

**SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN
ANNUAL REPORT FY2013**

VISION

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

MISSION

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

BOARD OF TRUSTEES

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Head of Pillar, Architecture and Sustainable Design

Professor Aditya Mathur

Head of Pillar, Information Systems Technology and Design

Professor Kristin L. Wood

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

CORPORATE GOVERNANCE

Policy to manage conflict of interest

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

**SINGAPORE UNIVERSITY OF TECHNOLOGY
AND DESIGN**

(Company Limited by Guarantee)

(Incorporated in Singapore. Registration Number: 200913519C)

ANNUAL REPORT

For the financial year ended 31 March 2014

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 March 2014

Contents

	Page
Report of the Trustees	1
Statement by Trustees	3
Independent Auditor's Report	4
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Funds and Reserves	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

REPORT OF THE TRUSTEES

For the financial year ended 31 March 2014

The Board of Trustees present their report to the members together with the audited financial statements of Singapore University of Technology and Design (hereinafter referred to as "the University") for the financial year ended 31 March 2014.

Trustees

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

Mr Philip Ng Chee Tat	Chairman
Mr Cavinder Bull	
Mr Choo Chiau Beng	
Ms Cordelia Chung	
Mr Patrick Daniel	
Mrs Fang Ai Lian	
Mr Sam Goi	
Mr Philip Jeyaretnam	
Ms Low Sin Leng	
Professor Lui Pao Chuen	
Mr Ong Peng Tsin	
Mr Charles Ormiston	
Mr Quek Tong Boon	
Mr Anthony Sun	
Mr Tai Lee Siang	
Mr Ronny Tan	
Dr Fidah Alsagoff	
Mr David Conner	
Mr Lam Yi Young	(Appointed on 24 Jan 2014)

Arrangements to enable trustees to acquire shares and debentures

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

Trustees' interests in shares or debentures

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

REPORT OF THE TRUSTEES

For the financial year ended 31 March 2014

Trustees' contractual benefits

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

Independent auditor

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

On behalf of the Trustees



Mr Philip Ng Chee Tat
Trustee



Mrs Fang Ai Lian
Trustee

18 July 2014

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT BY TRUSTEES

For the financial year ended 31 March 2014

In the opinion of the Trustees,

- (a) the financial statements as set out on pages 5 to 35 are drawn up so as to give a true and fair view of the state of affairs of the University as at 31 March 2014 and of the results of the business, changes in funds and reserves and cash flows of the University for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the University will be able to pay its debts as and when they fall due.

On behalf of the Trustees



Mr Philip Ng Chee Tat
Trustee



Mrs Fang Ai Lian
Trustee

18 July 2014

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

Report on the Financial Statements

We have audited the accompanying financial statements of Singapore University of Technology and Design (the "University") set out on pages 5 to 35, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements of the University are properly drawn up in accordance with the provisions of the Act, the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the University as at 31 March 2014, and of the results, changes in funds and reserves and cash flows of the University for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

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



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 18 July 2014

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2014

Note	General fund		Non-endowment fund		Endowment fund		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Income								
3	10,029,188	5,835,685	-	-	-	-	10,029,188	5,835,685
	-	-	2,629,385	2,151,360	-	-	2,629,385	2,151,360
3	1,756,289	1,142,971	-	-	-	-	1,756,289	1,142,971
	11,785,477	6,978,656	2,629,385	2,151,360	-	-	14,414,862	9,130,016
Expenses								
4	(49,834,736)	(34,695,304)	(17,469)	-	(443,895)	(245,214)	(50,296,100)	(34,940,518)
	(17,148,098)	(16,724,665)	-	-	-	-	(17,148,098)	(16,724,665)
13	(7,625,118)	(7,495,731)	-	-	-	-	(7,625,118)	(7,495,731)
14	(13,023,614)	(11,487,193)	-	-	-	-	(13,023,614)	(11,487,193)
	(973,778)	(878,305)	-	-	-	-	(973,778)	(878,305)
5	(21,702,567)	(21,540,277)	(429,627)	(123,873)	(2,561,607)	(226,534)	(24,693,801)	(21,890,684)
	(110,307,911)	(92,821,475)	(447,096)	(123,873)	(3,005,502)	(471,748)	(113,760,509)	(93,417,096)
	(98,522,434)	(85,842,819)	2,182,289	2,027,487	(3,005,502)	(471,748)	(99,345,647)	(84,287,080)
6	11,222	7,008	2,851	504	9,819,912	19,367,795	9,833,985	19,375,307
	(98,511,212)	(85,835,811)	2,185,140	2,027,991	6,814,410	18,896,047	(89,511,662)	(64,911,773)
7	103,430,816	96,158,110	-	-	-	-	103,430,816	96,158,110
	4,919,604	10,322,299	2,185,140	2,027,991	6,814,410	18,896,047	13,919,154	31,246,337

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

BALANCE SHEET

As at 31 March 2014

	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	113,775,986	93,356,629
Grants and other receivables	10	40,707,404	55,771,010
Financial assets at fair value through income and expenditure	11	450,662,920	343,097,184
Other current assets	12	26,990,267	30,652,705
		<u>632,136,577</u>	<u>522,877,528</u>
Non-current assets			
Grants and other receivables	10	246,118,978	116,868,867
Property, plant and equipment	13	592,839,303	346,323,714
Intangible assets	14	2,754,380	3,249,337
		<u>841,712,661</u>	<u>466,441,918</u>
Total assets		<u>1,473,849,238</u>	<u>989,319,446</u>
LIABILITIES			
Current liabilities			
Grants received in advance	15	39,310,021	33,524,292
Tuition fees received in advance		1,061,895	552,079
Other payables	16	42,030,649	29,561,141
Borrowings	17	12,251,665	6,979,893
		<u>94,654,230</u>	<u>70,617,405</u>
Non-current liabilities			
Borrowings	17	224,038,653	115,643,717
Deferred capital grants	18	595,593,683	349,573,051
		<u>819,632,336</u>	<u>465,216,768</u>
Total liabilities		<u>914,286,566</u>	<u>535,834,173</u>
NET ASSETS		<u>559,562,672</u>	<u>453,485,273</u>
FUNDS AND RESERVES			
Endowment fund	20	507,608,821	415,450,576
Accumulated Surplus			
- General fund		20,888,898	15,969,294
- Non-endowment fund	19	4,515,316	2,330,176
- Endowment fund	20	26,549,637	19,735,227
		<u>559,562,672</u>	<u>453,485,273</u>
Funds' net assets managed on behalf of Ministry of Education ("MOE")	21	<u>2,782,969</u>	<u>1,179,839</u>

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF CHANGES IN FUNDS AND RESERVES

For the financial year ended 31 March 2014

	Note	Accumulated surplus				Total \$
		Endowment fund \$	General fund \$	Non- endowment fund \$	Endowment fund \$	
2014						
Balance as at 1 April 2013		415,450,576	15,969,294	2,330,176	19,735,227	453,485,273
Total comprehensive income for the year		-	4,919,604	2,185,140	6,814,410	13,919,154
Government grants	20	60,044,245	-	-	-	60,044,245
Donations received	20	32,114,000	-	-	-	32,114,000
Balance as at 31 March 2014		507,608,821	20,888,898	4,515,316	26,549,637	559,562,672
2013						
Balance as at 1 April 2012		363,395,479	5,646,995	302,185	839,180	370,183,839
Total comprehensive income for the year		-	10,322,299	2,027,991	18,896,047	31,246,337
Government grants	20	38,696,310	-	-	-	38,696,310
Donations received	20	13,358,787	-	-	-	13,358,787
Balance as at 31 March 2013		415,450,576	15,969,294	2,330,176	19,735,227	453,485,273

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Deficit before government grants		(89,511,662)	(64,911,773)
Adjustments for:			
- Depreciation		13,023,614	11,487,193
- Amortisation		973,778	878,305
- Interest expense		49,494	-
- Loss on disposal of property, plant and equipment and intangible assets		1,208	-
- Net investment income		(9,833,985)	(19,375,307)
Operating cash flow before working capital change		(85,297,553)	(71,921,582)
Change in working capital:			
- Other receivables		(2,573,696)	(2,544,470)
- Other current assets		3,662,438	1,893,796
- Tuition fees received in advance		509,816	552,079
- Other payables		2,389,062	3,132,496
Net cash used in operating activities		(81,309,933)	(68,887,681)
Cash flows from investing activities			
Additions to property, plant and equipment		(246,108,314)	(77,738,892)
Additions to intangible assets		(478,822)	(2,236,173)
Proceeds from maturity of held-to-maturity financial assets		-	153,724,605
Investments in financial assets at fair value through income and expenditure		(98,000,000)	(324,500,000)
Interest received		670,138	432,870
Net cash used in investing activities		(343,916,998)	(250,317,590)
Cash flows from financing activities			
Operating grants received		74,318,553	61,837,054
Research grants received		32,220,932	11,337,824
Debt grants received		8,529,436	6,503,241
Development grants received		128,331,170	75,503,995
Proceeds from borrowings		118,055,348	2,800,000
Repayment of borrowings		(4,388,640)	(4,179,894)
Interest paid		(3,401,144)	(3,212,372)
Government grants and donations received for Endowment fund		91,980,633	48,157,752
Net cash provided by financing activities		445,646,288	198,747,600
Net increase/(decrease) in cash and cash equivalents		20,419,357	(120,457,671)
Cash and cash equivalents at beginning of financial year		93,356,629	213,814,300
Cash and cash equivalents at end of financial year	9	113,775,986	93,356,629

The accompanying notes form an integral part of these financial statements

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

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

1. General

Singapore University of Technology and Design (the "University") is incorporated and domiciled in Singapore as a company limited by guarantee under the provisions of the Companies Act, Chapter 50. The address of its registered office is 20 Dover Drive Singapore 138682.

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

Under Clause 9 of the Memorandum of Association of the University, each member of the University undertakes to contribute a sum not exceeding \$1 to the assets of the University in the event of it being wound up. The number of members at the balance sheet date is 3 (2013: 3).

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the University's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements.

Interpretations and amendments to published standards effective in 2013

On 1 April 2013, the University adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the University's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.2 Functional and presentation currency

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

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

2.3 Funds

(a) General fund

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

(b) Non-endowment fund

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

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

(c) Endowment fund

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.4 Revenue recognition

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

(a) *Tuition and other fees*

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

(b) *Donations and sponsorships*

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

(c) *Hostel income*

Hostel income is recognised over the hostel lease period.

(d) *Interest income*

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

2.5 Grants received

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

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.5 Grants received (continued)

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

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

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

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

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

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

2.7 Employee compensation

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.8 Lessee - Operating lease payments

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.9 Property, plant and equipment

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

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

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

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

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

	<u>Estimated Useful lives</u>
Leasehold land	99 years
Buildings – Interim campus	3 years
Computer systems, communications and laboratory equipment	5 years
Personal computers and equipment	3 years
Furniture and fittings	7 years
Audio visual and office equipment	5 years
Motor vehicle	10 years

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

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

2.10 Intangible assets

Computer software licences costs

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

Capitalised computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to income and expenditure using the straight-line method over their estimated useful lives of 3 and 5 years.

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

2.11 Impairment of non-financial assets

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

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.12 Financial assets

(a) *Classification*

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

(i) *Loans and receivables*

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

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

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

(b) *Recognition and derecognition*

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(c) *Initial measurement*

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

(d) *Subsequent measurement*

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

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

(e) *Impairment*

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

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

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

2.13 Other payables

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

2. Significant accounting policies (continued)

2.14 Borrowings

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

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

2.15 Cash and cash equivalents

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

2.16 Borrowing costs

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

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

2.17 Fair value estimation of financial assets and liabilities

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

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

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

3. Income

	2014 \$	2013 \$
<u>Tuition and other fees</u>		
Tuition fees	9,873,999	5,740,096
Other student related fees	155,189	95,589
	<u>10,029,188</u>	<u>5,835,685</u>
<u>Other income</u>		
Hostel income	1,422,287	1,025,579
Other	334,002	117,392
	<u>1,756,289</u>	<u>1,142,971</u>

4. Employee compensation

	2014 \$	2013 \$
Wages and salaries	46,853,840	32,475,496
Employer's contribution to Central Provident Fund	2,900,879	2,061,738
Other benefits	541,381	403,284
	<u>50,296,100</u>	<u>34,940,518</u>

Key management personnel compensation is as follows:

	2014 \$	2013 \$
Wages and salaries	6,437,065	5,924,262
Employer's contribution to Central Provident Fund	179,935	197,676
Other benefits	270,610	218,964
	<u>6,887,610</u>	<u>6,340,902</u>

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

5. Other operating expenses

	2014 \$	2013 \$
Rental expense on operating leases	5,135,252	4,462,532
Utilities and facility management	3,250,011	2,035,832
Marketing and advertising expenses	2,700,276	2,534,017
Information technology expenses	1,563,879	1,672,083
Travelling expenses	1,147,250	1,096,980
Library books, periodicals and databases	911,413	1,289,653
Loss on disposal of property, plant and equipment and intangible assets	1,208	-
Interest expense on borrowings	49,494	20,178
Others	9,935,018	8,779,409
	<u>24,693,801</u>	<u>21,890,684</u>

6. Net investment income

	2014 \$	2013 \$
Interest income - Banks deposits	827,590	778,123
Fair value gains on financial assets at fair value through income and expenditure	9,006,395	18,597,184
	<u>9,833,985</u>	<u>19,375,307</u>

7. Government and other grants

	2014 \$	2013 \$
Operating grants (Note 10(i) and 15(i))	70,494,839	66,777,860
Research grants utilised (Note 10(ii))	17,139,464	12,129,026
Development grants utilised (Note 10(iii))	1,518,066	4,048,501
Debt grants utilised (Note 10(iv))	279,846	827,727
Deferred capital grants amortised (Note 18)	13,998,601	12,374,996
	<u>103,430,816</u>	<u>96,158,110</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

8. Income taxes

The University obtained Charity and Institution of Public Character ("IPC") status on 21 July 2009 under the Charities Act and Charities (Institutions of a Public Character) Regulations 2007. With effect from the Year of Assessment 2008, all registered charities will enjoy automatic income tax exemption. The University is exempted from filing income tax returns.

9. Cash and cash equivalents

	2014 \$	2013 \$
Cash at bank and on hand	88,775,986	15,356,629
Short-term bank deposits	25,000,000	78,000,000
	<u>113,775,986</u>	<u>93,356,629</u>

The short-term bank deposits at balance sheet date have a weighted average effective interest rate of 0.42% (2013: 0.83%) per annum.

10. Grants and other receivables

	2014 \$	2013 \$
<u>Current</u>		
Operating grants receivable (Note (i))	1,388,805	6,264,421
Research grants receivable (Note (ii))	9,559,342	7,091,639
Development grants receivable (Note (iii))	702,044	21,195,630
Debt grant receivable (Note (iv))	10,087,880	4,599,406
Matching endowment grant receivable	13,812,000	13,634,388
Other receivables from MOE	3,660,648	2,029,667
Fee and other receivables	1,495,621	552,906
Interest receivable	1,064	402,953
	<u>40,707,404</u>	<u>55,771,010</u>
<u>Non-current</u>		
Debt grant receivable (Note (iv))	<u>246,118,978</u>	<u>116,868,867</u>
Total grants and other receivables	<u>286,826,382</u>	<u>172,639,877</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

10. Grants and other receivables (continued)

	2014 \$	2013 \$
(i) Movement in operating grants receivable/ (received in advance)		
Balance as at 1 April	6,264,421	194,494
Operating grants received during the year	(64,220,838)	(48,505,115)
Operating grants transferred to deferred capital grants (Note 18)	3,283,858	2,818,827
Operating grants transferred to income statement (Note 7)	56,061,364	51,756,215
Balance as at 31 March	<u>1,388,805</u>	<u>6,264,421</u>
(ii) Movement in research grants receivable/ (received in advance)		
Balance as at 1 April	(5,539,309)	(8,562,237)
Research grants received during the year	(32,220,932)	(11,337,824)
Research grants transferred to deferred capital grants (Note 18)	7,427,682	2,231,726
Research grants transferred to income statement (Note 7)	17,139,464	12,129,026
Balance as at 31 March	<u>(13,193,095)</u>	<u>(5,539,309)</u>
Comprising:		
Research grants receivable (as above)	9,559,342	7,091,639
Research grants received in advance - MIT Research Component (Note 15)	(8,102,712)	(8,890,860)
Other research grants received in advance - Government (Note 15)	(11,180,318)	(3,000,000)
Research grants received in advance – government agencies and others (Note 15)	(3,469,407)	(740,088)
	<u>(13,193,095)</u>	<u>(5,539,309)</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

10. Grants and other receivables (continued)

	2014 \$	2013 \$
(iii) <u>Movement in development grants receivable</u>		
Balance as at 1 April	21,195,630	1,507,054
Development grants received during the year	(128,331,170)	(75,503,995)
Development grants transferred to deferred capital grants (Note 18)	106,319,518	91,144,070
Development grants transferred to income statement (Note 7)	1,518,066	4,048,501
Balance as at 31 March	<u>702,044</u>	<u>21,195,630</u>
(iv) <u>Movement in debt grant receivable</u>		
Balance as at 1 April	121,468,273	121,424,623
Debt grant received during the year	(8,529,436)	(6,503,241)
Debt grant transferred to deferred capital grants (Note 18)	142,988,175	5,719,164
Debt grant transferred to income statement (Note 7)	279,846	827,727
Balance as at 31 March	<u>256,206,858</u>	<u>121,468,273</u>
Current	10,087,880	4,599,406
Non-current	<u>246,118,978</u>	<u>116,868,867</u>
	<u>256,206,858</u>	<u>121,468,273</u>

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

11. Financial assets at fair value through income and expenditure

	2014 \$	2013 \$
<i>Designated at fair value on initial recognition</i>		
Quoted debt securities	175,009,265	135,072,135
Quoted unit trusts	253,052,037	191,482,894
Quoted equity securities	22,204,484	16,152,978
Currency forwards	397,134	389,177
	<u>450,662,920</u>	<u>343,097,184</u>

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

The currency forwards have contract notional amount of \$114,172,228 (2013: \$84,531,892).

12. Other current assets

	2014 \$	2013 \$
Prepayments – Education Component	16,568,797	20,896,994
Prepayments – Research Component	8,102,712	8,884,048
Prepayment – Others	2,114,495	681,708
Deposits	204,263	189,955
	<u>26,990,267</u>	<u>30,652,705</u>

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 March 2014

13. Property, plant and equipment

	Construction- in-progress \$	Leasehold land \$	Buildings - Interim Campus \$	Computer systems, communications and laboratory equipment \$	Personal computers and equipment \$	Furniture and fittings \$	Audio visual and office equipment \$	Motor vehicle \$	Total \$
2014									
<i>Cost</i>									
Balance as at 1 April 2013	122,348,279	208,994,600	23,679,394	6,374,966	625,949	1,235,456	2,704,995	209,000	366,172,639
Additions	246,174,596	722,997	3,309,376	8,095,548	304,288	40,224	893,381	-	259,540,410
Reclassification	-	-	-	(197,492)	(5,340)	-	202,832	-	-
Disposals	-	-	-	-	-	-	(1,271)	-	(1,271)
Balance as at 31 March 2014	368,522,875	209,717,597	26,988,770	14,273,022	924,897	1,275,680	3,799,937	209,000	625,711,778
<i>Accumulated depreciation</i>									
Balance as at 1 April 2013	-	2,990,663	14,840,732	1,039,001	153,218	267,076	519,918	38,317	19,848,925
Depreciation charge	-	2,128,705	8,181,856	1,478,078	210,065	184,008	820,002	20,900	13,023,614
Reclassification	-	-	-	(42,633)	(297)	-	42,930	-	-
Disposals	-	-	-	-	-	-	(64)	-	(64)
Balance as at 31 March 2014	-	5,119,368	23,022,588	2,474,446	362,986	451,084	1,382,786	59,217	32,872,475
Net book value									
Balance as at 31 March 2014	368,522,875	204,598,229	3,966,182	11,798,576	561,911	824,596	2,417,151	149,783	592,839,303
2013									
<i>Cost</i>									
Balance as at 1 April 2012	30,959,534	208,994,600	23,212,740	3,064,500	117,178	1,032,223	1,162,321	209,000	268,752,096
Additions	91,787,855	-	67,544	3,310,466	508,771	203,233	1,542,674	-	97,420,543
Transfers	(399,110)	-	399,110	-	-	-	-	-	-
Balance as at 31 March 2013	122,348,279	208,994,600	23,679,394	6,374,966	625,949	1,235,456	2,704,995	209,000	366,172,639
<i>Accumulated depreciation</i>									
Balance as at 1 April 2012	-	879,607	7,092,782	183,398	34,177	98,384	55,969	17,415	8,361,732
Depreciation charge	-	2,111,056	7,747,950	855,603	119,041	168,692	463,949	20,902	11,487,193
Balance as at 31 March 2013	-	2,990,663	14,840,732	1,039,001	153,218	267,076	519,918	38,317	19,848,925
Net book value									
Balance as at 31 March 2013	122,348,279	206,003,937	8,838,662	5,335,965	472,731	968,380	2,185,077	170,683	346,323,714

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

14. Intangible assets

	2014 \$	2013 \$
<u>Computer software licenses costs</u>		
<i>Cost</i>		
Balance as at 1 April	4,447,018	2,210,845
Additions	478,822	2,236,173
Disposals	(4,344)	-
Balance as at 31 March	<u>4,921,496</u>	<u>4,447,018</u>
<i>Accumulated amortisation</i>		
Balance as at 1 April	1,197,681	319,376
Amortisation	973,778	878,305
Disposals	(4,343)	-
Balance as at 31 March	<u>2,167,116</u>	<u>1,197,681</u>
Net book value	<u>2,754,380</u>	<u>3,249,337</u>

15. Grants received in advance

	2014 \$	2013 \$
Operating grants received in advance from Government - MIT Education Component (as below)	16,557,584	20,893,344
Research grants received in advance from Government - MIT Research Component (Note 10(ii))	8,102,712	8,890,860
Other research grants received in advance - Government (Note 10(ii))	11,180,318	3,000,000
Research grants received in advance - government agencies and others (Note 10(ii))	3,469,407	740,088
	<u>39,310,021</u>	<u>33,524,292</u>

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

	2014 \$	2013 \$
(i) <u>Movement in operating grants received in advance - MIT Education Component</u>		
Balance as at 1 April	20,893,344	22,583,050
Operating grants received during the year	10,097,715	13,331,939
Operating grants transferred to income statement	(14,433,475)	(15,021,645)
Balance as at 31 March	<u>16,557,584</u>	<u>20,893,344</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

16. Other payables

	2014 \$	2013 \$
Other payables	5,693,179	4,739,587
Payables for capital expenditure	3,145,530	17,612,895
Accrual for		
- Operating expenses	8,127,376	6,691,906
- Capital expenditure	25,064,564	516,753
	<u>42,030,649</u>	<u>29,561,141</u>

17. Borrowings

	2014 \$	2013 \$
<u>Bank borrowings</u>		
Current	12,251,665	6,979,893
Non-current	224,038,653	115,643,717
	<u>236,290,318</u>	<u>122,623,610</u>

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

	2014 \$	2013 \$
Fixed rate - unsecured	116,070,286	119,823,610
Variable rate - unsecured	120,220,032	2,800,000
	<u>236,290,318</u>	<u>122,623,610</u>

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

As at 31 March 2014, the fair value of the non-current borrowings is \$216,834,352 (2013: \$114,044,305). The fair value is determined from the cash flow analysis, discounted at market borrowing rates of 1.34% to 3.34% (2013: 2.5%) per annum, which management expects to be available to the University at the balance sheet date, and are within Level 2 of the fair value hierarchy.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

18. Deferred capital grants

	2014 \$	2013 \$
Balance as at 1 April	349,573,051	260,034,260
Transferred from		
- Operating grants (Note 10(i))	3,283,858	2,818,827
- Research grants (Note 10(ii))	7,427,682	2,231,726
- Development grants (Note 10(iii))	106,319,518	91,144,070
- Debt grant (Note 10(iv))	142,988,175	5,719,164
Amortisation of deferred capital grants (Note 7)	<u>(13,998,601)</u>	<u>(12,374,996)</u>
Balance as at 31 March	<u>595,593,683</u>	<u>349,573,051</u>

19. Non-endowment fund

	2014 \$	2013 \$
<u>Non-endowment fund</u>		
Accumulated surplus	<u>4,515,316</u>	<u>2,330,176</u>
Represented by:		
Cash and cash equivalents	4,819,118	2,587,099
Other payables	<u>(303,802)</u>	<u>(256,923)</u>
	<u>4,515,316</u>	<u>2,330,176</u>

20. Endowment fund

	2014 \$	2013 \$
<u>Endowment fund</u>		
Capital		
- Government grants	458,477,598	398,433,353
- Donations received	<u>49,131,223</u>	<u>17,017,223</u>
	507,608,821	415,450,576
Accumulated surplus	<u>26,549,637</u>	<u>19,735,227</u>
	<u>534,158,458</u>	<u>435,185,803</u>
Represented by:		
Cash and cash equivalents	69,808,334	78,116,739
Grants and other receivables	13,813,064	14,017,308
Financial assets at fair value through income and expenditure	450,662,920	343,097,184
Other current assets	-	4,221
Other payables	<u>(125,860)</u>	<u>(49,649)</u>
	<u>534,158,458</u>	<u>435,185,803</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

20. Endowment fund (continued)

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

Donations from external parties and government matching grants which are to be kept intact as capital of \$32,114,000 (2013: \$13,358,787) and \$60,044,245 (2013: \$38,696,310) respectively, are taken directly to endowment fund - capital during the current financial year.

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

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

	2014 \$	2013 \$
Advances from MOE	<u>2,782,969</u>	<u>1,179,839</u>
Represented by:		
TFL receivables	2,264,439	955,589
SL receivables	518,530	224,250
Net assets	<u>2,782,969</u>	<u>1,179,839</u>

Student tuition fee and study loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over period of up to 20 years after the students' graduation. No interest rate is applicable as at 31 March 2014 as no students had graduated as at 31 March 2014.

22. Commitments

(a) Lessee - Operating lease commitments

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

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

	2014 \$	2013 \$
Within one year	5,099,655	4,878,563
Within 2 to 5 years	103,500	3,844,114
	<u>5,203,155</u>	<u>8,722,677</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

22. Commitments (continued)

(b) Collaboration agreement with Massachusetts Institute of Technology

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

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

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

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

(c) Collaboration agreement with Zhejiang University

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

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

(d) Capital commitments

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

	2014	2013
	\$	\$
Property, plant and equipment	<u>169,058,954</u>	<u>365,764,593</u>

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

23. Related parties transactions

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

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

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

	2014 \$	2013 \$
Payment for leasehold land to a statutory board	792,626	1,510,138
Rental on operating leases to		
- Government	1,708,800	1,823,661
- Statutory board	3,476,900	2,252,377

24. Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) *Currency risk*

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

24. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	2014	2013
	\$	\$
Financial assets at fair value through <u>income and expenditure</u>		
- SGD	335,572,465	258,308,728
- Non-SGD	115,090,455	84,788,456
Total	<u>450,662,920</u>	<u>343,097,184</u>

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

At 31 March 2014, if foreign currencies (i.e. currencies other than those denominated in SGD) had strengthened/weakened by 3% (2013: 3%) against the SGD with all other variables being held constant, there would be minimal impact on the University's surplus for the financial year as a result of fair value changes on the financial assets at fair value through income and expenditure.

(ii) *Interest rate risk*

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

The University's borrowings as at 31 March 2014 include non-fixed rates loans amounting to \$120,220,032, which are exposed to interest rate risk. If interest rate had increased/decreased by 50 basis points, it will result in a \$601,100 increase/decrease in the net surplus.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

24. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

The University's investments in financial assets at fair value through income and expenditure as at 31 March 2014 include interest-bearing debt instruments amounting to \$173,893,980 (2013: \$135,226,232) which are exposed to interest rate risk. Changes in interest rates will have impact on the fair values of these investments. With all other variables held constant, 50 (2013: 50) basis points increase/decrease in interest rates will result in approximately \$7,272,987 (2013: \$5,319,000) decrease/increase in the fair value of financial assets at fair value through income and expenditure and the net surplus.

(iii) *Price risk*

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

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

	Financial assets at fair value through income and expenditure	
	2014 %	2013 %
<u>By geographical area</u>		
Singapore	50	51
Asia Pacific (excluding Singapore)	16	16
Europe	12	12
United States and Latin America	20	20
Middle East and Africa	2	1
Total	<u>100</u>	<u>100</u>

If prices for quoted unit trusts and quoted equity securities had increased/decreased by 5% (2013: 5%), with all other variables held constant, it will result in a \$13,789,000 (2013: \$10,391,000) increase/decrease in the fair value of financial assets at fair value through income and expenditure and the net surplus.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

24. Financial risk management (continued)

(b) Liquidity risk

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

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

	Less than <u>1 year</u> \$	Between 1 <u>and 2 years</u> \$	Between 2 <u>and 5 years</u> \$	Over <u>5 years</u> \$
At 31 March 2014				
Other payables	42,030,649	-	-	-
Borrowings	16,989,570	12,490,876	36,532,213	203,649,228
At 31 March 2013				
Other payables	29,561,141	-	-	-
Borrowings	10,061,266	7,176,562	20,885,566	107,824,175

(c) Credit risk

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

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

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

(d) Capital risk

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

The University is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2014 and 2013.

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

24. Financial risk management (continued)

(e) Fair value measurement

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 31 March 2014				
Financial assets at fair value through income and expenditure				
Quoted debt securities	175,009,265	-	-	175,009,265
Quoted unit trusts	45,422,842	207,629,195	-	253,052,037
Quoted equity securities	22,204,484	-	-	22,204,484
Currency forwards	-	397,134	-	397,134
Total	242,636,591	208,026,329	-	450,662,920
At 31 March 2013				
Financial assets at fair value through income and expenditure				
Quoted debt securities	135,072,135	-	-	135,072,135
Quoted unit trusts	31,837,587	159,645,307	-	191,482,894
Quoted equity securities	16,152,978	-	-	16,152,978
Currency forwards	-	389,177	-	389,177
Total	183,062,700	160,034,484	-	343,097,184

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

SINGAPORE UNIVERSITY OF TECHNOLOGY AND DESIGN

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2014

24. Financial risk management (continued)

(e) Fair value measurement (continued)

The fair value of financial instruments that are not traded in an active market (unlisted unit trusts) is based on price quotes by the brokers. The fair value of currency forwards is determined using quoted forward currency forward rates at the balance sheet date. These instruments are classified as Level 2.

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

(f) Financial instruments by category

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

	2014 \$	2013 \$
Loans and receivables	400,806,631	266,186,461
Financial assets at fair value through income and expenditure	450,662,920	343,097,184
Financial liabilities at amortised cost	<u>278,320,967</u>	<u>152,184,751</u>

25. Charity Act and Regulations

As required for disclosure under regulation 17 of the Charities (Institutions of a Public Character) Regulations, the University has received total tax deductible donations of \$32,743,385 (2013: \$15,510,147) in the current financial year.

26. New or revised accounting standards and interpretations

The University has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the University's accounting periods beginning on or after 1 April 2014. However, management anticipates that the adoption of these standards amendments and interpretations will not have a material impact on the financial statements of the University in the period of their initial adoption.

27. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Trustees of Singapore University of Technology and Design on 18 July 2014.
