	Group and Institute: Quoted prices in active markets for identical instruments Level 1	Significant observable inputs other than quoted prices Level 2	Significant unobservable inputs Level 3	Total	Carrying amount
		$'000	$'000	$'000	$'000	$'000
2018						
Assets						
Investment properties	11	–	30,000	–	30,000	968
2017						
Assets						
Investment properties	11	–	29,000	–	29,000	1,291

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.

24. 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 rate risk and market price 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***

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 15 to the financial statements.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Australian dollar, Euro, Sterling pound and United States dollar 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Australian dollar	2	341	6	316
Euro	41	–	47	–
Singapore dollar	–	–	44	–
Sterling pound	–	47	148	43
United States dollar	1,063	14,818	148	1,217

	Institute			
	Assets		Liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
United States dollar	32	18	34	11

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

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

Foreign currency sensitivity

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/(decrease) by:

	Group		Institute	
	Income and expenditure		Income and expenditure	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Australian dollar	–	3	–	–
Euro	(1)	–	–	–
Singapore dollar	(4)	–	–	–
Sterling pound	(15)	–	–	–
United States dollar	92	1,360	–	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 at bank, fixed deposits and debt securities.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for cash at bank, fixed deposits and quoted equity securities 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 $2.29 million and $1.09 million respectively (2017: $2.5 million and $1.4 million respectively).

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

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and Institute's exposure to credit risk arises primarily from course fees receivables, other receivables and amounts due from SIM and other related parties. For other financial assets (including cash at bank and derivatives), the Group and Institute minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and Institute has adopted a policy of only dealing with creditworthy counterparties. The Group and Institute performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group and Institute considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis throughout each reporting period.

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

- There is significant difficultly of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probably that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficultly

Financial assets are written off when there is evidence indicating that the debtor meets the above credit-impaired conditions and has no realistic prospect of recovery.

The Group and Institute provides for lifetime expected credit losses for all course fees receivables and other receivables using a provision matrix. Based on the historical observed default rates and incorporating forward looking information such as forecast of economic conditions, the expected credit loss was assessed to be minimal.

Summarised below in the information about the credit risk exposure on the Group and Institute's trade receivables using provision matrix:

	Current	Less than 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000
Gross carrying amount	1,925	11,896	11,538	25,359
Loss allowance provision	–	(27)	(262)	(289)

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

(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 and the Institute maintain sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

The Group's derivative financial instruments comprise foreign exchange forward contracts with net mark-to-market gain of $60,000 (2017: $54,000) as at 31 December 2018 respectively with contracted gross cash flows due within 1 year (2017: due within 1 year).

Non-derivative financial instruments

The table below summarises the maturity profile of the Group's and the Institute's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	Note	Within one year	More than one year	Total
		$'000	$'000	$'000
2018				
Financial assets:				
Derivatives	15	175	–	175
Financial assets at fair value through profit or loss	13	69,712	–	69,712
Trade and other receivables	14	27,952	–	27,952
Cash and bank balances	14	219,804	–	219,804
Total undiscounted financial assets		317,643	–	317,643
Financial liabilities:				
Derivatives	15	115	–	115
Trade and other payables	17	34,282	–	34,282
Total undiscounted financial liabilities		34,397	–	34,397
Net undiscounted financial assets		283,246	–	283,246

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

(d) ***Liquidity risk (cont'd)***

Group	Note	Within one year $'000	More than one year $'000	Total $'000
2017				
Financial assets:				
Derivatives	15	127	–	127
Financial assets at fair value through profit or loss	13	51,783	–	51,783
Trade and other receivables	14	20,317	–	20,317
Cash and bank balances	14	207,239	–	207,239
Total undiscounted financial assets		279,466	–	279,466
Financial liabilities:				
Derivatives	15	73	–	73
Trade and other payables	17	26,535	–	26,535
Total undiscounted financial liabilities		26,608	–	26,608
Net undiscounted financial assets		252,858	–	252,858

Institute	Note	Within one year $'000	More than one year $'000	Total $'000
2018				
Financial assets:				
Derivatives	15	134	–	134
Financial assets at fair value through profit or loss	13	69,712	–	69,712
Trade and other receivables	14	61,531	–	61,531
Cash and bank balances	14	100,365	–	100,365
Total undiscounted financial assets		231,742	–	231,742
Financial liabilities:				
Derivatives	15	3	–	3
Trade and other payables	17	12,013	–	12,013
Total undiscounted financial liabilities		12,016	–	12,016
Net undiscounted financial assets		219,726	–	219,726

Notes to the financial statements

For the financial year ended 31 December 2018

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

(d) ***Liquidity risk (cont'd)***

Institute	Note	Within one year $'000	More than one year $'000	Total $'000
2017				
Financial assets:				
Derivatives	15	127	–	127
Financial assets at fair value through profit or loss	13	51,783	–	51,783
Trade and other receivables	14	41,654	–	41,654
Cash and bank balances	14	98,104	–	98,104
Total undiscounted financial assets		191,668	–	191,668
Financial liabilities:				
Trade and other payables	17	10,579	–	10,579
Total undiscounted financial liabilities		10,579	–	10,579
Net undiscounted financial assets		181,089	–	181,089

(e) ***Market price risk***

The Group is exposed to price risk arising from quoted equity securities held by the fund manager.

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

Price sensitivity analysis

In respect of the investment in quoted equity securities, if the prices had been 10% higher/lower, this would increase/decrease the Group's income and expenditure by $0.9million (2017: $1.4 million).

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

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

	Group		Institute	
	2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000
Financial assets				
Financial assets at fair value through profit or loss	69,712	51,783	69,712	51,783
Financial assets carried at amortised cost	247,756	227,556	161,896	139,758
Derivatives	175	127	134	127
	317,643	279,466	231,742	191,668

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

(f) ***Categories of financial instruments (cont'd)***

	Group		Institute	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial liabilities				
Financial liabilities at amortised cost	32,950	25,541	10,574	9,666
Derivatives	115	73	3	–
	33,065	25,614	10,577	9,666

25. Comparative information

Certain reclassification has been made to the comparative figures to enhance comparability with the current year's financial statements. As a result, the following line items have been reclassified:

	Group		Institute	
	As previously reported 2017	As restated 2017	As previously reported 2017	As restated 2017
	$'000	$'000	$'000	$'000
Statements of comprehensive income				
INCOME				
Rental income	15,994	2,187	15,923	2,116
Group corporate service income to third party	21,891	35,698	21,891	35,698
EXPENDITURE				
Course, conference and consultancy expenditure	93,937	93,804	–	–
Administrative expenses	114,809	114,942	–	–
Statements of financial position				
CURRENT ASSETS				
Prepayment	2,209	1,523	–	–
NON-CURRENT ASSETS				
Prepayment	–	686	–	–

26. 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 businesses.

The Group is mainly funded from the revenue. A portion of the accumulated reserve is invested so as to further enhance its value, and can be drawn on for operation and development.

27. 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 2018 were authorised for issue by the Governing Council at their meeting on 18 April 2019.