

**SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN
ANNUAL REPORT 2014**

VISION

To be the University of Choice for the top students in Singapore and the region.

MISSION

The Singapore University of Technology and Design is established in collaboration with MIT to advance knowledge and nurture technically grounded leaders and innovators to serve societal needs. This will be accomplished, with a focus on Design, through an integrated multi-disciplinary curriculum and multi-disciplinary research.

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Professor Kristin L. Wood

Head of Pillar, Engineering Product Development / Co-Director, SUTD-MIT International Design Centre

Professor Alan Louis Kolata

Faculty Lead, Humanities, Arts and Social Sciences

CORPORATE GOVERNANCE

Policy to manage conflict of interest

SUTD employees and members of the SUTD Board of Trustees and its subcommittees have the obligation to avoid ethical, legal, financial or other conflicts of interest to ensure that their activities do not conflict with their obligations to the University or its welfare. Procedures are put in place for SUTD employees and members of the Board of Trustees and its subcommittees to disclose to SUTD the details of any situation where they may find themselves in a position of potential or actual conflict.

**SINGAPORE UNIVERSITY OF TECHNOLOGY
AND DESIGN**

(Company Limited by Guarantee)

(Incorporated in Singapore. Registration Number: 200913519C)

ANNUAL REPORT

For the financial year ended 31 March 2015

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 March 2015

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SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

REPORT OF THE TRUSTEES

For the financial year ended 31 March 2015

The Board of Trustees present their report to the members together with the audited financial statements of Singapore University of Technology and Design (hereinafter referred to as "the University") for the financial year ended 31 March 2015.

Trustees

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

Mr Philip Ng Chee Tat	Chairman
Dr Fidah Alsagoff	
Mr Cavinder Bull	
Mr Choo Chiau Beng	
Ms Cordelia Chung	
Mr Patrick Daniel	
Mrs Fang Ai Lian	
Mr Sam Goi	
Mr Philip Jeyaretnam	
Mr Lam Yi Young	
Ms Low Sin Leng	
Professor Lui Pao Chuen	
Mr Ong Peng Tsin	
Mr Charles Ormiston	
Mr Quek Tong Boon	
Mr Anthony Sun	
Mr Tai Lee Siang	
Mr Ronny Tan	

Arrangements to enable trustees to acquire shares and debentures

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

Trustees' interests in shares or debentures

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

REPORT OF THE TRUSTEES

For the financial year ended 31 March 2015

Trustees' contractual benefits

Since the end of the previous financial year, no Trustee has received or become entitled to receive a benefit, which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the University or a related corporation with the Trustee or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Independent auditor

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

On behalf of the Trustees



Mr Philip Ng Chee Tat
Trustee



Mrs Fang Ai Lian
Trustee

23 July 2015

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT BY TRUSTEES

For the financial year ended 31 March 2015

In the opinion of the Trustees,

- (a) the financial statements as set out on pages 5 to 39 are drawn up so as to give a true and fair view of the state of affairs of the University as at 31 March 2015 and of the results of the business, changes in funds and reserves and cash flows of the University for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the University will be able to pay its debts as and when they fall due.

On behalf of the Trustees



Mr Philip Ng Chee Tat
Trustee



Mrs Fang Ai Lian
Trustee

23 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

Report on the Financial Statements

We have audited the accompanying financial statements of Singapore University of Technology and Design (the "University") set out on pages 5 to 39, which comprise the balance sheet as at 31 March 2015, and the statement of comprehensive income, statement of changes in funds and reserves and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act"), Chapter 50, the Singapore Charities Act (the "Charities Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

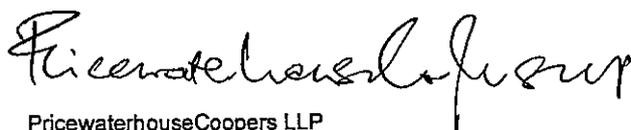
In our opinion, the financial statements of the University are properly drawn up in accordance with the provisions of the Act, the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the University as at 31 March 2015 and the financial performance, changes in funds and reserves and cash flows of the University for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

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



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 July 2015

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2015

	Note	General fund		Non-endowment fund		Endowment fund		Total	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Income									
Tuition and other fees	3	16,376	10,029	-	-	-	-	16,376	10,029
Donations and sponsorships		-	-	1,658	2,629	-	-	1,658	2,629
Other income	3	3,702	1,757	-	-	92	-	3,794	1,757
Total income		20,078	11,786	1,658	2,629	92	-	21,828	14,415
Expenses									
Employee compensation	4	(60,643)	(49,835)	(76)	(17)	(1,088)	(444)	(61,807)	(50,296)
Programme-related expenses		(17,502)	(17,148)	-	-	-	-	(17,502)	(17,148)
Research-related expenses		(9,194)	(7,625)	-	-	-	-	(9,194)	(7,625)
Depreciation	13	(16,644)	(13,024)	-	-	-	-	(16,644)	(13,024)
Amortisation	14	(1,328)	(974)	-	-	-	-	(1,328)	(974)
Interest expense		(1,174)	(50)	-	-	-	-	(1,174)	(50)
Other operating expenses	5	(29,233)	(21,652)	(921)	(430)	(267)	(2,561)	(30,421)	(24,643)
Total expenses		(135,718)	(110,308)	(997)	(447)	(1,355)	(3,005)	(138,070)	(113,760)
(Deficit)/surplus before investment income and government grants		(115,640)	(98,522)	661	2,182	(1,263)	(3,005)	(116,242)	(99,345)
Net investment income	6	19	11	5	3	39,857	9,820	39,881	9,834
(Deficit)/surplus before government grants		(115,621)	(98,511)	666	2,185	38,594	6,815	(76,361)	(89,511)
Government and other grants	7	126,332	103,431	-	-	-	-	126,332	103,431
Net surplus and total comprehensive income		10,711	4,920	666	2,185	38,594	6,815	49,971	13,920

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

BALANCE SHEET

As at 31 March 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	104,361	113,776
Grants and other receivables	10	61,137	40,708
Financial assets at fair value through income and expenditure	11	619,634	450,663
Other current assets	12	22,320	26,990
		<u>807,452</u>	<u>632,137</u>
Non-current assets			
Grants and other receivables	10	385,893	246,119
Property, plant and equipment	13	756,756	592,839
Intangible assets	14	2,604	2,754
		<u>1,145,253</u>	<u>841,712</u>
Total assets		<u>1,952,705</u>	<u>1,473,849</u>
LIABILITIES			
Current liabilities			
Grants received in advance	15	37,234	39,310
Tuition fees received in advance		2,016	1,062
Other payables	16	28,532	42,030
Borrowings	17	19,284	12,252
		<u>87,066</u>	<u>94,654</u>
Non-current liabilities			
Borrowings	17	389,421	224,038
Deferred capital grants	18	759,360	595,594
		<u>1,148,781</u>	<u>819,632</u>
Total liabilities		<u>1,235,847</u>	<u>914,286</u>
NET ASSETS		<u>716,858</u>	<u>559,563</u>
FUNDS AND RESERVES			
Endowment fund	20	614,933	507,609
Accumulated Surplus			
- General fund		31,600	20,889
- Non-endowment fund	19	5,181	4,515
- Endowment fund	20	65,144	26,550
		<u>716,858</u>	<u>559,563</u>
Funds' net assets managed on behalf of Ministry of Education ("MOE")	21	<u>5,004</u>	<u>2,783</u>

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the financial year ended 31 March 2015

	Note	Accumulated surplus				Total \$'000
		Endowment fund \$'000	General fund \$'000	Non- endowment fund \$'000	Endowment fund \$'000	
2015						
Balance as at 1 April 2014		507,609	20,889	4,515	26,550	559,563
Total comprehensive income for the year		-	10,711	666	38,594	49,971
Government grants	20	83,955	-	-	-	83,955
Donations received	20	23,369	-	-	-	23,369
Balance as at 31 March 2015		614,933	31,600	5,181	65,144	716,858
2014						
Balance as at 1 April 2013		415,451	15,969	2,330	19,735	453,485
Total comprehensive income for the year		-	4,920	2,185	6,815	13,920
Government grants	20	60,044	-	-	-	60,044
Donations received	20	32,114	-	-	-	32,114
Balance as at 31 March 2014		507,609	20,889	4,515	26,550	559,563

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Deficit before government grants		(76,361)	(89,511)
Adjustments for:			
- Depreciation		16,644	13,024
- Amortisation		1,328	974
- Interest expense		1,174	50
- Loss on disposal of property, plant and equipment and intangible assets		120	1
- Net investment income		(39,881)	(9,834)
Operating cash flow before working capital change		(96,976)	(85,296)
Change in working capital:			
- Other receivables		482	(2,574)
- Other current assets		4,670	3,660
- Tuition fees received in advance		954	510
- Other payables		5,782	2,389
Net cash used in operating activities		(85,088)	(81,311)
Cash flows from investing activities			
Additions to property, plant and equipment		(196,445)	(246,108)
Additions to intangible assets		(1,180)	(478)
Proceeds from sales of property, plant and equipment		142	-
Investments in financial assets at fair value through income and expenditure		(130,930)	(98,000)
Interest received		1,845	670
Net cash used in investing activities		(326,568)	(343,916)
Cash flows from financing activities			
Operating grants received		85,527	74,319
Research grants received		35,154	32,221
Debt grants received		16,026	8,529
Development grants received		3,947	128,331
Proceeds from borrowings		183,122	118,055
Repayment of borrowings		(10,707)	(4,389)
Interest paid		(4,830)	(3,401)
Government grants and donations received for Endowment fund		94,002	91,981
Net cash provided by financing activities		402,241	445,646
Net (decrease)/increase in cash and cash equivalents		(9,415)	20,419
Cash and cash equivalents at beginning of financial year		113,776	93,357
Cash and cash equivalents at end of financial year	9	104,361	113,776

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

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

1. General

Singapore University of Technology and Design (the "University") is incorporated and domiciled in Singapore as a company limited by guarantee under the provisions of the Companies Act, Chapter 50. The address of its registered office is 8 Somapah Road Singapore 487372.

The principal activities of the University are in the advancement and dissemination of knowledge, the promotion of research and scholarships, and the conferring and awarding of degrees.

Under Clause 9 of the Memorandum of Association of the University, each member of the University undertakes to contribute a sum not exceeding \$1 (2014: \$1) to the assets of the University in the event of it being wound up. The number of members at the balance sheet date is 3 (2014: 3).

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the University's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.18.

Interpretations and amendments to published standards effective in 2014

On 1 April 2014, the University adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the University's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.2 Functional and presentation currency

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

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

2.3 Funds

(a) *General fund*

Income and expenditure are accounted for under the general fund in the income and expenditure unless they relate to funds for specific purposes. The use of these reserves is subject to the approval of the Board of Trustees.

(b) *Non-endowment fund*

Donations and sponsorships from individuals and external bodies which are to be put to use for specific purposes specified by the donors are taken to non-endowment fund in income and expenditure.

The income and expenditure relating to the fund are accounted for under non-endowment fund in income and expenditure.

(c) *Endowment fund*

Donations and government matching grants, which are kept intact as capital, are directly taken to the endowment fund in the year in which such donations are received and government grants are granted.

Income and expenditure relating to the endowment fund are accounted for under endowment fund in income and expenditure.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.4 Revenue recognition

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

(a) Tuition and other fees

Tuition and other fees are recognised in the period in which the services are rendered.

(b) Donations and sponsorships

Donations and sponsorships are recognised in the financial year they are received/receivable.

(c) Hostel income

Hostel income is recognised over the hostel lease period.

(d) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.5 Grants

Government grants in respect of the current year's operating expenses are recognised as income in the same year.

Other government grants are recognised as income over the period necessary to match the intended costs. Such grants which are received but not utilised are included in the grants received in advance account.

Debt grant receivable is recognised for the purchase of property, plant and equipment when there is reasonable assurance that the University will comply with the government's debt grant framework conditions and that the grants will be received.

Government grants received or receivable for the purchase of property, plant and equipment and intangible assets are taken to the grants received in advance account. Upon utilisation of the grants for the purchase of assets, they are taken to the deferred capital grants account for the assets which are capitalised, or to income and expenditure for the assets which are written off.

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

2.6 Grants disbursed to Massachusetts Institute of Technology ("MIT")

Grants disbursed in advance to MIT are initially taken to the prepayment account. Upon the utilisation of the grants, they are taken to income and expenditure as programme-related or research-related expenses.

Grants disbursed for the MIT endowment fund are taken to the prepayment account and subsequently to income and expenditure as programme-related expenses on a straight-line basis over the endowment period.

Interest income earned from the MIT endowment fund are taken to the prepayment account and subsequently charged to income and expenditure over the periods necessary to match them with the intended costs.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.7 Employee compensation

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.8 Operating leases

Lessee

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

Lessor

Leases of properties where the University retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income and expenditure on a straight-line basis over the lease term.

2.9 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Donated assets are recognised at the valuation determined by valuers at the time of receipt of the assets. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably.

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

The construction-in-progress consists of construction costs and related expenses incurred during the period of construction.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the University and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in income and expenditure when incurred.

Except for construction-in-progress which is not depreciated, depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Estimated useful lives</u>
Leasehold land	99 years
Buildings – interim campus	3 years
Buildings	30 years
Plant and machinery	10 years
Computer systems, communications and laboratory equipment	5 to 6 years
Personal computers and equipment	3 years
Furniture and fittings	7 years
Audio visual and office equipment	5 to 8 years
Motor vehicle	10 years

Property, plant and equipment costing less than \$2,000 (2014: \$2,000) each are taken to income and expenditure when purchased.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.10 Intangible assets

Computer software licences costs

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

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

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

2.11 Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.12 Financial assets

(a) *Classification*

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

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents" (Note 9), "grants and other receivables" (Note 10), and "deposits" under "other current assets" (Note 12) on the balance sheet.

(ii) *Financial assets at fair value through income and expenditure*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through income and expenditure at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through income and expenditure at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented University investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Recognition and derecognition

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

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

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through income and expenditure, which are recognised at fair value. Transaction costs for financial assets at fair value through income and expenditure are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

(e) Impairment

The University assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(e) Impairment (continued)

Loans and receivables

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

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in income and expenditure. The impairment allowance is reduced through income and expenditure in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.13 Other payables

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

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

2.14 Borrowings

Borrowings are presented as current liabilities unless the University has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in income and expenditure over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.16 Borrowing costs

Borrowing costs are recognised in income and expenditure using the effective interest method except for those costs that are directly attributable to assets under construction. This includes those costs on borrowings acquired specifically for assets under construction, as well as those in relation to general borrowings used to assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit are capitalised in the cost of the assets under construction.

2.17 Fair value estimation of financial assets and liabilities

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

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

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Critical accounting estimates, assumptions and judgements

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

2. Significant accounting policies (continued)

2.18 Critical accounting estimates, assumptions and judgements (continued)

Critical accounting estimates and assumptions

(a) Fair value estimation on unlisted hedge funds

The University holds unlisted hedge funds with a carrying amount of \$29,333,000 (2014: Nil). The fair values of these financial assets are determined using discounted cash flow analysis and estimates are made about expected future cash flows and credit spreads. If the estimates used in the discounted cash flow analysis are different from management's estimates, the University's carrying amount of financial assets at fair value through income and expenditure would differ.

(b) Property, plant and equipment

The University reviews the residual values and useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2.9. The estimation of the residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 March 2015 is \$756,756,000 (2014: \$592,839,000) and the annual depreciation charge for the financial year ended 31 March 2015 is \$16,644,000 (2014: \$13,024,000). If the actual useful lives of the property, plant and equipment are longer or shorter than the management's estimate, the University annual depreciation charge will be decreased or increased accordingly.

3. Income

	2015 \$'000	2014 \$'000
<u>Tuition and other fees</u>		
Tuition fees	16,144	9,874
Other student related fees	232	155
	<u>16,376</u>	<u>10,029</u>
<u>Other income</u>		
Hostel income	2,565	1,422
Rental Income	432	22
Other	797	313
	<u>3,794</u>	<u>1,757</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

4. Employee compensation

	2015 \$'000	2014 \$'000
Wages and salaries	57,365	46,854
Employer's contribution to Central Provident Fund	3,858	2,901
Other benefits	584	541
	<u>61,807</u>	<u>50,296</u>

Key management personnel compensation is as follows:

	2015 \$'000	2014 \$'000
Wages and salaries	7,775	6,437
Employer's contribution to Central Provident Fund	222	180
Other benefits	305	271
	<u>8,302</u>	<u>6,888</u>

Key management personnel comprises the President, Provost, Associate Provosts, Head of Pillars and key administrative Directors.

5. Other operating expenses

	2015 \$'000	2014 \$'000
Rental expense on operating leases	4,216	5,135
Utilities and facility management	5,079	3,250
Marketing and advertising expenses	3,521	2,700
Information technology expenses	1,894	1,564
Travelling expenses	1,384	1,147
Library books, periodicals and databases	2,786	912
Loss on disposal of property, plant and equipment and intangible assets	120	1
Others	11,421	9,934
	<u>30,421</u>	<u>24,643</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

6. Net investment income

	2015 \$'000	2014 \$'000
Interest income - Banks deposits	1,876	828
Fair value gains on financial assets at fair value through income and expenditure	38,005	9,006
	<u>39,881</u>	<u>9,834</u>

7. Government and other grants

	2015 \$'000	2014 \$'000
Operating grants (Note 10(i))	82,388	70,495
Research grants utilised (Note 10(ii))	23,706	17,139
Development grants utilised (Note 10(iii))	880	1,518
Debt grants utilised (Note 10(iv))	1,125	280
Deferred capital grants amortised (Note 18)	18,233	13,999
	<u>126,332</u>	<u>103,431</u>

8. Income taxes

The University obtained Charity and Institution of Public Character ("IPC") status on 21 July 2010 under the Charities Act and Charities (Institutions of a Public Character) Regulations 2008. With effect from the Year of Assessment 2009, all registered charities will enjoy automatic income tax exemption. The University is exempted from filing income tax returns.

9. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	96,861	88,776
Short-term bank deposits	7,500	25,000
	<u>104,361</u>	<u>113,776</u>

The short-term bank deposits at balance sheet date have a weighted average effective interest rate of 0.88% (2014: 0.42%) per annum.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

10. Grants and other receivables

	2015 \$'000	2014 \$'000
<u>Current</u>		
Operating grants receivable (Note (i))	174	1,389
Research grants receivable (Note (ii))	4,377	9,559
Development grants receivable (Note (iii))	7,228	702
Debt grant receivable (Note (iv))	17,553	10,088
Matching endowment grant receivable	27,134	13,812
Other receivables from MOE	2,989	3,661
Fee and other receivables	1,677	1,496
Interest receivable	5	1
	<u>61,137</u>	<u>40,708</u>
<u>Non-current</u>		
Debt grant receivable (Note (iv))	<u>385,893</u>	<u>246,119</u>
Total grants and other receivables	<u>447,030</u>	<u>286,827</u>

(i) Movement in operating grants receivable/
(received in advance)

Balance as at 1 April	(15,169)	(14,629)
Operating grants received during the year	(85,527)	(74,319)
Transferred to deferred capital grants (Note 18)	3,862	3,284
Transferred to income statement (Note 7)	82,388	70,495
Balance as at 31 March	<u>(14,446)</u>	<u>(15,169)</u>
Comprising:		
Operating grants receivable (as above)	174	1,389
Government - MIT Education Component (Note 15)	(13,118)	(16,558)
Other operating grant received in advance - Government (Note 15)	(1,502)	-
	<u>(14,446)</u>	<u>(15,169)</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

10. Grants and other receivables (continued)

	2015 \$'000	2014 \$'000
(ii) <u>Movement in research grants receivable/ (received in advance)</u>		
Balance as at 1 April	(13,193)	(5,539)
Research grants received during the year	(35,154)	(32,221)
Transferred to deferred capital grants (Note 18)	6,404	7,428
Transferred to income statement (Note 7)	23,706	17,139
Balance as at 31 March	<u>(18,237)</u>	<u>(13,193)</u>
Comprising:		
Research grants receivable (as above)	4,377	9,559
Research grants received in advance - MIT Research Component (Note 15)	(7,730)	(8,103)
Other research grants received in advance - Government (Note 15)	(8,552)	(11,180)
Research grants received in advance – government agencies and others (Note 15)	(6,332)	(3,469)
	<u>(18,237)</u>	<u>(13,193)</u>
(iii) <u>Movement in development grants receivable</u>		
Balance as at 1 April	702	21,195
Development grants received during the year	(3,947)	(128,331)
Transferred to deferred capital grants (Note 18)	9,593	106,320
Transferred to income statement (Note 7)	880	1,518
Balance as at 31 March	<u>7,228</u>	<u>702</u>
(iv) <u>Movement in debt grant receivable</u>		
Balance as at 1 April	256,207	121,468
Debt grant received during the year	(16,026)	(8,529)
Receivable for property, plant and equipment additions (Note 18)	162,140	142,988
Receivable for capital items expensed (Note 7)	1,125	280
Balance as at 31 March	<u>403,446</u>	<u>256,207</u>
Current	17,553	10,088
Non-current	385,893	246,119
	<u>403,446</u>	<u>256,207</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

10. Grants and other receivables (continued)

The debt grant receivable relates to funding from the Government to finance the bank loans utilised for land premium, construction cost of the East Coast Campus and the purchase of information technology equipment and systems that falls under the debt-grant framework initiated by the Government. The debt grant receivable earns additional grants at variable rates determined by Ministry of Education based on Ministry of Finance's preferential rate, and the carrying value approximates to its fair value at the balance sheet date. The fair value is within Level 2 of the fair value hierarchy.

11. Financial assets at fair value through income and expenditure

	2015 \$'000	2014 \$'000
<i>Designated at fair value on initial recognition</i>		
Quoted debt securities	207,145	175,009
Quoted unit trusts	332,617	253,052
Quoted equity securities	30,034	22,205
Hedge funds	48,492	-
Currency forwards	1,346	397
	<u>619,634</u>	<u>450,663</u>

The Board of Trustees has an Investment Committee to assist in the oversight of the University's investments. The Investment Committee approves the asset allocation, selection of fund managers and all other investment activities. The selected fund manager and internal investment office have to manage the investment portfolio within the prescribed individual mandates and investment guidelines.

The currency forwards have contract notional amount of \$155,140,000 (2014: \$114,172,000).

12. Other current assets

	2015 \$'000	2014 \$'000
Prepayments – Education Component	13,042	16,569
Prepayments – Research Component	7,730	8,103
Prepayment – Others	1,229	2,114
Deposits	319	204
	<u>22,320</u>	<u>26,990</u>

Prepayments comprise primarily of advance payments made to the Massachusetts Institute of Technology ("MIT") in accordance with the SUTD-MIT Collaboration Agreement for education and research purposes (Note 22(c)).

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2015

13. Property, plant and equipment

	Construction- in-progress \$'000	Leasehold land \$'000	Buildings and plant and machinery \$'000	Computer systems, communications and laboratory equipment \$'000	Personal computers and equipment \$'000	Furniture and fittings \$'000	Audio visual and office equipment \$'000	Motor vehicle \$'000	Total \$'000
2015									
<i>Cost</i>									
Balance as at 1 April 2014	368,523	209,718	26,989	14,273	925	1,275	3,800	209	625,712
Additions	173,139	-	85	4,502	442	2,326	326	-	180,820
Reclassification	(539,456)	-	522,617	1,320	10	10,308	5,201	-	-
Disposals	-	-	(26,660)	(408)	(22)	(88)	(63)	-	(27,241)
Balance as at 31 March 2015	2,206	209,718	523,031	19,687	1,355	13,821	9,264	209	779,291
<i>Accumulated depreciation</i>									
Balance as at 1 April 2014	-	5,120	23,023	2,474	363	451	1,383	59	32,873
Depreciation charge	-	2,143	9,941	2,848	347	388	956	21	16,644
Disposals	-	-	(26,657)	(259)	(7)	(33)	(26)	-	(26,982)
Balance as at 31 March 2015	-	7,263	6,307	5,063	703	806	2,313	80	22,535
Net book value									
Balance as at 31 March 2015	2,206	202,455	516,724	14,624	652	13,015	6,951	129	756,756
2014									
<i>Cost</i>									
Balance as at 1 April 2013	122,348	208,995	23,680	6,375	626	1,235	2,705	209	366,173
Additions	246,175	723	3,309	8,096	304	40	893	-	259,540
Reclassification	-	-	-	(198)	(5)	-	203	-	-
Disposals	-	-	-	-	-	-	(1)	-	(1)
Balance as at 31 March 2014	368,523	209,718	26,989	14,273	925	1,275	3,800	209	625,712
<i>Accumulated depreciation</i>									
Balance as at 1 April 2013	-	2,991	14,841	1,039	153	267	520	38	19,849
Depreciation charge	-	2,129	8,182	1,478	210	184	820	21	13,024
Reclassification	-	-	-	(43)	-	-	43	-	-
Disposals	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2014	-	5,120	23,023	2,474	363	451	1,383	59	32,873
Net book value									
Balance as at 31 March 2014	368,523	204,598	3,966	11,799	562	824	2,417	150	592,839

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

13. Property, plant and equipment (continued)

Borrowing costs of \$4,780,000 (2014: \$3,352,000) are capitalised in property, plant and equipment during the year.

14. Intangible assets

	2015 \$'000	2014 \$'000
<u>Computer software licenses costs</u>		
<i>Cost</i>		
Balance as at 1 April	4,921	4,447
Additions	1,180	478
Disposals	(9)	(4)
Balance as at 31 March	<u>6,092</u>	<u>4,921</u>
<i>Accumulated amortisation</i>		
Balance as at 1 April	2,167	1,197
Amortisation	1,328	974
Disposals	(7)	(4)
Balance as at 31 March	<u>3,488</u>	<u>2,167</u>
Net book value	<u>2,604</u>	<u>2,754</u>

15. Grants received in advance

	2015 \$'000	2014 \$'000
Operating grants received in advance from Government - MIT Education Component (Note 10(i))	13,118	16,558
Other operating grants received in advance - Government (Note 10(i))	1,502	-
Research grants received in advance from Government - MIT Research Component (Note 10(ii))	7,730	8,103
Other research grants received in advance - Government (Note 10(ii))	8,552	11,180
Research grants received in advance - government agencies and others (Note 10(ii))	6,332	3,469
	<u>37,234</u>	<u>39,310</u>

The balances in these accounts represent grants received but not utilised at the end of the financial year.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

16. Other payables

	2015 \$'000	2014 \$'000
Other payables	5,901	5,693
Payables for capital expenditure	1,520	3,145
Accrual for		
- Operating expenses	14,825	8,127
- Capital expenditure	6,286	25,065
	<u>28,532</u>	<u>42,030</u>

17. Borrowings

	2015 \$'000	2014 \$'000
<u>Bank borrowings</u>		
Current	19,284	12,252
Non-current	389,421	224,038
	<u>408,705</u>	<u>236,290</u>

The profile of the bank borrowings at the balance sheet date are as follows:

	2015 \$'000	2014 \$'000
Fixed rate - unsecured	111,875	116,070
Variable rate - unsecured	296,830	120,220
	<u>408,705</u>	<u>236,290</u>

Under the debt-grant framework initiated by the Government, the University has drawn down bank loans to finance the land premium, construction of the East Coast Campus and the purchase of information technology equipment and systems.

As at 31 March 2015, the fair value of the non-current borrowings is \$383,529,000 (2014: \$216,834,000). The fair value is determined from the cash flow analysis, discounted at market borrowing rates of 1.44% to 3.23% (2014: 1.34% to 3.34%) per annum, which management expects to be available to the University at the balance sheet date, and is within Level 2 of the fair value hierarchy.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

18. Deferred capital grants

	2015 \$'000	2014 \$'000
Balance as at 1 April	595,594	349,573
Transferred from		
- Operating grants (Note 10(i))	3,862	3,284
- Research grants (Note 10(ii))	6,404	7,428
- Development grants (Note 10(iii))	9,593	106,320
- Debt grant (Note 10(iv))	162,140	142,988
Amortisation of deferred capital grants (Note 7)	<u>(18,233)</u>	<u>(13,999)</u>
Balance as at 31 March	<u>759,360</u>	<u>595,594</u>

19. Non-endowment fund

	2015 \$'000	2014 \$'000
<u>Non-endowment fund</u>		
Accumulated surplus	<u>5,181</u>	<u>4,515</u>
Represented by:		
Cash and cash equivalents	6,131	4,819
Other payables	<u>(950)</u>	<u>(304)</u>
	<u>5,181</u>	<u>4,515</u>

20. Endowment fund

	2015 \$'000	2014 \$'000
<u>Endowment fund</u>		
Capital		
- Government grants	542,433	458,478
- Donations	<u>72,500</u>	<u>49,131</u>
	614,933	507,609
Accumulated surplus	<u>65,144</u>	<u>26,550</u>
	<u>680,077</u>	<u>534,159</u>
Represented by:		
Cash and cash equivalents	34,024	69,808
Grants and other receivables	27,139	13,813
Financial assets at fair value through income and expenditure	619,634	450,663
Other payables	<u>(720)</u>	<u>(125)</u>
	<u>680,077</u>	<u>534,159</u>

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For the financial year ended 31 March 2015

20. Endowment fund (continued)

The objectives of this fund include the advancement and dissemination of knowledge, the promotion of research and awarding of scholarships.

Donations from external parties and government matching grants which are to be kept intact as capital of \$23,369,000 (2014: \$32,114,000) and \$83,955,000 (2014: \$60,044,000) respectively, are taken directly to endowment fund - capital during the current financial year.

21. Funds managed on behalf of Ministry of Education ("MOE")

Pursuant to the MOE Tuition Fee Loan (TFL) and Study Loan (SL) schemes, the University acts as agent for these loans schemes and the MOE is the financier providing the advances.

	2015 \$'000	2014 \$'000
Advances from MOE	5,004	2,783
Represented by:		
TFL receivables	4,107	2,264
SL receivables	897	519
Net assets	5,004	2,783

Student tuition fee and study loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over period of up to 20 years after the students' graduation. No interest rate is applicable as at 31 March 2015 as no students had graduated as at 31 March 2015.

22. Commitments

(a) Lessee - Operating lease commitments

The University leases several properties under non-cancellable operating lease agreements.

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

	2015 \$'000	2014 \$'000
Within one year	103	5,100
Within 2 to 5 years	-	103
	103	5,203

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

22. Commitments (continued)

(b) Lessor - Operating lease commitments

The University leases campus space to non-related parties under non-cancellable operating lease agreements.

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

	2015 \$'000	2014 \$'000
Within one year	304	20
Within 2 to 5 years	1,314	-
	<u>1,618</u>	<u>20</u>

(c) Collaboration agreement with Massachusetts Institute of Technology

The University has entered into a collaboration agreement with the Massachusetts Institute of Technology ("MIT") on 25 January 2010 to establish a deep and extensive relationship between MIT and the University for the furtherance of the highest international standards and innovation in education and research. The SUTD-MIT Collaboration Agreement comprises two components, an Education Component and a Research Component.

Under the Education Component, MIT will provide its assistance, advice and sharing of its academic and administrative expertise to help shape the University into a world class educational institution. In addition, MIT will establish an endowment fund for which income generated will be used for the furtherance of the objective of the education component.

The Research Component involves a collaborative effort between MIT and the University to establish and develop the SUTD-MIT International Design Centre, which will be a Centre comprising one primary physical location sited within the University campus and one secondary physical location sited within MIT's campus, for the MIT and University faculties to conduct research and other research related activities in furtherance of the educational and research objectives of the University.

Under the SUTD-MIT Collaboration Agreement, the University is required to make payments relating to the Education Component and Research Component up to March 2017 and March 2020 respectively.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

22. Commitments (continued)

(d) Collaboration agreement with Zhejiang University

The University has entered into a collaboration agreement with Zhejiang University ("ZJU") on 26 August 2010 with the intention to develop and offer courses at the University and to jointly undertake research activities and other collaborative activities.

Under the SUTD-ZJU Collaboration Agreement, the University is required to contribute to the collaboration up to August 2016.

(e) Capital commitments

Capital expenditures contracted for the balance sheet date but not recognised in the financial statements are as follows:

	2015 \$'000	2014 \$'000
Property, plant and equipment	<u>23,042</u>	<u>169,059</u>

23. Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The University receives grants from the Ministry of Education ("MOE") to fund its operations and is subject to certain controls set by MOE and considers MOE a related party. Hence, other government-controlled entities are considered related parties of the University.

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

	2015 \$'000	2014 \$'000
Payment for leasehold land to a statutory board	-	793
Rental on operating leases to		
- Government	1,442	1,602
- Statutory board	<u>2,494</u>	<u>3,425</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

24. Financial risk management

Financial risk factors

The University's activities expose it to market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Board of Trustees has the Finance and Investment Committees to assist the Board in setting the objectives and underlying principles of financial risk management for the University. Financial risk is reviewed by the Finance and Investment Committees. The information presented below is based on information received by the Finance and Investment Committees.

(a) Market risk

(i) *Currency risk*

The University's operations are not exposed to significant currency risk as most of its transactions are transacted or invested in Singapore Dollar ("SGD"). The currency risk related to the United States Dollar payments to MIT under the SUTD-MIT Collaboration Agreement is borne by the Ministry of Education ("MOE").

The University's currency profile from its investment portfolio is as follows:

	2015 \$'000	2014 \$'000
Financial assets at fair value through <u>income and expenditure</u>		
- SGD	419,652	335,573
- Non-SGD	199,982	115,090
Total	<u>619,634</u>	<u>450,663</u>

Currency derivatives are entered into by the fund manager to manage the foreign currency risk exposure of the University's investment portfolio. The currency profile above has taken into consideration the effects of currency forwards.

At 31 March 2015, if foreign currencies (i.e. currencies other than those denominated in SGD) had strengthened/weakened by 3% (2014: 3%) against the SGD with all other variables being held constant, it will result in a \$5,999,000 (2014: \$3,453,000) increase/decrease in the net surplus.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

24. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk*

The University has interest-bearing assets in cash and cash equivalents. These financial assets are short-term in nature, therefore, any future variations in interest rates will not have a material impact on the income of the University.

The University's borrowings as at 31 March 2015 include non-fixed rates loans amounting to \$296,830,000 (2014: \$120,220,000), which are exposed to interest rate risk. If interest rate had increased/decreased by 50 basis points, it will result in a \$1,484,000 (2014: \$601,000) decrease/increase in the net surplus. The University's investments in financial assets at fair value through income and expenditure as at 31 March 2015 include interest-bearing debt instruments amounting to \$207,145,000 (2014: \$175,009,000) which are exposed to interest rate risk. Changes in interest rates will have impact on the fair values of these investments. With all other variables held constant, 50 (2014: 50) basis points increase/decrease in interest rates will result in approximately \$8,574,000 (2014: \$7,273,000) decrease/increase in the fair value of financial assets at fair value through income and expenditure and the net surplus.

(iii) *Price risk*

The University is exposed to price risk arising from the investments, invested either directly or through externally managed funds. To manage this risk, the University diversifies its investment portfolio across different markets in accordance with the investment guidelines set by the Investment Committee.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

24. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Price risk* (continued)

The University is exposed to price risk arising from the financial assets at fair value through income and expenditure. The geographical information of the investment portfolio comprising quoted debt securities, quoted unit trusts (based on geographical area of underlying securities), quoted equity securities and hedge funds provided to key management is as follows:

	Financial assets at fair value through income and expenditure	
	2015 %	2014 %
<u>By geographical area</u>		
Singapore	42	50
Asia Pacific (excluding Singapore)	18	16
Europe	13	12
United States and Latin America	25	20
Middle East and Africa	2	2
Total	<u>100</u>	<u>100</u>

If prices for quoted unit trusts, quoted equity securities and hedge funds had increased/decreased by 5% (2014: 5%), with all other variables held constant, it will result in a \$18,133,000 (2014: \$13,789,000) increase/decrease in the fair value of financial assets at fair value through income and expenditure and the net surplus.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

24. Financial risk management (continued)

(b) Liquidity risk

There is minimal liquidity risk as the University maintains an adequate level of highly liquid assets in the form of cash and short-term bank deposits.

The table below analyses non-derivative financial liabilities of the University into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than <u>1 year</u> \$'000	Between 1 <u>and 2 years</u> \$'000	Between 2 <u>and 5 years</u> \$'000	Over <u>5 years</u> \$'000
At 31 March 2015				
Other payables	28,532			
Borrowings	26,414	21,182	61,971	348,285
At 31 March 2014				
Other payables	42,030	-	-	-
Borrowings	16,990	12,491	36,532	203,649

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the University. The University places its cash and deposits with reputable financial institutions. The investment portfolio is managed by a professional fund manager and in-house investment team.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheet.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Grant receivables are mainly due from the Government. Other receivables include grant and other receivables from other government agencies. The credit risk exposure of other receivables from non-government agencies is insignificant.

(d) Capital risk

The University is limited by guarantee with no share capital and is funded mainly by grants received from the Ministry of Education.

The University is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2015 and 2014.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2015

24. Financial risk management (continued)

(e) Fair value measurement

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

- (i) quoted prices (unadjusted) from active markets for identical assets (Level 1);
- (ii) inputs other than quoted prices in active markets included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

The following table shows an analysis of financial instruments measured and carried at fair value and classified by level of fair value measurement hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 March 2015				
<u>Financial assets at fair value through income and expenditure</u>				
Quoted debt securities	207,145	-	-	207,145
Quoted unit trusts	59,367	273,250	-	332,617
Quoted equity securities	30,034	-	-	30,034
Hedge funds	-	19,159	29,333	48,492
Currency forwards	-	1,346	-	1,346
Total	296,546	293,755	29,333	619,634
At 31 March 2014				
<u>Financial assets at fair value through income and expenditure</u>				
Quoted debt securities	175,009	-	-	175,009
Quoted unit trusts	45,423	207,629	-	253,052
Quoted equity securities	22,205	-	-	22,205
Currency forwards	-	397	-	397
Total	242,637	208,026	-	450,663

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the University is the current bid price. These instruments are included in Level 1.

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For the financial year ended 31 March 2015

24. Financial risk management (continued)

(e) Fair value measurement (continued)

The fair value of financial instruments that are not traded in an active market (unlisted unit trusts) is based on price quotes by the brokers. The fair value of currency forwards is determined using quoted forward currency forward rates at the balance sheet date. These instruments are classified as Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The following table presents the changes in Level 3 instruments:

	2015 \$'000	2014 \$'000
<u>Financial assets at fair value through income and expenditure</u>		
Balance as at 1 April	-	-
Purchases	28,134	-
Fair value gains recognised in income and expenditure	1,199	-
Balance as at 31 March	<u>29,333</u>	<u>-</u>
Total gains recognised in income and expenditure for assets held at the end of financial year	<u>1,199</u>	<u>-</u>

The carrying amount of current grants and other receivables, deposits and other payables approximate their fair value. The fair values of non-current grant receivable and borrowings are disclosed in Notes 10(iv) and 17 respectively.

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	2015 \$'000	2014 \$'000
Loans and receivables	551,788	400,807
Financial assets at fair value through income and expenditure	619,634	450,663
Financial liabilities at amortised cost	<u>437,237</u>	<u>278,321</u>

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For the financial year ended 31 March 2015

25. Charity Act and Regulations

As required for disclosure under regulation 17 of the Charities (Institutions of a Public Character) Regulations, the University has received total tax deductible donations of \$23,377,950 (2014: \$32,743,385) in the current financial year.

26. New or revised accounting standards and interpretations

The University has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the University's accounting periods beginning on or after 1 April 2015. However, management anticipates that the adoption of these standards amendments and interpretations will not have a material impact on the financial statements of the University in the period of their initial adoption.

27. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Trustees of Singapore University of Technology and Design on 23 July 2015.