

FINANCIAL REVIEW

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CORPORATE GOVERNANCE

The University is committed to developing and maintaining high standards of corporate governance and has put in place the appropriate governance structures consistent with such objectives. The University's governance evaluation checklist can be viewed at the charity portal website (www.charities.gov.sg).

GOVERNANCE FRAMEWORK

1. Statutory and Corporate Governance Framework

The governance of the University takes place within a specific statutory framework – the Singapore Management University Act (Cap. 302A) (“SMU Act”) – and Section 3 of the SMU Act which provides that “The function of the university company is to pursue, within the limits of the financial resources available to it, the objects provided by its constituent documents and, in particular, the university company may confer and award degrees, diplomas and certificates, including honorary degrees and other distinctions.”

Section 9(1) of the SMU Act further states that “Any provision of the constituent documents, or any regulation of the university company made in pursuance thereof, that is inconsistent with provision of this Act shall, to the extent of the inconsistency, be void.”

Apart from the SMU Act, the other key document relevant to the University is its constitution (“SMU Constitution”) which is regarded as a key constitutive document because it contains important provisions relating to, inter alia, the objects of the University, its powers, the role, powers and duties of the Board of Trustees, the role of the Chancellor, President and Provost. The SMU Constitution provides that “The objects of the Company are to establish, operate, maintain and promote the Singapore Management University (hereinafter called the “University”) which will provide courses of study or instruction pertaining to management, human resource development and any other fields of knowledge.”

The importance of the SMU Constitution in the University's governance framework is clearly stated in Article 1(1) of the SMU Constitution which states:

“These Articles are principles of fundamental and continuing significance to the governance of the Company. The Board of Trustees may from time to time set forth or revise policies and procedures consistent with these Articles and with the law for the furtherance of the Company's objectives and for the good government of the Company. The said policies and procedures shall be filed in the office of the Secretary.”

2. Board of Trustees

The University's Board of Trustees (“Board”) is the highest governing organ within the University's governance framework and Article 36(1) to (3) of the SMU Constitution defines the role of the Board to be as follows:

“(1) There shall be a Board of Trustees of the Company, which responsibilities are to ensure that the Company acts in furtherance of its objectives in education and research and to ensure that the funds and assets of the Company are properly accounted for and safeguarded.

CORPORATE GOVERNANCE

- (2) The Trustees shall be eminent persons of good repute and sound judgment, with considerable experience in public service, the private sector or in academia.
- (3) A Trustee shall stand in a fiduciary relation to the Company and shall perform his duties as a trustee in good faith in the best interests of the Company and with care, skill and diligence. A Trustee may, in considering the best interests of the Company, consider the effects of any action upon employees, upon suppliers and students and other constituents of the University and upon the community in which the University is located. Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Trustee of the Company or any failure to take any action shall be presumed to be in the best interests of the Company.”

The SMU Constitution states that the number of Trustees shall be up to twenty, or such other number as the Minister for Education (“Minister”) shall from time to time in his discretion determine, and all of whom shall be appointed by the Minister. The SMU Constitution further provides that the Chairman of the Board shall be appointed by the Minister from amongst the Trustees and in addition, the SMU Constitution states that no person who is an officer, Faculty member or full-time employee of the Company shall be eligible for election as Chairman or Deputy Chairman. On the issue of the President's participation at Board meetings, Article 36(10) expressly states that “The President shall attend Board meeting as ex-officio and shall not be entitled to vote thereat.” There are no Board members holding staff appointments in SMU.

The term of appointment, and renewals (if any), of Trustees are determined by the Ministry of Education (“MOE”) / Minister in consultation with SMU. A Trustee is appointed by MOE / Minister usually on a 3 or 4-year term, renewal at the discretion of MOE/Minister as the Minister is empowered under the SMU Act and the SMU Constitution to appoint Trustees. A university's strategic plans are understandably long term in nature and in SMU, a Trustee would hence usually serve for more than 10 consecutive years as long term strategic plans often require, and also benefit from, having some level of continuity amongst its Board members and also familiarity with the University's long term strategic plans, and its origins.

SMU's Board was chaired by Mr Ho Kwon Ping until the conclusion of his term on 11 January 2023 and has been chaired by Mr Piyush Gupta since 12 January 2023. The Board's key roles are in the areas of (i) strategy formulation; (ii) policy making; (iii) external promotion of the University; and (iv) accountability. This essentially means that the Board has a role in setting and approving the University's strategic direction and appointing the strategic leadership by appointing the University's President and Provost. In this regard, the Board is in charge of providing the strategic planning oversight for the University by setting the broad strategic framework within which the President and senior university administrators can operate so as to implement the Board's strategic direction for the University. The Board also ensures that the University has in place appropriate policies, including governance policies, which are in line with best practice, and in addition, the Board also has the role to promote and being an advocate of the University to the wider community. In the area of accountability, the Board's role includes being accountable for the financial well-being of the University delegating authority appropriately and ensuring that a rigorous governance framework is established for the University.

CORPORATE GOVERNANCE

SMU Board meetings are usually held four times a year, once every quarter. The attendance of the Board members at the Board meetings for the financial year are set out below:

BOARD MEETING – SUMMARY OF ATTENDANCE FOR PERIOD 1 APRIL 2022–31 MARCH 2023

Trustees	20 May 2022	12 Aug 2022	18 Nov 2022	24 Feb 2023
Mr Ho Kwon Ping	✓	✓	✓	NA
Mr Piyush Gupta	✓	✓	✓	✓
Mr Beh Jit Han	✓	✓	✓	✓
Mr Lim U Yang Hugh-Reginald	✓	✓	✓	✓
Mr Jaime Augusto Miranda Zobel de Ayala	✓	X	X	✓
Mr Edmund Yeng Lin	X	✓	✓	✓
Professor Ng Swee Lian Ivy	✓	X	✓	✓
Mr Lim Tse Ghow Olivier	X	X	✓	NA
Ms Juthika Ramanathan	✓	✓	X	✓
Mr Panote Sirivadhanabhakdi	✓	✓	X	X
Sir Nigel John Thrift	✓	✓	✓	✓
Dato' Kho Hui Meng	✓	✓	✓	✓
Mr Sunny George Verghese	✓	X	✓	✓
Ms Lim Ke Xin	✓	✓	✓	✓
Mr Ganen Sarvananthan	X	✓	✓	X
Mr Lim Ming Yan	X	X	✓	X
Professor Maxwell Leslie King	✓	✓	✓	✓
Mr Arif Rachmat	✓	✓	✓	✓
Ms Ho Nyuk Choo Deborah Joanne	X	✓	X	✓
Ms Khoo Ming Melissa	✓	✓	X	✓

NA – Not a Board Member
X – Absent

Article 42(3) of SMU's Constitution forbids any payment to Trustees for services rendered in their capacity as Trustees and it follows accordingly that no Trustee received any remuneration for services rendered in their capacity as Trustees for the financial year. Article 42(2) of SMU's Constitution does allow a Trustee to act in a professional capacity (except as auditor) by providing professional services, and to be remunerated accordingly for such professional services rendered (if any) to SMU as if he/she were not a Trustee. There is no paid SMU staff, being a close member (as defined under Charity Council's governance evaluation checklist) of the family belonging to a Board member, who has received remuneration exceeding \$50,000 during the financial year.

CORPORATE GOVERNANCE

3. Committees

The Board has the power to delegate its powers and has established various Committees to assist the Board in its duties. The Committees which have been established, include the following:

- a) Academic Affairs Committee,
- b) Audit Committee,
- c) Finance and Remuneration Committee,
- d) Investment Committee,
- e) Nominations Committee,
- f) Committee for Institutional Advancement,
- g) Enterprise Board, and
- h) Campus Development Advisory Committee.

The Committees operate based on the principle of delegated authority from the Board and are required to observe their respective Terms of Reference as set by the Board. The Terms of Reference of each of these Committees sets out the role, powers and rules applicable to these Committees.

4. President

The President of the University is appointed by the Board and Article 35(2) of the SMU Constitution describes the role and powers of the President to be as follows:

"The President shall be the chief executive officer of the Company and the University's academic and administrative head. He is responsible to the Board of Trustees for the conduct, co-ordination and quality of the University's programmes and for its future development. The President shall have the authority to perform all acts which are necessary to make effective the policies, procedures and actions of the Board of Trustees. As a liaison between the Board and the Faculty, the President shall inform each of the views and concerns of the other relating to the programmes and administration of the University. The President shall arrange for the Company's annual budget and forward estimates to be presented annually to the Board of Trustees for approval, or to a committee so appointed by the Board of Trustees for that purpose."

There is no paid SMU staff, being a close member (as defined under Charity Council's governance evaluation checklist) of the family belonging to the President, who has received remuneration exceeding \$50,000 during the financial year.

CORPORATE GOVERNANCE

5. Provost

The Provost of the University is appointed by the Board of Trustees pursuant to Article 35(4) of the SMU Constitution and the role of the Provost, as defined by Article 35(5) of the SMU Constitution, is defined as follows:

“The Provost shall be the educational officer normally responsible for the conduct, coordination and quality of the University’s academic programmes and for their future development. The Provost shall report to the President with regard to these responsibilities and in the discharge thereof shall consult the Faculty.”

6. Policy on Managing Conflicts of Interest

Our Board members and staff are required in their respective capacities to act at all times in the best interest of the University. Policies and procedures are designed to prevent and address potential conflict-of-interest situations while promoting ethical business conduct of faculty and staff.

In this regard, an extract of Article 42(1) of the SMU Constitution specifically mentions that “no Trustee shall vote as a Trustee in respect of any contract or arrangement in which he is interested”.

There are equivalent provisions in the SMU policies and procedures applicable to its staff which effectively state that all staff should avoid any conduct in both their business and personal activities that involve or appear to involve a conflict of interest and the relevant policies further provide that the staff involved in any stages of the procurement process shall declare and disqualify themselves from handling procurement in which conflict of interest situations arise.

7. Accumulated Reserve Policy

Usage from Accumulated Reserve

No spending is allowed directly from the Accumulated Reserve account. Any need to draw from the Accumulated Reserve account must be approved by the Board of Trustees as an allocation of funds to cover the operating budget for the year. The need to draw from the Accumulated Reserve must be justified in the financial plan for the year. Where the need to draw is due to unforeseen circumstances beyond Management’s ability to cope by expense reductions or use of other available funds, then proper justifications to the Board must be provided and Board approval obtained.

Usage of Income from Investment of Accumulated Reserve

To further enhance the value of the Accumulated Reserve, management and the Board seeks to invest certain unutilised portions of the Accumulated Reserve to generate income. The income will further add value to the Accumulated Reserve and could be drawn down to support the University’s operating budget or development. Any utilisation of income from the investment of the Accumulated Reserve will be subject to the Board’s approval. Any utilisation of the capital investment of the Accumulated Reserve will also be subject to the Board’s approval.

SMU’s Investment Committee has been entrusted by the Board to provide oversight on the investment of the University’s Accumulated Reserve in accordance with the Investment Committee’s Terms of Reference.

STATEMENT BY TRUSTEES

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

The Board of Trustees present their statement to the members together with the audited financial statements of Singapore Management University (the “University Company”) for the financial year ended 31 March 2023.

In the opinion of the Trustees,

- (a) the financial statements of the University Company are drawn up so as to give a true and fair view of the financial position of the University Company as at 31 March 2023 and the financial performance, changes in funds and reserves and cash flows of the University Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the University Company will be able to pay its debts as and when they fall due.

TRUSTEES

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

Mr Piyush Gupta – Chairman
 Mr Beh Jit Han
 Ms Deborah Ho
 Dato’ Kho Hui Meng
 Ms Melissa Khoo
 Professor Maxwell King
 Ms Lim Kexin
 Mr Lim Ming Yan
 Mr Lim U Yang Hugh-Reginald
 Mr Edmund Yeng Lin
 Professor Ng Swee Lian Ivy
 Mr Arif Rachmat
 Ms Juthika Ramanathan
 Mr Ganen Sarvanathan
 Mr Panote Sirivadhanabhakdi
 Sir Nigel John Thrift
 Mr Sunny George Verghese
 Mr Jaime Augusto Miranda Zobel de Ayala

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 Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Trustees of the University Company to acquire benefits by means of the acquisition of shares or debentures of the University Company or any other body corporate.

As the University Company is limited by guarantee, there are no matters to be disclosed under Section 9, Twelfth Schedule of the Companies Act 1967.

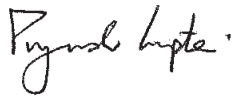
STATEMENT BY TRUSTEES

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

TRUSTEES' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Trustee has received or become entitled to receive a benefit by reason of a contract made by the University Company 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.

On behalf of the Trustees



Mr Piyush Gupta
Trustee



Ms Juthika Ramanathan
Trustee

Singapore
11 August 2023

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Singapore Management University (the "University Company"), which comprise the balance sheet as at 31 March 2023, the statement of comprehensive income, statement of changes in funds and reserves and cash flow statement of the University Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act"), the Singapore Charities Act, 1994 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 financial position of the University Company as at 31 March 2023 and of the financial performance, changes in funds and reserves and cash flows of the University Company 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 University Company 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 obtained at the date of this auditor's report comprises the Statement by Trustees set out on pages 107 and 108.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of management and those charged with governance 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 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 University Company'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 University Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University Company's financial reporting process.

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 University Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's responsibilities for the audit of the financial statements (cont'd)

- 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 University Company'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 University Company 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.

We communicate with those charged with governance 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 Act to be kept by the University Company have been properly kept in accordance with the provisions of the Act and the Charities Act and Regulations.

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

- The University Company has not used the donation monies in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations, and
- The University Company has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 August 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Note	Operating funds				Total general and other funds		Endowment fund		Term funds		Total	
		General fund		Other funds		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000								
Revenue	4	128,153	125,740	139,922	139,579	268,075	265,319	-	-	-	-	268,075	265,319
Net investment (losses)/gains	4	(21,683)	34,921	-	-	(21,683)	34,921	(105,208)	146,726	284	1,429	(126,607)	183,076
Other miscellaneous income	4	9,838	5,774	359	449	10,197	6,223	-	-	14,336	15,492	24,533	21,715
Expenses													
- Employee benefits	5	(267,238)	(250,766)	(24,419)	(23,448)	(291,657)	(274,214)	-	-	-	-	(291,657)	(274,214)
- Depreciation and amortisation	14,15,16	(37,184)	(33,595)	(8)	(18)	(37,192)	(33,613)	-	-	-	-	(37,192)	(33,613)
- Finance - borrowings		(6,983)	(4,643)	-	-	(6,983)	(4,643)	-	-	-	-	(6,983)	(4,643)
- Other expenses	6	(121,580)	(98,494)	(41,609)	(37,911)	(163,189)	(136,405)	-	-	-	-	(163,189)	(136,405)
Total expenses		(432,985)	(387,498)	(66,036)	(61,377)	(499,021)	(448,875)	-	-	-	-	(499,021)	(448,875)
(Deficit)/surplus before government grants		(316,677)	(221,063)	74,245	78,651	(242,432)	(142,412)	(105,208)	146,726	14,620	16,921	(333,020)	21,235
Government grants	7	192,274	189,915	1,011	1,250	193,285	191,165	-	-	-	-	193,285	191,165
Transfer from term funds to operating funds*		16,417	8,905	1,152	1,939	17,569	10,844	-	-	(17,569)	(10,844)	-	-
Net (deficit)/surplus		(107,986)	(22,243)	76,408	81,840	(31,578)	59,597	(105,208)	146,726	(2,949)	6,077	(139,735)	212,400
Total comprehensive (loss)/income for the financial year		(107,986)	(22,243)	76,408	81,840	(31,578)	59,597	(105,208)	146,726	(2,949)	6,077	(139,735)	212,400

* Operating funds include activities that are funded by term funds. During the year, term funds of \$17,569,000 (2022: \$10,844,000) were transferred to operating funds to fund its activities.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

BALANCE SHEET

AS AT 31 MARCH 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	9	588,853	407,691
Grants and other receivables	10	137,741	120,490
Student loans	11	6,304	6,590
Financial assets at fair value through profit or loss	12	1,536,158	1,801,470
Derivative financial instruments	13	23,370	1,561
		2,292,426	2,337,802
Non-current assets			
Grants and other receivables	10	59,049	60,958
Student loans	11	93,317	93,785
Leasehold land	14	49,676	54,664
Property, plant and equipment	15	459,107	480,694
Intangible assets	16	347	184
Investment in subsidiaries	28	*	*
		661,496	690,285
Total assets		2,953,922	3,028,087
Current liabilities			
Development grants received in advance	17	-	-
Research and other grants received in advance	18	12,729	13,311
Other payables	19	140,578	118,848
Derivative financial instruments	13	132	1,758
Borrowings	20	99,918	149,966
Advances for student loans	21	10,653	11,718
		264,010	295,601
Net current assets		2,028,416	2,042,201
Non-current liabilities			
Borrowings	20	149,837	99,933
Advances for student loans	21	92,553	93,145
Deferred capital grants	22	268,947	286,367
Sinking fund received in advance	23	107,083	106,689
		618,420	586,134
Total liabilities		882,430	881,735
Net assets		2,071,492	2,146,352
Funds and reserves			
Accumulated surplus			
- General fund		210,062	284,293
- Other funds		467,474	391,066
		677,536	675,359
Endowment fund	24	1,336,076	1,410,164
Term funds	25	57,880	60,829
Total funds and reserves		2,071,492	2,146,352

* The carrying amount of the investment in subsidiaries is \$2 and (2022: \$1) as described in note 28.

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

STATEMENT OF CHANGES IN FUNDS AND RESERVES

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Accumulated surplus			Endowment fund \$'000	Term funds \$'000	Total \$'000
	General fund \$'000	Other funds \$'000	Total \$'000			
2023						
At beginning of the financial year	284,293	391,066	675,359	1,410,164	60,829	2,146,352
Total comprehensive (loss)/ income for the financial year	(107,986)	76,408	(31,578)	(105,208)	(2,949)	(139,735)
Government grants	-	-	-	37,767	-	37,767
Donations	-	-	-	27,108	-	27,108
Transfer from endowment fund to general fund*	33,755	-	33,755	(33,755)	-	-
At end of the financial year	210,062	467,474	677,536	1,336,076	57,880	2,071,492
2022						
At beginning of the financial year	276,076	309,226	585,302	1,254,804	54,752	1,894,858
Total comprehensive (loss)/ income for the financial year	(22,243)	81,840	59,597	146,726	6,077	212,400
Government grants	-	-	-	26,406	-	26,406
Donations	-	-	-	12,688	-	12,688
Transfer from endowment fund to general fund*	30,460	-	30,460	(30,460)	-	-
At end of the financial year	284,293	391,066	675,359	1,410,164	60,829	2,146,352

* This relates to the transfer of funds from the accumulated net income of the endowment fund to accumulated surplus to fund operating activities.

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

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
(Deficit)/surplus before government grants		(333,020)	21,235
Adjustments for:			
Depreciation and amortisation	14, 15, 16	37,192	33,613
Dividend income	4	(8,745)	(10,055)
Fair value losses/(gains)	4	145,958	(158,700)
Interest expenses		6,983	4,643
Interest income	4	(10,606)	(14,321)
(Gains)/losses on disposal of property, plant and equipment	4	(35)	255
Operating cash flows before changes in working capital		(162,273)	(123,330)
Changes in operating assets and liabilities:			
Other payables		21,415	(1,713)
Grants and other receivables		(4,265)	26,610
Student loans		2,223	14,807
Cash flows used in operations		(142,900)	(83,626)
Interest paid		(7,054)	(6,072)
Net cash flows used in operating activities		(149,954)	(89,698)
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,883)	(66,117)
Purchase of intangible assets	16	-	(281)
Proceeds from disposals of property, plant and equipment		1,381	160
Proceeds from/(purchase of) financial assets at fair value through profit or loss, net		90,840	(58,864)
Interest received		9,633	14,307
Dividends received	4	8,745	10,055
Net cash flows from/(used in) investing activities		98,716	(100,740)
Cash flows from financing activities			
Grants refunded for advances for student loans		(3,126)	(13,623)
Government grants and donations received for endowment fund		61,111	32,309
Research and other grants received		30,472	21,851
Operating grants received		143,943	144,035
Fixed rate notes issued	20	150,000	-
Fixed rate notes redeemed	20	(150,000)	-
Net cash flows from financing activities		232,400	184,572
Net increase/(decrease) in cash and cash equivalents		181,162	(5,866)
Cash and cash equivalents at beginning of the financial year		407,691	413,557
Cash and cash equivalents at end of the financial year	9	588,853	407,691

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

1. CORPORATE INFORMATION

Singapore Management University (the "University Company") is incorporated and domiciled in Singapore as a company limited by guarantee under the provisions of the Companies Act 1967. The address of its registered office is 81 Victoria Street, Singapore 188065.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2.2 Standards issued but not yet effective

The University Company has not adopted the following standards that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to FRS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> : Definition of Accounting Estimates	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to FRS 116 <i>Leases</i> : Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to FRS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures</i> : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Those charged with governance expect that the adoption of these standards will have no material impact on the financial performance or position of the University Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Revenue recognition

Revenue is measured based on the consideration to which the University Company 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 University Company 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.

The University Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the University Company's activities are met as follows:

(a) Tuition and other student related fees, conference fees, and executive development and continuing education

Revenue from tuition and other student related fees, conference fees, and executive development and continuing education are recognised over the period of the academic year or program duration.

(b) Sponsorships and donations

Sponsorships and donations are recognised in the financial year they are received. For donations received with attached conditions, income is not recognised but deferred until certainty exists that the conditions imposed can be met.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Rental income from operating leases (net of any incentive, given to lessees) on property, plant and equipment is recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Grants from the Government and government agencies

Grants from the Government and government agencies are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the University Company will comply with all attached conditions.

Grants from the Government and government agencies received/receivable for the purchase of property, plant and equipment and computer software or to finance capital projects are taken immediately to the grants received in advance account. Upon the 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 the statement of comprehensive income for the assets which are written off.

Government grants received by the University Company for its discretion to spend on future redevelopment and improvement projects as well as future asset replacements will be taken immediately to sinking fund, and will be subsequently transferred to deferred capital grants upon the purchase of assets.

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

Grants from the Government and government agencies to meet the current year's operating expenses are recognised as income in the same financial year and are recognised on an accrual basis.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment (cont'd)

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives as follows:

	Useful lives
Leasehold buildings	30 – 50 years or over lease term
Leasehold improvement	5 – 15 years or over lease term
Renovations	5 years or over lease term
Plant and machinery	5 years
Computer equipment	3 years
Furniture and office equipment	5 years
Motor vehicles	10 years
Other equipment	5 years

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

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

(c) Subsequent expenditure

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 Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the statement of comprehensive income when incurred.

(d) De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected on its use or disposal.

On disposal or de-recognition of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Intangible assets

Acquired computer software and licences

Acquired computer software and licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

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

The amortisation period and amortisation method are reviewed at least at each balance sheet date. The effects of any revision are treated as changes in accounting estimates recognised in the statement of comprehensive income when the changes arise.

The intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2.7 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income using the effective interest method except for those costs that are directly attributable to the acquisition, construction or development of properties and assets under construction. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. This includes those costs on borrowings acquired specifically for the acquisition, construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the acquisition, construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.8 Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets (cont'd)

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. 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the University Company becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the University Company 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 University Company 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

The subsequent measurement of financial assets depends on the University Company's model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of the University Company's debt instruments are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(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 the statement of comprehensive income when the assets are de-recognised or impaired, and through the amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the statement of comprehensive income 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 University Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). Dividends from such investments are to be recognised in the statement of comprehensive income when the University Company's right to receive payments is established. For investments in equity instruments which the University Company has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in the statement of comprehensive income.

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the University Company becomes a party to the contractual provisions of the financial instruments. The University Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in the statement of comprehensive income.

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

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Borrowings

Borrowings are presented as current liabilities unless the University Company 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 and subsequently carried at amortised cost. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.12 Other payables

Other payables represent liabilities for goods and services provided to the University Company 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). Otherwise, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Derivative financial instruments

A derivative financial instrument is initially recognised at fair value on the date the contract is entered into and is subsequently carried at its fair value. The University Company does not apply hedge accounting. Changes in the fair value of derivative instruments are recognised in the statement of comprehensive income when the changes arise.

2.14 Leases

When the University Company is the lessee

The University Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The University Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The University Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

The University Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subjected to impairment as described in Note 2.8. The University Company's right-of-use assets comprise its leasehold land.

(b) *Lease liabilities*

At the commencement date of the lease, the University Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the University Company and payments of penalties for terminating the lease, if the lease term reflects the University Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Leases (cont'd)

(b) Lease liabilities (cont'd)

In calculating the present value of lease payments, the University Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and low-value assets

The University Company applies the short-term lease recognition exemption to its short-term leases of leasehold buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

When the University Company is the lessor

Leases in which the University Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for as described in Note 2.3(e). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.15 Employee compensation

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the University Company pays fixed contributions to separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The University Company has no further payment obligations once the contributions have been paid.

(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 unconsumed annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the University Company are measured using the currency of the primary economic environment in which the University Company operates ("the functional currency"). The financial statements are presented in Singapore Dollar, which is the University Company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency 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 the statement of comprehensive income.

2.17 Funds

(a) General fund and other funds

Income and expenditure are accounted for under the General fund in the statement of comprehensive income unless they relate to funds separately accounted under specific self-financing activities.

(b) Endowment fund

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

Income and expenditure arising from the management of the Endowment fund are accounted for under Endowment fund in the statement of comprehensive income.

(c) Term funds

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

Income and expenditure arising from the management of the Term funds are accounted for under Term funds in the statement of comprehensive income.

2.18 Advances for student loans

Government grants received for the purpose of providing loans to students are taken to advances for student loans. Advances for student loans are initially measured at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.19 Leasehold land

Leasehold land premiums paid are recorded at cost and amortised over the lease tenure using the straight-line method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Impairment of financial assets

The University Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the University Company 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 the timing of the default (a lifetime ECL).

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

The University Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the University Company may also consider a financial asset to be in default when internal or external information indicates that the University Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the University Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.21 Subsidiary

A subsidiary is an investee that is controlled by the University Company. The University Company 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.

2.22 Provisions

Provisions are recognised when the University Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the University Company's financial statements requires management 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 reporting date. However, 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.

(a) Judgements made in applying accounting policies

In the process of applying the University Company's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Useful lives of property, plant and equipment

The cost of property, plant and equipment for the University Company is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the University Company's property, plant and equipment at the balance sheet date was \$459,107,000 (2022: \$480,694,000).

(b) 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 University Company 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 University Company. Such changes are reflected in the assumptions when they occur.

Fair value estimation on unquoted investments

The University Company holds unquoted investments that are not traded in an active market with a carrying amount of \$1,082,028,000 (2022: \$1,190,835,000) at the balance sheet date. The fair value of these investments is based on valuations obtained from third party fund managers. The valuations are determined using market-observable data to the extent it is available. Where quoted prices are not available, the fund managers establish the fair value of these investments based on the net asset value which would approximate the fair value of the investments at the balance sheet date. Changes in the key assumptions used in the third-party fund managers' valuation methods would impact the financial assets at fair value through profit or loss and net surplus in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

4. REVENUE, NET INVESTMENT GAINS AND OTHER MISCELLANEOUS INCOME

	Operating funds				Total general and other funds		Endowment fund		Term funds		Total	
	General fund		Other funds				2023	2022	2023	2022	2023	2022
	2023	2022	2023	2022	\$'000	\$'000						
Tuition and other student-related fees	125,717	121,924	70,736	66,608	196,453	188,532	-	-	-	-	196,453	188,532
Conference fees, and executive development and continuing education fees	2,436	3,816	69,186	72,971	71,622	76,787	-	-	-	-	71,622	76,787
Total revenue	128,153	125,740	139,922	139,579	268,075	265,319	-	-	-	-	268,075	265,319
Interest income	5,241	3,243	-	-	5,241	3,243	4,952	10,931	413	147	10,606	14,321
Dividend income	1,702	1,924	-	-	1,702	1,924	7,018	8,066	25	65	8,745	10,055
Fair value (losses)/gains on financial assets at fair value through profit or loss (net of investment management expenses)	(32,875)	29,915	-	-	(32,875)	29,915	(134,944)	128,378	(224)	1,222	(168,043)	159,515
Fair value gains/(losses) on derivatives	4,249	(161)	-	-	4,249	(161)	17,766	(649)	70	(5)	22,085	(815)
Net investment (losses)/gains	(21,683)	34,921	-	-	(21,683)	34,921	(105,208)	146,726	284	1,429	(126,607)	183,076
Donations	-	-	-	-	-	-	-	-	14,336	15,492	14,336	15,492
Sponsorships	383	1,007	15	10	398	1,017	-	-	-	-	398	1,017
Rental income	5,141	2,899	-	-	5,141	2,899	-	-	-	-	5,141	2,899
Currency exchange losses	(82)	(3)	(39)	(12)	(121)	(15)	-	-	-	-	(121)	(15)
Gains/(losses) on disposal of property, plant and equipment	36	(257)	(1)	2	35	(255)	-	-	-	-	35	(255)
Others	4,360	2,128	384	449	4,744	2,577	-	-	-	-	4,744	2,577
Other miscellaneous income	9,838	5,774	359	449	10,197	6,223	-	-	14,336	15,492	24,533	21,715
Total revenue, net investment (losses)/gains and other miscellaneous income	116,308	166,435	140,281	140,028	256,589	306,463	(105,208)	146,726	14,620	16,921	166,001	470,110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

5. EMPLOYEE BENEFITS

	Operating funds					
	General fund		Other funds		Total	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wages and salaries	235,637	220,804	20,900	20,032	256,537	240,836
Employer's contribution to Central Provident Fund	17,241	16,333	2,508	2,392	19,749	18,725
Allowances and benefits	14,360	13,629	1,011	1,024	15,371	14,653
	267,238	250,766	24,419	23,448	291,657	274,214

6. OTHER EXPENSES

	Operating funds				Endowment fund		Term funds		Total	
	General fund		Other funds		Total general and other funds					
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administrative expenses	54,394	41,022	9,560	7,713	63,954	48,735	-	-	63,954	48,735
Scholarships and awards	31,744	27,282	3,828	3,751	35,572	31,033	-	-	35,572	31,033
Library books, periodicals and database	7,127	6,510	101	100	7,228	6,610	-	-	7,228	6,610
Professional and instructor fees	7,452	8,839	28,092	26,321	35,544	35,160	-	-	35,544	35,160
Utilities and facility management	20,863	14,841	28	26	20,891	14,867	-	-	20,891	14,867
	121,580	98,494	41,609	37,911	163,189	136,405	-	-	163,189	136,405

Lease expenses of \$891,000 (2022: \$852,000) and \$148,000 (2022: \$148,000) relating to short-term leases that are not capitalised as lease liabilities are included in administrative expenses and utilities and facility management respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

7. GOVERNMENT GRANTS

	2023	2022
	\$'000	\$'000
Grants received/receivable	143,943	144,035
Less:		
Transfer to deferred capital grants (Note 22)	(1,716)	(4,926)
Operating grants - net	142,227	139,109
Research and other grants utilised (Note 18)	31,556	32,391
Deferred capital grants amortised (Note 22)	19,502	19,665
	193,285	191,165

8. INCOME TAX

As the University Company is a charity registered under the Charities Act, its income is not subject to tax under Section 13 of the Singapore Income Tax Act 1947.

9. CASH AND CASH EQUIVALENTS

	2023	2022
	\$'000	\$'000
Cash at bank and on hand	155,158	196,879
Short-term bank deposits	230,100	154,287
Amounts under fund management (Note 12)	203,595	56,525
	588,853	407,691

The short-term bank deposits at balance sheet date have an average maturity of 123 days (2022: 141 days) from the end of the financial year with a weighted average effective interest rate of 3.98% (2022: 0.47%).

10. GRANTS AND OTHER RECEIVABLES

(a) Grants and other receivables

	2023	2022
	\$'000	\$'000
Current		
Other receivables	57,774	34,045
Grants receivables	79,967	86,445
	137,741	120,490
Non-current		
Other receivables	1,137	471
Grants receivables	57,912	60,487
	59,049	60,958
Total grants and other receivables	196,790	181,448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

10. GRANTS AND OTHER RECEIVABLES (CONT'D)

(b) Other receivables

	2023 \$'000	2022 \$'000
Fees, rental and other receivables	30,070	20,447
Prepayments	12,272	10,560
Deposits	36	36
Goods and services tax receivables	-	1,104
Interest receivables	1,044	70
Receivables from brokers (Note 12)	15,489	2,299
Total other receivables	58,911	34,516
Analysed as:		
Current	57,774	34,045
Non-current	1,137	471
Total other receivables	58,911	34,516

Details of impaired fees, rental and other receivables are as follows:

	2023 \$'000	2022 \$'000
Fees, rental and other receivables	30,382	20,733
Less: allowance for impairment	(312)	(286)
	30,070	20,447

Movements in allowance for impairment during the year are as follows:

	2023 \$'000	2022 \$'000
At beginning of the financial year	286	320
Allowance/(Write back) of allowance for impairment	26	(34)
	312	286

(c) Grants receivables

	2023 \$'000	2022 \$'000
Current	79,967	86,445
Non-current	57,912	60,487
Total grants receivables	137,879	146,932

Included in grants receivables is an amount of \$60,487,000 (2022: \$63,063,000) relating to funding from Ministry of Education ("MOE") for development projects under the debt-grant framework which earns additional grants to match the interest charges incurred on bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

10. GRANTS AND OTHER RECEIVABLES (CONT'D)

(c) Grants receivables (cont'd)

The fair value of non-current grants receivables approximates their carrying amounts.

Management has assessed that the loss allowance provision as at 31 March 2023 on the above grants receivables is not significant as the risk of MOE defaulting on payments is remote.

11. STUDENT LOANS

	2023 \$'000	2022 \$'000
Current	6,304	6,590
Non-current	93,317	93,785
Total student loans	99,621	100,375

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

Student tuition fee and study loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods of up to 20 years after the borrowers' graduation. Interest is charged based on the average of the prevailing prime rates of the 3 local banks. The interest rate for these loans as at balance sheet date is 4.75% (2022: 4.75%) per annum.

The fair value of non-current student loans approximates their carrying amounts.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are analysed as follows:

	2023 \$'000	2022 \$'000
Quoted:		
- Equities	288,865	445,279
- Fixed income securities	165,265	165,356
	454,130	610,635
Unquoted:		
- Investments	1,082,028	1,190,835
Total financial assets at fair value through profit or loss	1,536,158	1,801,470

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

The University Company's financial assets are managed by professional managers. The unquoted investments include investments in private equity funds and hedge funds.

Under the terms of certain limited partnership agreements, the University Company is obligated to make capital contributions upon receiving capital call notices from the fund managers. As at 31 March 2023, the University Company has unfunded commitments of \$374,136,000 (2022: \$319,959,000).

The carrying amounts of funds managed by professional managers and held in trust by a custodian are analysed as follows:

	2023 \$'000	2022 \$'000
Financial assets at fair value through profit or loss (as above)	1,536,158	1,801,470
Cash and cash equivalents (Note 9)	203,595	56,525
Receivables from brokers (Note 10)	15,489	2,299
Derivative financial assets (Note 13)	23,370	1,561
Derivative financial liabilities (Note 13)	(132)	(1,758)
Payables to brokers (Note 19)	(7,639)	(335)
	1,770,841	1,859,762

Included in receivables from brokers is an amount of \$6,473,000 (2022: \$Nil) related to trades pending receipt as at the balance sheet date.

Included in payables to brokers is an amount of \$7,275,000 (2022: \$Nil) related to trades pending settlement as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

13. DERIVATIVE FINANCIAL INSTRUMENTS

The currency derivatives are used in the currency hedging program which aims to reduce the foreign currency risks of the investment portfolio. The contractual or notional amount and their corresponding fair value are analysed as follows:

	Contract/ notional amount \$'000	Fair value Assets \$'000	Liabilities \$'000
2023			
Currency forwards	484,745	15,765	(132)
Equity futures	146,550	7,605	-
	631,295	23,370	(132)
2022			
Currency forwards	479,220	1,226	(1,758)
Equity futures	32,315	335	-
	511,535	1,561	(1,758)

14. LEASEHOLD LAND

Leasehold land relates to land leased from the Singapore Land Authority for the housing of the campus buildings. The existing lease expires in the year 2032.

	2023 \$'000	2022 \$'000
Cost		
At beginning of the financial year	134,043	134,043
Transfer from property, plant and equipment (Note 15)	534	-
At end of the financial year	134,577	134,043
Accumulated amortisation		
At beginning of the financial year	79,379	73,903
Amortisation charge	5,522	5,476
At end of the financial year	84,901	79,379
Net carrying amount at end of the financial year	49,676	54,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings \$'000	Leasehold improvement \$'000	Renovations \$'000	Plant and machinery \$'000	Computer equipment \$'000	Furniture and office equipment \$'000	Motor vehicles \$'000	Other equipment \$'000	Construction- in-progress \$'000	Total \$'000
2023										
Cost										
At beginning of the financial year	614,441	880	22,335	86,035	27,785	7,269	340	9,173	101,391	869,649
Additions	-	-	1,359	1,958	1,680	459	301	729	5,640	12,126
Disposals	(37)	-	(632)	-	(559)	(366)	(225)	(805)	(72)	(2,696)
Reclassifications	91,596	-	-	9,338	931	2,062	-	2,239	(106,166)	-
Transfer to leasehold land (Note 14) and intangible assets (Note 16)	-	-	-	-	-	-	-	-	(793)	(793)
At end of the financial year	706,000	880	23,062	97,331	29,837	9,424	416	11,336	-	878,286
Accumulated depreciation										
At beginning of the financial year	248,160	880	18,340	82,449	23,859	6,695	304	8,268	-	388,955
Depreciation charge	22,251	-	1,784	2,970	3,398	509	27	635	-	31,574
Disposals	-	-	(632)	-	(453)	-	(218)	(47)	-	(1,350)
At end of the financial year	270,411	880	19,492	85,419	26,804	7,204	113	8,856	-	419,179
Net carrying amount										
At end of the financial year	435,589	-	3,570	11,912	3,033	2,220	303	2,480	-	459,107
2022										
Cost										
At beginning of the financial year	614,754	880	22,020	85,655	28,361	7,110	340	9,222	38,959	807,301
Additions	-	-	487	1,800	1,809	297	-	207	62,889	67,489
Disposals	(730)	-	(212)	(1,420)	(2,385)	(138)	-	(256)	-	(5,141)
Reclassifications	417	-	40	-	-	-	-	-	(457)	-
At end of the financial year	614,441	880	22,335	86,035	27,785	7,269	340	9,173	101,391	869,649
Accumulated depreciation										
At beginning of the financial year	229,052	758	16,584	82,197	22,909	6,568	271	7,424	-	365,763
Depreciation charge	19,531	122	1,968	1,672	3,297	246	33	1,049	-	27,918
Disposals	(423)	-	(212)	(1,420)	(2,347)	(119)	-	(205)	-	(4,726)
At end of the financial year	248,160	880	18,340	82,449	23,859	6,695	304	8,268	-	388,955
Net carrying amount										
At end of the financial year	366,281	-	3,995	3,586	3,926	574	36	905	101,391	480,694

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

16. INTANGIBLE ASSETS

	2023 \$'000	2022 \$'000
Computer software and licences		
Cost		
At beginning of the financial year	15,952	15,802
Additions	-	281
Disposals	-	(131)
Transfer from property, plant and equipment (Note 15)	259	-
At end of the financial year	<u>16,211</u>	<u>15,952</u>
Accumulated amortisation		
At beginning of the financial year	15,768	15,680
Amortisation charge	96	219
Disposals	-	(131)
At end of the financial year	<u>15,864</u>	<u>15,768</u>
Net carrying amount at end of the financial year	<u>347</u>	<u>184</u>

17. DEVELOPMENT GRANTS RECEIVED IN ADVANCE

	2023 \$'000	2022 \$'000
At beginning of the financial year	-	730
Grants received/receivable	-	777
Transfer to deferred capital grants (Note 22)	-	(1,507)
At end of the financial year	<u>-</u>	<u>-</u>

These are grants received from the Government and government agencies for development projects. The balance in this account represents grants received or receivable but not utilised at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

18. RESEARCH AND OTHER GRANTS RECEIVED IN ADVANCE

	2023 \$'000	2022 \$'000
At beginning of the financial year	13,311	14,429
Grants received/receivable	31,340	31,741
Transfer to deferred capital grants (Note 22)	(366)	(468)
Research and other grants utilised (Note 7)	(31,556)	(32,391)
At end of the financial year	<u>12,729</u>	<u>13,311</u>

These are grants received from the Government, government agencies and external grantors. The balance in this account represents grants received or receivable but not utilised at the end of the financial year.

19. OTHER PAYABLES

	2023 \$'000	2022 \$'000
Current		
Tuition fees received in advance	61,216	57,189
Payables to vendors	21,799	23,750
Refundable deposits	1,332	1,200
Payables to brokers (Note 12)	7,639	335
Other accruals for operating and capital expenditure	27,591	26,496
Other payables	8,555	9,878
Goods and services tax payables	12,446	-
	<u>140,578</u>	<u>118,848</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

20. BORROWINGS

	2023 \$'000	2022 \$'000
Current		
Fixed rate notes	99,918	149,966
Non-current		
Fixed rate notes	149,837	99,933

(a) Effective interest rate

Borrowings are unsecured and bear interest at 2.97% (2022: 2.43%) per annum.

(b) Fixed rate notes

On 7 March 2014, the University Company issued \$100,000,000 of 3.16% Singapore Dollar non-secured fixed rate notes under the Multicurrency Medium Term Note ("MTN") programme to finance capital expenditure and general working capital requirements. Unless previously redeemed, purchased or cancelled, the notes will be redeemed at its redemption amount on its maturity date, 7 March 2024. The fair value of the notes as at 31 March 2023 is \$98,808,000 (2022: \$102,179,000) and are included under level 2 of the fair value hierarchy.

On 28 November 2017, the University Company issued \$150,000,000 of 1.95% Singapore Dollar non-secured fixed rate notes under the MTN programme to finance capital expenditure and general working capital requirements. Unless previously redeemed, purchased or cancelled, the notes will be redeemed at its redemption amount on its maturity date, 28 November 2022. The fair value of the notes as at 31 March 2022 is \$150,243,000. This is fully redeemed during the current financial year.

On 23 June 2022, the University Company issued \$150,000,000 of 2.85% Singapore Dollar non-secured fixed rate notes under the MTN programme to finance capital expenditure and general working capital requirements. Unless previously redeemed, purchased or cancelled, the notes will be redeemed at its redemption amount on its maturity date, 23 June 2027. The fair value of the notes as at 31 March 2023 is \$143,213,000 and are included under level 2 of the fair value hierarchy.

(c) Borrowing costs capitalised

Borrowing costs of \$243,000 (2022: \$1,372,000) arising on financing specifically entered into for the development of construction-in-progress (Note 15) were capitalised during the financial year. The amount of borrowing costs capitalised was determined based on the effective interest rate disclosed in Note 20 (a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

21. ADVANCES FOR STUDENT LOANS

	2023 \$'000	2022 \$'000
At beginning of the financial year	104,863	117,758
Advances received/receivable	29,717	30,624
Interest income	1,470	778
Student loans and interest on student loans refunded to the Government	(32,843)	(44,247)
Student loans written off	(1)	(50)
At end of the financial year	103,206	104,863
Current	10,653	11,718
Non-current	92,553	93,145
Total advances for student loans	103,206	104,863
Represented by:		
Cash and cash equivalents	4,826	5,655
Student loans	98,380	99,208
	103,206	104,863

The advances for student loans are from the Government for purpose of providing loans to students to assist them in paying their tuition fees.

The fair value of non-current advances for student loans approximates their carrying amounts.

22. DEFERRED CAPITAL GRANTS

	2023 \$'000	2022 \$'000
At beginning of the financial year	286,367	299,131
Transfer from development grants received in advance (Note 17)	-	1,507
Transfer from research and other grants received in advance (Note 18)	366	468
Transfer from operating grants (Note 7)	1,716	4,926
Amortisation of deferred capital grants (Note 7)	(19,502)	(19,665)
At end of the financial year	268,947	286,367

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

23. SINKING FUND RECEIVED IN ADVANCE

	2023 \$'000	2022 \$'000
At beginning of the financial year	106,689	93,772
Grant received/receivable	5,472	-
Net investment (losses)/gains	(5,078)	12,917
At end of the financial year	107,083	106,689
<u>Represented by:</u>		
Cash and cash equivalents	11,331	2,840
Other receivables	6,365	132
Financial assets at fair value through profit or loss	88,488	103,747
Derivative financial instruments	1,339	(11)
Other payables	(440)	(19)
Total sinking fund received in advance	107,083	106,689

Sinking fund is an outright government grant received or receivable by the University Company for spending at its discretion on future redevelopment, improvement projects and asset replacement.

The portion of the sinking fund that is not required for immediate asset replacement is invested to ensure that the real value of the fund is preserved in the long run. The net investment gains include interest and dividends earned on investments and investment gains in net asset value of the investment portfolio less relevant expenses and transaction costs arising from the management of the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

24. ENDOWMENT FUND

	2023 \$'000	2022 \$'000
Endowment fund		
- Capital	941,024	876,149
- Accumulated net income	395,052	534,015
Total endowment fund	1,336,076	1,410,164
<u>Represented by:</u>		
Cash and cash equivalents	201,291	74,242
Grants receivable	3,764	6,785
Other receivables	12,043	1,747
Financial assets at fair value through profit or loss	1,164,551	1,351,433
Derivative financial instruments	17,617	(148)
Other payables	(63,190)	(23,895)
Total endowment fund	1,336,076	1,410,164

Endowment fund comprises donations, grants, gifts, testamentary disposition and proceeds from gifts of movable or immovable property and accumulated net income generated thereon. The objectives of this fund include the provision of facilities for teaching, training and research, the advancement and dissemination of knowledge and the promotion of research.

Accumulated net income includes interest and dividends earned on investments and investment gains in net asset value of the investment portfolio less relevant expenses and transaction costs arising from the management of the investment portfolio.

25. TERM FUNDS

	2023 \$'000	2022 \$'000
At beginning of the financial year	60,829	54,752
Donations received	14,336	15,492
Donations utilised	(17,569)	(10,844)
Net investment gains	284	1,429
At end of the financial year	57,880	60,829
<u>Represented by:</u>		
Cash and cash equivalents	52,980	50,534
Other receivables	180	21
Other student loans	90	201
Financial assets at fair value through profit or loss	4,584	10,076
Derivative financial instruments	69	(1)
Other payables	(23)	(2)
Total term funds	57,880	60,829

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

25. TERM FUNDS (CONT'D)

Term funds comprise donations for the purpose of awarding scholarships, academic awards for students, research and other programmes for the advancement of education.

Net investment gains include interest and dividends earned on investments and investment gains in net asset value of the investment portfolio less relevant expenses and transaction costs arising from the management of the investment portfolio.

26. COMMITMENTS

(a) Capital commitments

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

	2023 \$'000	2022 \$'000
Property, plant and equipment	<u>10,251</u>	14,465

(b) Operating lease commitments

Where the University Company is a lessor

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

	2023 \$'000	2022 \$'000
Not later than one year	2,420	2,582
Later than one year but not later than five years	1,657	1,510
	<u>4,077</u>	4,092

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

27. RELATED PARTIES TRANSACTIONS

(a) Grants from the Government and government agencies

The University Company receives grants from MOE to fund its operations and is subject to certain controls set by MOE and considers MOE a related party. Hence, the Government and government agencies are considered related parties of the University Company.

Other than the information disclosed in elsewhere in the financial statements, there were no transactions, either individually or collectively significant, that took place between the University Company and related parties during the year.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	2023 \$'000	2022 \$'000
Salaries and bonus	9,942	8,878
Central Provident Fund contributions	230	204
Allowances and benefits	2,582	2,542
Total	<u>12,754</u>	11,624

The key management personnel includes the President, Provost, Deans and key Administrative Heads.

28. INVESTMENT IN SUBSIDIARIES

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest	
			2023 %	2022 %
SMU Ventures Pte. Ltd.	Singapore	Investment holding	100	100
SMU Overseas Pte. Ltd. ⁽¹⁾	Singapore	Holding company	100	-

(1) Incorporated on 16 June 2022.

The financial statements of SMU Ventures Pte. Ltd. and SMU Overseas Pte. Ltd. with a paid-up capital of \$1 (2022: \$1) and \$1 respectively have not been consolidated with the University Company's financial statements as the University Company is of the view that the subsidiaries are not material to the University Company. The balances and transactions of the University Company are not affected by the non-consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

29. CHARITY ACT AND REGULATION

In accordance with the disclosure requirement under Section 17(1) of the Charities (Institutions of a Public Character) Regulations 2010, the University Company has received total tax-deductible donations of \$35,488,000 (2022: \$20,704,000) during the financial year. The expenses relating to fund raising activities are funded by operating grants.

30. FINANCIAL RISK MANAGEMENT

The University Company's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The University Company's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the University Company's financial performance.

The Board of Trustees has an Investment Committee to assist the Board in the oversight of the University Company's investments. The Investment Committee approved the strategic asset allocation of a globally diversified portfolio. Fund managers are selected to manage the individual mandates within the prescribed investment guidelines.

The following sections provide details regarding the University Company's exposure to the above-mentioned market risks and management of these risks.

(a) Market risk

(i) Currency risk

The University Company's operations are not exposed to significant currency risk as most of its transactions are transacted in Singapore Dollar. The University Company's exposure to currency risk arises principally from its investments denominated in foreign currencies including United States Dollar ("USD") and Euro. Its main exposure to foreign currency risk for these investments is the USD.

To manage the foreign currency exposure, the University Company implemented a currency hedging program to reduce the foreign currency risks (Note 13).

Apart from its investments, the University Company is not exposed to significant foreign currency risk on other financial assets or financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The University Company's foreign currency exposures are as follows:

	USD \$'000	Others \$'000
2023		
Financial assets		
Financial assets at fair value through profit or loss	1,036,713	172,406
Derivatives	(395,266)	56,759
Cash and cash equivalents	150,254	6,375
Other assets	7,666	39
Currency exposure of financial assets	799,367	235,579
2022		
Financial assets		
Financial assets at fair value through profit or loss	1,224,527	238,102
Derivatives	(459,239)	12,243
Cash and cash equivalents	41,414	11,602
Other assets	1,448	39
Currency exposure of financial assets	808,150	261,986
With all other variables being held constant, a 5% (2022: 5%) change of the USD against the SGD will result in the following changes to the net deficit/surplus:		
	Decrease/ (increase) in net deficit	Increase/ (decrease) in net surplus
	2023	2022
	\$'000	\$'000
USD against SGD		
- Strengthened	39,968	40,407
- Weakened	(39,968)	(40,407)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Price risk

The University Company's investments are exposed to price risk on its equity securities. To manage this risk, the University Company diversifies its investments across different markets and industries whenever appropriate. At 31 March 2023, with all other variables held constant, a 10% (2022: 10%) increase/decrease of market values of both quoted and unquoted equity securities will result in an increase/decrease in net deficit/surplus by \$127,670,000 (2022: \$138,056,000).

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates.

The University Company's interest-bearing assets relate mainly to its cash and cash equivalents. These financial assets are short-term in nature, and hence any future variations in interest rates will not have a material impact on the results of the University Company.

Interest based on the average prevailing prime rates of three local banks is levied on the student loans after the borrowers' graduation. However, these interests will be returned to the Government as such loans are funded by the Government.

The University Company's investments include fixed income securities which are exposed to interest rate risk. Changes in interest rates will have an impact on the fair values of the instruments. To mitigate this risk, the University Company diversifies these investments across different fixed income securities with varying maturity and interest rate terms. At 31 March 2023, with all other variables held constant, 1% (2022: 1%) increase/decrease in interest rates will result in an increase/decrease in net surplus by \$12,891,000 (2022: \$12,402,000).

The University Company has no material exposure to interest rate risks relating to borrowings as there are no variable rate borrowings. The University Company maintains its borrowings in fixed rate instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The University Company's exposures to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the University Company adopts the policy of dealing exclusively with high credit rating counterparties to minimise credit risk.

The University Company considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investment with credit rating.

The University Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The University Company considers a financial asset in default when the University Company is unlikely to receive the outstanding contractual amounts in full.

To assess whether there is a significant increase in credit risk, the risk of a default occurring on the asset as at reporting date is compared with the risk of default as at the date of initial recognition. The University Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days due in making contractual payment.

The University Company determined that its financial assets are credit-impaired when:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to meet a repayment plan with the University Company. Where financial assets have been written off, the University Company continues to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The following sections disclose the credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Fees, rental and other receivables

The University Company provides for lifetime expected credit losses for all fees, rental and other receivables. The provision rates are determined based on the University Company's historical observed default rates analysed in accordance with days past due and calibrated to adjust the historical credit loss experience with forward-looking information such as forecast of economic conditions.

Management has assessed that the loss allowance as at balance sheet date is not significant as the University Company has no significant default in fees, rental and other receivables based on historical experience.

Financial assets that are neither past due nor impaired

Grants and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment records with the University Company. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Financial assets that are either past due or impaired

Except for fees, rental and other receivables, there is no other class of financial assets that is past due or impaired.

The ageing analysis of fees, rental and other receivables past due but not impaired is as follows:

	2023 \$'000	2022 \$'000
Past due:		
Less than 2 months	11,267	10,580
Between 2 and 3 months	388	4,194
Over 3 months	510	415
	12,165	15,189

The carrying amount of fees, rental and other receivables individually determined to be impaired and the movement in related allowance for impairment are set out in Note 10(b).

Concentration and exposure to credit risk

At the end of the reporting period, there is no significant concentration of credit risk. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

(c) Liquidity risk

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the University Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	2023				2022			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Financial assets at fair value through profit or loss	1,536,158	-	-	1,536,158	1,801,470	-	-	1,801,470
Other receivables (excluding prepayments)	45,927	529	183	46,639	23,738	21	197	23,956
Student loans	6,304	13,560	79,757	99,621	6,590	13,846	79,939	100,375
Cash and cash equivalents	588,853	-	-	588,853	407,691	-	-	407,691
Derivative financial instruments								
- gross payments	(569,931)	-	-	(569,931)	(250,832)	-	-	(250,832)
- gross receipts	593,301	-	-	593,301	252,393	-	-	252,393
Total undiscounted financial assets	2,200,612	14,089	79,940	2,294,641	2,241,050	13,867	80,136	2,335,053
Financial liabilities:								
Borrowings	107,231	163,856	-	271,087	156,073	103,155	-	259,228
Advances for student loans	10,653	13,221	79,332	103,206	11,718	13,431	79,714	104,863
Other payables (excluding tuition fees received in advance)	79,362	-	-	79,362	61,659	-	-	61,659
Derivative financial instruments								
- gross payments	38,126	-	-	38,126	260,900	-	-	260,900
- gross receipts	(37,994)	-	-	(37,994)	(259,142)	-	-	(259,142)
Total undiscounted financial liabilities	197,378	177,077	79,332	453,787	231,208	116,586	79,714	427,508
Total net undiscounted financial assets/ (liabilities)	2,003,234	(162,989)	608	1,840,853	2,009,842	(102,719)	422	1,907,545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Fair value measurement

The University Company 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 markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Unobservable inputs.

Financial assets and liabilities carried at fair value

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
2023				
Assets				
Financial assets at fair value through profit or loss				
- Equities	288,865	-	-	288,865
- Fixed income	165,265	-	-	165,265
- Other investments	-	438,877	643,151	1,082,028
Derivative financial instruments				
- Currency forwards	-	15,765	-	15,765
- Futures	7,605	-	-	7,605
	461,735	454,642	643,151	1,559,528
Liabilities				
Derivative financial instruments				
- Currency forwards	-	(132)	-	(132)
	-	(132)	-	(132)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Fair value measurement (cont'd)

Financial assets and liabilities carried at fair value (cont'd)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2022				
Assets				
Financial assets at fair value through profit or loss				
– Equities	445,279	–	–	445,279
– Fixed income	165,356	–	–	165,356
– Other investments	–	483,858	706,977	1,190,835
Derivative financial instruments				
– Currency forwards	–	1,226	–	1,226
– Futures	–	335	–	335
	<u>610,635</u>	<u>485,419</u>	<u>706,977</u>	<u>1,803,031</u>
Liabilities				
Derivative financial instruments				
– Currency forwards	–	1,758	–	1,758
	<u>–</u>	<u>1,758</u>	<u>–</u>	<u>1,758</u>

Level 1

The fair value of financial assets classified under Level 1 is based on quoted market prices (unadjusted) from active markets at the balance sheet date.

Level 2

The fair value of financial instruments that are not traded in an active market is based on valuations provided by independent sources such as market participants, dealers and brokers. Derivative financial instruments are valued using widely accepted pricing models with market observable inputs including volatilities, yield curves, foreign exchange spot and forward rates. These instruments are classified as Level 2.

Level 3

Financial assets classified under Level 3 are valued using valuation techniques based on unobservable inputs that are supported by little or no market activity and which are significant inputs to the valuation. The fair value is determined by the fund managers as described in Note 3(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

30. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Fair value measurement (cont'd)

Financial assets and liabilities carried at fair value (cont'd)

The following table presents the changes in Level 3 instruments:

	2023 \$'000	2022 \$'000
Other investments		
At beginning of the financial year	706,977	654,096
Purchases	69,005	133,259
Sales	(73,258)	(222,832)
Realised fair value gains recognised in profit or loss	25,774	98,577
Unrealised fair value (loss)/gains recognised in profit or loss	(85,347)	43,877
At end of the financial year	<u>643,151</u>	<u>706,977</u>
Total (loss)/gains for the period included in profit or loss for investments held at the end of the financial year	<u>(59,573)</u>	<u>142,454</u>

(e) Categorisation of financial instruments

The carrying amount of the different categories of financial instruments carried at amortised cost is as follows:

	2023 \$'000	2022 \$'000
Financial assets carried at amortised cost		
Cash and cash equivalents (Note 9)	588,853	407,691
Other receivables (Note 10)	58,911	34,516
Less: prepayments (Note 10)	(12,272)	(10,560)
Student loans (Note 11)	99,621	100,375
	<u>735,113</u>	<u>532,022</u>
Financial liabilities carried at amortised cost		
Other payables (Note 19)	140,578	118,848
Less: tuition fees received in advance (Note 19)	(61,216)	(57,189)
Borrowings (Note 20)	249,755	249,899
Advances for student loans (Note 21)	103,206	104,863
	<u>432,323</u>	<u>416,421</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

31. CAPITAL MANAGEMENT

The primary objective of the University Company's capital management is to ensure it maintains a strong credit rating and healthy capital ratios in order to support its business and fulfil its financing commitments.

The University Company is partially funded by the grants received from MOE and the balance from its accumulated surplus. In addition, a portion of the accumulated surplus is invested so as to further enhance its value. This investment income could be drawn down to support the University Company's operating budget or development.

No changes were made to the objectives, policies or processes during the years ended 31 March 2023 and 2022.

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2023 were authorised for issue in accordance with a resolution of the trustees on 11 August 2023.