FINANCIAL STATEMENTS

STATEMENT BY COUNCIL

On behalf of the Council of the Institute of Singapore Chartered Accountants (the "Institute"), we, Kon Yin Tong and Lee Fook Chiew, being the President and Chief Executive Officer respectively, do hereby state that in our opinion, the consolidated financial statements of the Institute and its subsidiaries (the "Group") and financial statements of the Institute set out on pages 61 to 117 are properly drawn up in accordance with the Societies Act, Chapter 311 and Financial Reporting Standards in Singapore so as to present fairly, in all material respects, the financial position of the Group and the Institute as at 31 December 2018 and of its financial performance, changes in funds and cash flows of the Group and the Institute for the financial year ended on that date.

Kon Yin Tong
President

Lee Fook Chiew
Chief Executive Officer

11 March 2019

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF THE INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Institute of Singapore Chartered Accountants (the "Institute") and its subsidiaries (the "Group") as set out on pages 61 to 117, which comprise the balance sheets of the Group and the Institute as at 31 December 2018, the statements of profit or loss and other comprehensive income, statements of changes in funds and statements of cash flows of the Group and the Institute for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Institute are properly drawn up in accordance with the Societies Act, Chapter 311 (the "Societies Act") and Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the financial position of the Group and the Institute as at 31 December 2018 and the financial performance, changes in funds and cash flows of the Group and the Institute for the financial year ended on that date.

Basis for Opinion

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

Other Information

The Council is responsible for the other information. The other information comprises the Statement by Council as set out on page 57 and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO MEMBERS OF THE INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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

Responsibilities of the Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of these financial statements in accordance with the Societies Act and FRSs, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Council's responsibilities include overseeing the Group'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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council.

- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

TO MEMBERS OF THE INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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,

(i) the accounting and other records required to be kept by the Institute have been properly kept in accordance with the provisions of the Societies Regulations enacted under the Societies Act; and

(ii) the fund-raising appeal held during the financial year ended 31 December 2018 has been carried out in accordance with Regulation 6 of the Societies Regulations issued under the Societies Act and proper accounts and other records have been kept of the fund-raising appeal.

BakerTillyTFW

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Guat Peng
Engagement Partner
(Partner in charge since financial year ended 31 December 2017)

11 March 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group		Institute	
	Note	**2018**	2017	**2018**	2017
		$	$	**$**	$
Continuing operations					
Income					
Members' annual fees		**12,202,040**	11,893,110	**12,202,040**	11,893,110
Members' admission fees		**930,300**	727,000	**930,300**	727,000
Income from Continuing Professional Education		**5,733,037**	5,225,644	**5,733,037**	5,225,644
Income from other training courses		**2,669,908**	2,699,282	**2,669,908**	2,699,282
Practice Monitoring income		**391,300**	435,000	**391,300**	435,000
Other registration and subscription fees		**793,281**	798,045	**–**	–
Income from seminars, event and talks		**1,481,964**	1,237,610	**1,353,587**	1,161,602
Other income:					
– Interest income from financial institutions		**234,686**	194,321	**222,771**	182,535
– Others	4	**2,545,121**	19,928,356	**2,707,172**	21,120,543
Total income		**26,981,637**	43,138,368	**26,210,115**	43,444,716
Less expenditure					
Expenses		**(24,052,235)**	(23,266,799)	**(23,333,419)**	(22,894,311)
Surplus before results of associate	5, 7	**2,929,402**	19,871,569	**2,876,696**	20,550,405
Share of results of associate (net of tax)		**(12,211)**	(1,116)	**–**	–
Surplus before tax		**2,917,191**	19,870,453	**2,876,696**	20,550,405
Income tax (expense)/credit	8	**(372,180)**	1,226	**(367,000)**	–
Surplus from continuing operations		**2,545,011**	19,871,679	**2,509,696**	20,550,405
Discontinued operation					
Net surplus from discontinued operation, net of tax	9	**–**	15,552	**–**	–
Surplus for the year		**2,545,011**	19,887,231	**2,509,696**	20,550,405
Surplus from specific fund:					
ISCA Cares Fund	25	**115,752**	228,208	**–**	–
Net surplus and total comprehensive income for the year		**2,660,763**	20,115,439	**2,509,696**	20,550,405

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

At 31 December 2018

	Note	Group 2018 $	Group 2017 $	Institute 2018 $	Institute 2017 $
Non-current assets					
Property, plant and equipment	10	**1,277,889**	1,406,141	**1,268,466**	1,391,702
Investment properties	11	**11,392,109**	11,694,555	**11,392,109**	11,694,555
Subsidiaries	12	**–**	–	**3**	3
Associate	13	**95,225**	107,436	**–**	–
Deferred tax assets	14	**–**	193,000	**–**	193,000
Intangible assets	15	**809,268**	1,080,335	**800,055**	1,057,063
Available-for-sale financial assets	16	**–**	290,921	**–**	290,921
Financial assets at fair value through profit or loss	17	**47,115,304**	–	**47,115,304**	–
		60,689,795	14,772,388	**60,575,937**	14,627,244
Current assets					
Inventories	18	**22,906**	16,427	**19,272**	15,240
Contract assets	19	**238,800**	–	**238,800**	–
Trade and other receivables	21	**3,611,424**	3,037,842	**3,899,437**	3,339,189
Cash and cash equivalents	22	**15,734,065**	63,243,758	**13,307,720**	60,940,819
		19,607,195	66,298,027	**17,465,229**	64,295,248
Total assets		**80,296,990**	81,070,415	**78,041,166**	78,922,492
Non-current liabilities					
Deferred tax liabilities	14	**63,000**	–	**63,000**	–
Provisions	23	**322,490**	318,509	**322,490**	318,509
		385,490	318,509	**385,490**	318,509
Current liabilities					
Trade and other payables	24	**5,113,897**	8,449,282	**5,000,757**	8,289,847
Course fees received in advance		**–**	566,732	**–**	564,772
Subscription fees received in advance		**–**	3,188,597	**–**	3,187,410
Contract liabilities	20	**3,475,884**	–	**3,472,269**	–
Current tax payable		**115,007**	1,346	**111,000**	–
		8,704,788	12,205,957	**8,584,026**	12,042,029
Total liabilities		**9,090,278**	12,524,466	**8,969,516**	12,360,538
Net assets		**71,206,712**	68,545,949	**69,071,650**	66,561,954
Represented by					
Accumulated fund		**70,647,709**	68,102,698	**69,071,650**	66,561,954
ISCA Cares Fund	25	**559,003**	443,251	**–**	–
		71,206,712	68,545,949	**69,071,650**	66,561,954

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN FUNDS

For the financial year ended 31 December 2018

	Accumulated Fund $	ISCA Cares Fund $	Total $
Group			
Balance at 1 January 2017	48,215,467	215,043	48,430,510
Net surplus and total comprehensive income for the year	19,887,231	228,208	20,115,439
Balance at 31 December 2017	68,102,698	443,251	68,545,949
Net surplus and total comprehensive income for the year	2,545,011	115,752	2,660,763
Balance at 31 December 2018	**70,647,709**	**559,003**	**71,206,712**
Institute			
Balance at 1 January 2017	46,011,549	–	46,011,549
Net surplus and total comprehensive income for the year	20,550,405	–	20,550,405
Balance at 31 December 2017	66,561,954	–	66,561,954
Net surplus and total comprehensive income for the year	2,509,696	–	2,509,696
Balance at 31 December 2018	**69,071,650**	**–**	**69,071,650**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2018

	Group		Institute	
		Restated		Restated
	2018	2017	**2018**	2017
	$	$	**$**	$
Cash flows from operating activities				
Surplus before tax from continuing operations	**2,917,191**	19,870,453	**2,876,696**	20,550,405
Surplus before tax from discontinued operation	**–**	15,552	**–**	–
Net surplus before tax, total	**2,917,191**	19,886,005	**2,876,696**	20,550,405
Adjustments for:				
Bad debts written off	**19,234**	–	**19,234**	–
Depreciation of property, plant and equipment, investment properties and amortisation of intangible assets	**996,020**	1,233,585	**988,501**	1,175,358
Finance cost	**3,981**	3,932	**3,981**	3,932
Interest income	**(234,686)**	(194,497)	**(222,771)**	(182,535)
Net fair value loss on financial assets at fair value through profit or loss	**629,027**	–	**629,027**	–
Property, plant and equipment written off	**4,130**	288	**4,130**	288
Gain on disposal of financial assets at fair value through profit or loss	**(74,737)**	–	**(74,737)**	–
Gain on disposal of investment property	**–**	(17,555,407)	**–**	(17,555,407)
Gain on sale of discontinued operation, net of tax	**–**	(751,016)	**–**	–
Loss on disposal of subsidiary	**–**	–	**–**	338,099
Distribution upon strike-off of subsidiary	**–**	–	**–**	(1,026,219)
Share of results of associate (net of tax)	**12,211**	1,116	**–**	–
Operating surplus before working capital changes	**4,272,371**	2,624,006	**4,224,061**	3,303,921
Contract assets	**(238,800)**	–	**(238,800)**	–
Inventories	**(6,479)**	(1,187)	**(4,032)**	–
Receivables	**(662,126)**	(324,789)	**(648,559)**	(709,091)
Payables	**(436,653)**	(774,394)	**(401,914)**	(1,466,952)
Contract liabilities	**3,475,884**	–	**3,472,269**	–
Course fees received in advance	**(566,732)**	(1,012,169)	**(564,772)**	251,406
Subscription fees received in advance	**(3,188,597)**	(166,233)	**(3,187,410)**	(166,260)
Cash generated from operations	**2,648,868**	345,234	**2,650,843**	1,213,024
Income tax paid	**(2,519)**	(4,595)	**–**	–
ISCA Cares Fund (Note 25)	**115,752**	228,208	**–**	–
Net cash generated from operating activities	**2,762,101**	568,847	**2,650,843**	1,213,024

STATEMENTS OF CASH FLOWS (CONT'D)

For the financial year ended 31 December 2018

	Group		Institute	
		Restated		Restated
	2018	2017	**2018**	2017
	$	$	**$**	$
Cash flows from investing activities				
Disposal of discontinued operation, net of cash disposed of (Note 12(c))	**–**	(147,956)	**–**	–
Fixed deposits pledged	**(8,035)**	(42,789)	**(8,035)**	(58,035)
Interest received	**303,996**	264,283	**291,848**	255,733
Proceeds from disposal of property, plant and equipment	**–**	2,749	**–**	2,749
Proceeds from disposal of investment property	**–**	42,116,359	**–**	42,116,359
Goods and services tax on disposal of investment property	**(2,948,145)**	2,948,145	**(2,948,145)**	2,948,145
Financial assets at fair value to profit or loss	**(47,520,000)**	–	**(47,520,000)**	–
Purchases of property, plant and equipment	**(157,879)**	(184,875)	**(157,879)**	(174,145)
Additions to intangible assets (Note 15)	**(93,740)**	(125,175)	**(93,740)**	(125,175)
Proceeds from disposal of financial assets at fair value through profit or loss	**143,974**	–	**143,974**	–
Net cash (used in)/generated from investing activities	**(50,279,829)**	44,830,741	**(50,291,977)**	44,965,631
Net (decrease)/increase in cash and cash equivalents from continuing operations	**(47,517,728)**	45,399,588	**(47,641,134)**	46,178,655
Cash and cash equivalents at beginning of year	**63,185,723**	17,786,135	**60,882,784**	14,704,129
Cash and cash equivalents at end of year (Note 22)	**15,667,995**	63,185,723	**13,241,650**	60,882,784

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

1 CORPORATE INFORMATION

The Institute (UEN No. T04SS0109E) is the national organisation of the accountancy profession in Singapore. It was established in June 1963 as the Singapore Society of Accountants ("SSA") under the SSA Ordinance 1963, then reconstituted and renamed the Institute of Certified Public Accountants of Singapore ("ICPAS") on 11 February 1989 under the Accountants Act 1987. As of 31 March 2004, ICPAS was reconstituted as a society under the Societies Act. The restructuring is primarily a change of form for the Institute as ICPAS continued to be the national body for the accountancy profession in Singapore and its functions remain unchanged. In 2013, ICPAS was renamed as the Institute of Singapore Chartered Accountants ("ISCA"). The registered office and principal place of business of the Institute is located at 60 Cecil Street, ISCA House, Singapore 049709.

The principal activities of the Institute are those of administering the Institute's membership, catering for the training and professional development of its members. The principal activities of the subsidiaries are disclosed in Note 12.

The consolidated financial statements relate to the Institute and its subsidiaries (collectively, the "Group") and the Group's interest in associate.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements of the Group have been prepared in accordance with the Societies Act, Chapter 311 and Financial Reporting Standards in Singapore ("FRSs").

The financial statements, which are presented in Singapore dollar ("$"), have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on Council's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity or areas where assumptions significant to the financial statements are disclosed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (cont'd)

New and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Institute, except as disclosed below:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting and incremental costs of obtaining a contract and the cost directly related to fulfilling a contract.

The Group adopted FRS 115 using the modified retrospective approach without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the accumulated fund as at 1 January 2018.

Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed as at this date. The Group has elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

At the date of initial application and 31 December 2018, the Group has assessed that the adoption of FRS 115 does not have any material impact to the financial position and results of the Group and the Institute.

Upon adoption of FRS 115, the Group and the Institute have also changed the presentation of the accrued practice review fee receivable of $238,800 as at 31 December 2018 as contract assets.

The adoption of FRS 115 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Institute applied FRS 109 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Institute have not restated the comparative information, which continues to be reported under FRS 39.

(a) Classification and measurement

Under FRS 109, the Group and the Institute classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Institute's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in classification and measurement arising from adopting FRS 109:

- Loans and receivables (including trade and other receivables (excluding prepayments) and cash and cash equivalents) as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018; and

- Investment in quoted equity shares classified as available-for-sale ("AFS") financial asset as at 31 December 2017 are classified and measured at fair value through profit or loss beginning 1 January 2018.

The Group and the Institute have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

FRS 109 Financial Instruments (cont'd)

(a) Classification and measurement (cont'd)

The following summarises the required or elected reclassifications as at 1 January 2018 upon adoption of FRS 109:

	Original carrying amount	FRS 109 measurement category	
		FVTPL	Amortised cost
	$	$	$
Group			
FRS 39 measurement category			
Loans and receivables			
Trade and other receivables	2,627,136	–	2,627,136
Cash and cash equivalents	63,243,758	–	63,243,758
Available-for-sale financial assets			
Quoted equity shares	290,921	290,921	–
Institute			
FRS 39 measurement category			
Loans and receivables			
Trade and other receivables	2,956,448	–	2,956,448
Cash and cash equivalents	60,940,819	–	60,940,819
Available-for-sale financial assets			
Quoted equity shares	290,921	290,921	–

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its financial assets at amortised cost, either on a 12-month or lifetime basis. Management has assessed that there is no material impact of applying the new standard on the Group's financial statements.

At the date of initial application and 31 December 2018, the Group and the Institute have assessed that the adoption of FRS 109 does not have any material impact to the financial position and results of the Group and the Institute.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Institute, except as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

FRS 116 Leases

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), within limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as FRS 116 replaces straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $1,738,896 (Note 27(a)). These commitments relate to short term leases and leases of low value items which will be recognised on a straight-line basis as expense in profit or loss. As at year end, the Group has commenced negotiations for the renewal of the leased property that will be expiring in 2019. On completion of the negotiations and extension of the leased property, the Group will perform an assessment of the impact and adjustments on its financial statements on the application of FRS 116.

The Group does not expect any significant impact on the financial statements from its activities as a lessor.

b) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent entity. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenditure and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenditure as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

When a change in the Institute's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to income and expenditure or transferred directly to accumulated fund if required by a specific FRS.

Associate

Associate is an entity in which the Group has significant influence, but not control, over their financial and operating policies of the entity. The Group's investment in associate is accounted for using the equity method of accounting, less impairment losses, if any. The consolidated financial statements include the Group's share of the profit or loss of the associate from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Accounting for subsidiaries and associate by the Institute

In the Institute's separate financial statements, investments in subsidiaries and associate are stated at cost less impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income or expenditure.

c) Functional and foreign currencies

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The financial statements of the Group and the Institute are presented in Singapore dollar, which is the Institute's functional currency.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency using the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the rates ruling at that date. All exchange differences are taken to income or expenditure.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Inventories

Inventories, comprising commemorative gold coins, notebooks, merchandise for E-store and pouches, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and costs of bringing the asset to working condition for its intended use. Dismantlement, removal or restoration costs are included as part of the cost of asset if the obligation for dismantlement, removal or restoration costs is incurred as a consequence of acquiring or using the asset. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to expenditure. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in income or expenditure as incurred.

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

Freehold land is not depreciated. Depreciation of other property, plant and equipment is calculated on the straight-line basis to write off the cost less residual value of the assets over their estimated useful lives as follows:

	Years
Furniture and office equipment	4 to 10
Computers	3 to 4
Renovation	3 to 12

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are recognised in income or expenditure when the changes arise.

f) Investment properties

Investment properties, comprise freehold land and buildings of the Group and the Institute, that are leased out to earn rental. Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Depreciation of the buildings is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful life of 50 years.

Transfers are made to or from investment property only when there is a change in use. When transfer is made between investment property and owner-occupied property, its carrying amount (cost less accumulated depreciation and impairment) at the date of transfer becomes its carrying amount for subsequent accounting.

On disposal of investment property, the difference between the disposal proceeds and the carrying amount is recognised in income or expenditure.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

g) Intangible assets

Acquired intellectual property and website development includes development costs which relate to the design and testing of new or improved learning materials which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of the new or improved learning materials are put into use. Such costs are subsequently amortised on a straight-line basis over their useful lives of 3 years.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over their estimated useful lives of 3 to 5 years.

No amortisation is provided on system work-in-progress. Amortisation of the system, on the same basis as other intangible assets, commences when the asset is ready for its intended use.

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

h) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in expenditure if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognised. Reversal of impairment loss is recorded in income or expenditure. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets

The accounting policies for financial assets before 1 January 2018 are as follows:

Classification

The Group classifies its financial assets according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets

Available-for-sale financial assets include entity and debt securities that are non-derivatives that are either designed in the category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

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 included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments) and "cash and cash equivalents" on the balance sheet.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in income or expenditure. Any amount in the fair value reserve relating to that asset is also transferred to income or expenditure.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Interest income on financial assets is recognised separately as income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets (cont'd)

The accounting policies for financial assets before 1 January 2018 are as follows (cont'd):

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment loss recognised in income or expenditure. The impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Subsequent recoveries of amounts previously written off are recognised against the same line item in income or expenditure.

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

Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an objective evidence that the security is impaired.

When there is objective evidence that an available-for-sale financial assets is impaired, the cumulative loss that was recognised directly in the fair value reserve is reclassified to income or expenditure. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised.

Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through income or expenditure when the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised. However, impairment losses recognised in income or expenditure on equity instruments classified as available-for-sale financial assets are not reversed through income or expenditure.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets (cont'd)

The accounting policies for financial assets from 1 January 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition if financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:
- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

i) Debt instruments

Debt instruments include trade and other receivables (excluding prepayments) and cash and cash equivalents. The subsequent measurement category is depending on the Group's business model for managing the asset and cash flow characteristics of the asset:

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets (cont'd)

The accounting policies for financial assets from 1 January 2018 onwards are as follows (cont'd):

Subsequent measurement (cont'd)

i) Debt instruments (cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Fair value through profit or loss ("FVTPL")

Debts instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or Fair value to other comprehensive income ("FVOCI") are classified as FVTPL. Movements in fair values and interest income are recognised in profit or loss in the period in which it arises and presented in "Other income".

ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other income or Expenses". On disposal of an equity investment classified as FVTPL, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss. Dividends from equity investments are recognised in profit or loss and presented in "Other income".

iii) Funds placed with funds managers

The Group and the Institute classify a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis as financial assets at fair value through profit or loss. Such portfolio of financial assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The collection of contractual cash flows is only incidental to achieving the business model's objective. The Group's and the Institute's primary focus on a portfolio of financial assets is on the fair value information and uses that information to assess the assets' performance and to make decisions.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

i) Financial assets (cont'd)

The accounting policies for financial assets from 1 January 2018 onwards are as follows (cont'd):

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. 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 required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at balance sheet date. The Group based on its historical credit loss experience, adjusts as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in income or expenditure for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

j) Financial liabilities

Financial liabilities include trade and other payables (excluding accrual for unutilised annual leave). Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in income or expenditure when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets (Note 2(e)). This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value of money.

l) Operating leases

Lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to income or expenditure on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expenditure in the period in which termination takes place.

Lessor

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

m) Cash and cash equivalents in the statements of cash flows

For the purpose of presentation on the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledge deposits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) Government grants

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

When the grant relates to an expenditure item, it is recognised in income or expenditure over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

o) Revenue recognition

These accounting policies are applied on and after the initial application date of FRS 115, 1 January 2018: Revenue is measured based on the consideration to which the Group and the Institute expect to be entitled in exchange for transferring promised goods or services to the customer.

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

(i) Members' annual fees and Member's admission fees

The Institute is the national accountancy professional body and provides membership services to its members. Such members' annual fees are recognised as a performance obligation satisfied over time. Member's annual fee is recognised as income in the period to which the annual fees relates. Unearned income relating to future period is included in contract liabilities. The members' annual fee is non-refundable and payable upon membership renewal.

The Group provides members administrative services in the application of membership status. The admission fees are due upon submission of membership application and non-refundable. The admission fees are recognised as income upon processing of the membership application.

(ii) Services

– Course fees (from continuing professional education, training and seminars), subscription fees and management fees

The Group provides its members training courses relating to the continuing professional education for its members. Such services are recognised as a performance obligation satisfied over time. Income from course fees, subscription fees and management fees are recognised as a performance obligation satisfied over time and are recognised over the duration of the programmes and in the period during which service is provided, having regards to the stage of completion of the service. Unearned income relating to service to be rendered in future periods is included in contract liabilities. Subscription fees are recognised as income in the year to which the subscription relates. Unearned income relating to future year is included in contract liabilities. The above fees are due upon registration, and non-refundable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o) Revenue recognition (cont'd)

(ii) Services (cont'd)

– Administrative fee income

Administrative fee income from the administration of Singapore CA Qualification ("CA Qualification") is recognised net of expenditure incurred. The net amount of the income recognised is derived based on a pre-determined fixed percentage of the pre-approved expenditure incurred for the CA Qualification. The Group will bill customer in accordance to the billing terms in the service agreement and are required to pay within 30 days from the invoice date.

– Practice monitoring review income

The Institute provides inspection services on audits performed by public accountants, and such services are recognised as a performance obligation satisfied over time. The services performed by the Institute has no alternative use due to the contractual restriction and the Institute has enforceable rights to payment arising from the contractual terms. Revenue is recognised over the duration of the service and in the period during which service is provided, having regards to the stage of completion determined based on man hours incurred to date over the budgeted man hours. A contract asset is recognised when the Institute has performed under the contract but has not yet billed the client. The Institute will bill client in accordance to the billing terms in the service agreement and are required to pay within 30 days from the invoice date. No element of financing is deemed present.

(iii) Interest income

Interest income is recognised as the interest accrues based on effective interest method.

(iv) Rental income

Rental income from operating leases are recognised on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

p) Employee benefits

Defined contribution plans

As required by law, the Group makes contributions to the state pension scheme, the Central Provident Fund ("CPF") Scheme which is a defined contribution pension scheme. Contributions to CPF are recognised as expenditure in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

q) Discontinued operation

A component of the Group is classified as "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area or operations.

In the statement of profit or loss and other comprehensive income of the current financial, and of the comparative period, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of surplus after tax. The resulting net gain or loss is reported separately in income or expenditure.

r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, providing for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the preceding paragraphs).

Business model assessment

Classification and measurement of financial assets depends on the cashflows that are solely payments of principal and interest ("SPPI") and the results of the business model test (refer to Note 2). The Group and the Institute determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group and the Institute classify a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis as financial assets at fair value through profit or loss. Such portfolio of financial assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The collection of contractual cash flows is only incidental to achieving the business model's objective. The Group's and the Institute's primary focus on a portfolio of financial assets is on the fair value information and uses that information to assess the assets' performance and to make decisions.

The Group and the Institute monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Institute change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income taxes

The Group and the Institute recognise liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payables and deferred tax liabilities at the balance sheet date was $115,007 (2017: $1,346) and $63,000 (2017: deferred tax assets of $193,000), respectively. The carrying amounts of the Institute's income tax payable and deferred tax liabilities at the balance sheet date was $111,000 (2017: $Nil) and $63,000 (2017: deferred tax assets of $193,000), respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

Depreciation of property, plant and equipment and investment properties

The cost of property, plant and equipment and investment properties are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 3 to 50 years. The estimation of the useful lives and residual amount involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the net carrying amounts of property, plant and equipment and investment properties, and the depreciation charges for the financial year.

The carrying amounts of the Group's and the Institute's property, plant and equipment and investment properties as at 31 December 2018 and the annual depreciation charges for the financial year ended 31 December 2018 are disclosed in Notes 10 and 11 respectively.

Amortisation of intangible assets

The Group and the Institute review the useful lives of intangible assets at the balance sheet date in accordance with the accounting policy in Note 2(g). Changes in circumstances, such as technological or other types of obsolescence, could result in the actual useful lives differing from the management's current estimates. The net carrying amount of intangible assets at 31 December 2018 and the annual amortisation charge for the financial year ended 31 December 2018 are disclosed in Note 15. Any changes in the expected useful lives of these assets would affect the net carrying amount of intangible assets, and the amortisation charge for the financial year.

Calculation of loss allowance

When measuring ECL, the Group and the Institute use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying value of trade receivables at reporting date are disclosed in Note 28.

Impairment of non-current assets

Management assesses whether there are any indicators of impairment for all non-current assets at each balance sheet date. Non-current assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

Impairment of non-current assets (cont'd)

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows.

The carrying amounts of the Group's and Institute's property, plant and equipment, investment properties and intangible assets are disclosed in Notes 10, 11 and 15 respectively.

4 OTHER INCOME

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Other income				
Secretariat				
Advertising income	**90,440**	98,749	**90,440**	98,749
Government grants	**173,892**	189,847	**173,892**	189,847
Gain on disposal of financial assets at FVTPL	**74,737**	–	**74,737**	–
Management fees	**15,535**	15,369	**175,491**	180,102
Other fees	**154,137**	128,358	**154,137**	133,593
Rental income from investment properties	**940,781**	1,229,087	**940,781**	1,229,087
Sundry income	**419,347**	71,880	**421,442**	67,340
	1,868,869	1,733,290	**2,030,920**	1,898,718
Distribution upon strike-off of subsidiary	**–**	–	**–**	1,026,219
Gain on disposal of investment property	**–**	17,555,407	**–**	17,555,407
	1,868,869	19,288,697	**2,030,920**	20,480,344
Training Division				
CA Qualification net administrative fee	**117,446**	143,683	**117,446**	143,683
Other fees	**19,760**	12,530	**19,760**	12,530
Rental income	**14,552**	22,828	**14,552**	23,368
Sundry income	**524,494**	460,618	**524,494**	460,618
	676,252	639,659	**676,252**	640,199
	2,545,121	19,928,356	**2,707,172**	21,120,543

4 OTHER INCOME (CONT'D)

The Singapore CA Qualification ("CA Qualification") net administrative fee of the Training Division during the financial year is derived as a fixed percentage of the expenditure incurred by the Group and Institute to administer the CA Qualification, which includes the following:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Staff costs	**(660,626)**	(745,308)	**(660,626)**	(745,308)
Contributions to CPF	**(88,671)**	(100,256)	**(88,671)**	(100,256)
Rental expenses	**(116,783)**	(123,745)	**(116,783)**	(123,745)
Website expenses	**(27,090)**	(13,545)	**(27,090)**	(13,545)
Depreciation of property, plant equipment (Note 10)	**(4,506)**	(8,169)	**(4,506)**	(8,169)
Amortisation of intangible assets (Note 15)	**(26,433)**	(46,715)	**(26,433)**	(46,715)

5 SURPLUS BEFORE RESULTS OF ASSOCIATE

This is arrived at after charging/(crediting) the following:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Advertisement expenses	**686,657**	368,076	**688,111**	368,076
Amortisation of intangible assets (Note 15)	**324,315**	349,721	**324,315**	349,721
Bad debts written off	**19,234**	–	**19,234**	–
Depreciation of investment properties (Note 11)	**302,446**	324,394	**302,446**	324,394
Depreciation of property, plant and equipment (Note 10)	**335,817**	450,178	**330,801**	446,359
Direct costs of providing training and other courses	**2,944,281**	2,881,859	**2,928,319**	2,844,779
Finance cost	**3,981**	3,932	**3,981**	3,932
Net fair value loss with respect to financial assets at FVTPL	**629,027**	–	**629,027**	–
Loss on disposal of subsidiary	–	–	–	338,099
Property, plant and equipment written off	**4,130**	288	**4,130**	288
Rental expenses	**1,922,476**	2,141,581	**1,920,316**	2,148,210
Repair and maintenance	**301,194**	413,633	**301,194**	413,633
Publications	**431,055**	452,746	**431,055**	452,746
Seminar and talk expenses	**1,142,503**	835,846	**1,112,915**	821,239
Staff costs (Note 6)	**12,070,325**	12,287,514	**11,493,656**	11,707,507
Website and IT expenses	**740,951**	712,248	**712,655**	686,113
Write-back of doubtful receivables (Note 28)	–	(74,323)	–	(74,323)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

6 STAFF COSTS

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Salaries and bonuses	**10,522,225**	10,742,638	**10,022,026**	10,243,974
Contributions to CPF	**1,284,031**	1,285,976	**1,214,936**	1,215,470
Other employee benefit expenses	**264,069**	258,900	**256,694**	248,063
	12,070,325	12,287,514	**11,493,656**	11,707,507

7 SURPLUS BEFORE RESULTS OF ASSOCIATE

	Secretariat		Training division		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Group						
Income						
Members' annual fees	**12,202,040**	11,893,110	**–**	–	**12,202,040**	11,893,110
Members' admission fees	**919,200**	727,000	**11,100**	–	**930,300**	727,000
Income from Continuing Professional Education	**–**	–	**5,733,037**	5,225,644	**5,733,037**	5,225,644
Income from other training courses	**–**	4,785	**2,669,908**	2,694,497	**2,669,908**	2,699,282
Practice Monitoring income	**391,300**	435,000	**–**	–	**391,300**	435,000
Other registration and subscription fees	**793,281**	798,045	**–**	–	**793,281**	798,045
Income from seminars, event and talks	**1,242,605**	957,890	**239,359**	279,720	**1,481,964**	1,237,610
Other income						
– Interest income from financial institutions	**234,686**	194,321	**–**	–	**234,686**	194,321
– Others	**1,868,869**	19,288,697	**676,252**	639,659	**2,545,121**	19,928,356
Total income	**17,651,981**	34,298,848	**9,329,656**	8,839,520	**26,981,637**	43,138,368
Less expenditure						
Expenses	**(17,820,170)**	(16,708,570)	**(6,232,065)**	(6,558,229)	**(24,052,235)**	(23,266,799)
(Deficit)/surplus	**(168,189)**	17,590,278	**3,097,591**	2,281,291	**2,929,402**	19,871,569

7 SURPLUS BEFORE RESULTS OF ASSOCIATE (CONT'D)

	Secretariat		Training division		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Institute						
Income						
Members' annual fees	**12,202,040**	11,893,110	**–**	–	**12,202,040**	11,893,110
Members' admission fees	**919,200**	727,000	**11,100**	–	**930,300**	727,000
Income from Continuing Professional Education	**–**	–	**5,733,037**	5,225,644	**5,733,037**	5,225,644
Income from other training courses	**–**	4,785	**2,669,908**	2,694,497	**2,669,908**	2,699,282
Practice Monitoring income	**391,300**	435,000	**–**	–	**391,300**	435,000
Income from seminars, event and talks	**1,114,228**	881,882	**239,359**	279,720	**1,353,587**	1,161,602
Other income						
– Interest income from financial institutions	**222,771**	182,535	**–**	–	**222,771**	182,535
– Others	**2,030,920**	20,480,344	**676,252**	640,199	**2,707,172**	21,120,543
Total income	**16,880,459**	34,604,656	**9,329,656**	8,840,060	**26,210,115**	43,444,716
Less expenditure						
Expenses	**(17,099,900)**	(16,325,624)	**(6,233,519)**	(6,568,687)	**(23,333,419)**	(22,894,311)
(Deficit)/surplus	**(219,441)**	18,279,032	**3,096,137**	2,271,373	**2,876,696**	20,550,405

(a) **Revenue recognised during the financial year from:**

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Amounts included in contract liability at beginning of the financial year	**3,755,329**	4,933,731	**3,752,182**	3,667,036

(b) **Disaggregation of revenue**

	Group		Institute	
	2018	2017	**2018**	2017
Timing of transfer of good or services				
At a point in time	**2,277,056**	2,444,483	**2,105,667**	2,308,575
Over time	**21,924,774**	20,571,208	**21,174,505**	19,833,063
	24,201,830	23,015,691	**23,280,172**	22,141,638

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

7 SURPLUS BEFORE RESULTS OF ASSOCIATE (CONT'D)

(c) Transaction price allocated to remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 is $217,200. The Group and Institute expect to recognise $217,200 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in the financial year 2019.

8 INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) attributable to results is made up of:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Current income tax provision	**114,842**	–	**111,000**	–
Deferred tax	**256,000**	–	**256,000**	–
Under/(over) provision in respect of previous financial years				
– current income tax	**1,338**	(1,226)	**–**	–
	372,180	(1,226)	**367,000**	–

The income tax expense/(credit) on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax to surplus/(deficit) before tax due to the following factors:

	$	$	**$**	$
Surplus/(deficit) before tax from				
– continuing operations	**2,917,191**	19,870,453	**2,876,696**	20,550,405
– discontinued operation	**–**	(735,464)	**–**	–
	2,917,191	19,134,989	**2,876,696**	20,550,405
Tax calculated at a tax rate of 17%	**495,922**	3,252,948	**489,038**	3,493,569
Singapore statutory stepped income exemption	**(31,577)**	(2,025)	**(25,925)**	–
Income not subject to tax	**–**	(3,177,456)	**–**	(3,177,371)
Expenses not deductible for tax purposes	**175,549**	387,511	**175,289**	145,467
Benefits from previously unrecognised capital allowances	**(236,000)**	–	**(236,000)**	–
Benefits from previously unrecognised tax losses and donations	**(25,691)**	(342,349)	**(25,691)**	(342,349)
Effect of tax incentive and tax rebate*	**(10,960)**	(132,068)	**(10,000)**	(131,361)
Deferred tax assets not recognised	**3,829**	14,866	**–**	12,045
Under/(over) provision in respect of prior years	**1,338**	(1,226)	**–**	–
Others	**(230)**	(1,427)	**289**	–
	372,180	(1,226)	**367,000**	–

* Tax incentive for the Group and the Institute in the previous financial year mainly arose from the Productivity and Innovation Credit scheme.

8 INCOME TAX EXPENSE (CONT'D)

At the balance sheet date, the Group and the Institute have unabsorbed capital allowances of $Nil (2017: $1,684,000). These are available for carry forward to offset against future taxable income, subject to the agreement of the tax authority and compliance with the relevant provisions of the Income Tax Act. The Group and Institute have recognised deferred tax assets amounting to $Nil (2017: $50,000). These assets have been recognised on the basis that there are sufficient estimated future taxable profits and taxable temporary differences against which the tax benefits can be utilised, based on the management projection of surplus from operations.

9 DISCONTINUED OPERATION

In 2017, the Group completed the disposal of SAA Global Education Centre Pte. Ltd. ("SAA GE"), a wholly-owned subsidiary of the Company to Malvern International Plc ("Malvern") for a total consideration of $290,921, which was satisfied through the issue of 5,630,350 new ordinary shares in Malvern. A surplus of $15,552 arising from the sales of the discontinued operation and a loss on disposal of subsidiary of $338,099 have been recognised in the income or expenditure of the Group and Institute respectively.

In accordance with Financial Reporting Standard 105 "Non-current Assets Held for Sale and Discontinued Operations", the results and cash flows for the Institute and Group for the previous financial year were presented separately as continuing operations and discontinued operation following the sale of SAA GE.

(a) An analysis of the results of discontinued operation is as follows:

	Group 2017 $
Income for the year	
Income from other training courses	3,412,081
Other income	169,838
Total income	3,581,919
Less expenditure	
Expenses	4,317,383
Deficit before tax from discontinued operation	(735,464)
Income tax expense	–
Deficit after tax from discontinued operation	(735,464)
Gain on disposal of discontinued operation (Note 12)	751,016
Surplus from discontinued operation, net of tax	15,552

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

9 DISCONTINUED OPERATION (CONT'D)

(b) The impact of the discontinued operation on the cash flows of the Group are as follows:

	Group 2017 $
Operating cash flow	(1,171,921)
Investing cash flow	122
Financing cash flow	370,000
	(801,799)

10 PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and office equipment $	Computers $	Renovation $	Total $
Cost				
Balance at 1 January 2017	1,967,427	1,696,111	1,485,035	5,148,573
Additions	58,639	208,159	–	266,798
Write-off/disposals	(32,061)	(10,152)	(48,788)	(91,001)
Disposal of a subsidiary	(692,496)	(265,189)	(452,708)	(1,410,393)
Balance at 31 December 2017	1,301,509	1,628,929	983,539	3,913,977
Additions	24,549	191,652	–	216,201
Written off	(8,961)	(93,545)	–	(102,506)
Balance at 31 December 2018	**1,317,097**	**1,727,036**	**983,539**	**4,027,672**
Accumulated depreciation and impairment				
Balance at 1 January 2017	1,157,387	1,424,452	773,580	3,355,419
Depreciation charge for the year	198,710	218,191	86,616	503,517
Write-off/disposals	(31,773)	(7,403)	(48,788)	(87,964)
Disposal of a subsidiary	(558,136)	(254,373)	(450,627)	(1,263,136)
Balance at 31 December 2017	766,188	1,380,867	360,781	2,507,836
Depreciation charge for the year	101,582	152,738	86,003	340,323
Written off	(4,831)	(93,545)	–	(98,376)
Balance at 31 December 2018	**862,939**	**1,440,060**	**446,784**	**2,749,783**
Carrying amount				
Balance at 31 December 2017	535,321	248,062	622,758	1,406,141
Balance at 31 December 2018	**454,158**	**286,976**	**536,755**	**1,277,889**

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Institute

	Furniture and office equipment $	Computers $	Renovation $	Total $
Cost				
Balance at 1 January 2017	1,269,144	1,403,258	1,032,327	3,704,729
Additions	58,639	197,429	–	256,068
Write-off/disposal	(30,671)	(10,152)	(48,788)	(89,611)
Balance at 31 December 2017	1,297,112	1,590,535	983,539	3,871,186
Additions	24,549	191,652	–	216,201
Written off	(8,961)	(85,554)	–	(94,515)
Balance at 31 December 2018	**1,312,700**	**1,696,633**	**983,539**	**3,992,872**
Accumulated depreciation				
Balance at 1 January 2017	629,859	1,158,106	323,565	2,111,530
Depreciation charge for the year	165,795	202,729	86,004	454,528
Write-off/disposal	(30,383)	(7,403)	(48,788)	(86,574)
Balance at 31 December 2017	765,271	1,353,432	360,781	2,479,484
Depreciation charge for the year	101,143	148,161	86,003	335,307
Written off	(4,831)	(85,554)	–	(90,385)
Balance at 31 December 2018	**861,583**	**1,416,039**	**446,784**	**2,724,406**
Carrying amount				
Balance at 31 December 2017	531,841	237,103	622,758	1,391,702
Balance at 31 December 2018	**451,117**	**280,594**	**536,755**	**1,268,466**

Depreciation charge is taken up as follows:

	Group		Institute	
	2018 $	2017 $	**2018 $**	2017 $
Statement of Profit or Loss and Other Comprehensive Income				
Continuing operations:				
– Other income – CA Qualification net administrative fee (Note 4)	**4,506**	8,169	**4,506**	8,169
– Operating expenses (Note 5)	**335,817**	450,178	**330,801**	446,359
Discontinued operation:				
– Operating expenses	**–**	45,170	**–**	–
	340,323	503,517	**335,307**	454,528

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group and Institute

Included in additions of property, plant and equipment of the Group and Institute is an amount of $58,322 (2017: $81,923) payable to a third party. The cash outflows on additions to property, plant and equipment of the Group and Institute were $157,879 (2017: $184,875) and $157,879 (2017: $174,145) respectively.

11 INVESTMENT PROPERTIES

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Cost				
Balance at 1 January	**15,122,263**	41,882,764	**15,122,263**	41,882,764
Disposal	**–**	(26,760,501)	**–**	(26,760,501)
Balance at 31 December	**15,122,263**	15,122,263	**15,122,263**	15,122,263
Accumulated depreciation and impairment				
Balance at 1 January	**3,427,708**	5,627,371	**3,427,708**	5,627,371
Depreciation charge (Note 5)	**302,446**	324,394	**302,446**	324,394
Disposal	**–**	(2,524,057)	**–**	(2,524,057)
Balance at 31 December	**3,730,154**	3,427,708	**3,730,154**	3,427,708
Carrying amount				
Balance at 31 December	**11,392,109**	11,694,555	**11,392,109**	11,694,555

(a) The following amounts are recognised in income and expenditure:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Rental income from investment properties	**940,781**	1,229,087	**940,781**	1,229,087
Direct operating expenses arising from investment properties that generated rental income	**(154,176)**	(366,544)	**(154,176)**	(366,544)
Depreciation charge	**(302,446)**	(324,394)	**(302,446)**	(324,394)

11 INVESTMENT PROPERTIES (CONT'D)

(b) In accordance with the Constitution of the Institute, the freehold land and buildings are held by Institute of Singapore Chartered Accountants Pte. Ltd. in trust for the Institute.

Location	Floor area (Square metres)	Tenure
6 Raffles Quay #23-00 Singapore 048580	941	Freehold

12 SUBSIDIARIES AND INTRA-GROUP TRANSACTIONS

(a) Investments in subsidiaries

	Institute 2018 $	Institute 2017 $
Unquoted equity shares, at cost	**3**	3
	3	3

(b) Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective interest held by the Group 2018 %	Effective interest held by the Group 2017 %
Association of Taxation Technicians (S) Limited(1)(2)	Singapore	To administer the structured training program and to set and to manage the syllabus and examination which will lead to the Diploma in Taxation	**100**	100
Institute of Singapore Chartered Accountants Pte. Ltd.(2)	Singapore	To undertake and perform the office and duties of trustee of and for the ISCA in accordance with the constitution of the ISCA	**100**	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

12 SUBSIDIARIES AND INTRA-GROUP TRANSACTIONS (CONT'D)

(b) Details of subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective interest held by the Group 2018 %	2017 %
Held by Institute of Singapore Chartered Accountants Pte. Ltd.				
Singapore Institute of Accredited Tax Professionals Limited[1,3]	Singapore	Accreditation body for tax professionals	**100**	100
ISCA Cares Limited[1,4]	Singapore	To provide disadvantaged Singapore youths access to quality accountancy education through pecuniary and non-pecuniary assistance	**100**	100

(1) There is no cost of investment as the subsidiaries are companies limited by guarantee whereby every member of the company undertakes to contribute to meet the debts and liabilities of these subsidiaries in the event of its liquidation up to an amount not exceeding $10 for each member except for ISCA Cares Limited up to an amount not exceeding $1 for each member.

(2) These subsidiaries are considered to be wholly-owned subsidiaries of the Institute as the members of these subsidiaries are trustees of the Institute.

(3) In the event of winding up or dissolution, any remaining assets after satisfaction of debts or liabilities, of the Singapore Institute of Accredited Tax Professionals Limited shall be given or transferred in equal proportions to the Institute or some other institution or institutions having similar objects to the company or to some charitable objects.

(4) ISCA Cares Limited is an approved Institution of a Public Character and its fund balance is disclosed separately on balance sheet of the Group (Note 25).

(c) Disposal of a subsidiary

In 2017, SAA Global Education Centre Pte. Ltd. ("SAA GE"), a wholly-owned subsidiary of ISCA was sold to Malvern International plc ("Malvern").

The assets and liabilities of SAA GE were sold to Malvern for a consideration valued at $290,921, satisfied by the issue of 5,630,350 new ordinary shares in Malvern.

12 SUBSIDIARIES AND INTRA-GROUP TRANSACTIONS (CONT'D)

(c) Disposal of a subsidiary (cont'd)

Effect of the disposal of subsidiary on the consolidated statement of cash flows are:

	2017 $
Property, plant and equipment	147,257
Intangible assets	12,577
Trade and other receivables	408,865
Cash and cash equivalents	147,956
Total assets	716,655
Provision	175,800
Trade and other payables	467,527
Course fees received in advance	792,443
Total liabilities	1,435,770
Identified net liabilities disposed of	(719,115)
Consideration received:	
Available-for-sale financial assets	290,921
Gain on disposal of subsidiary	
Consideration received	290,921
Net liabilities derecognised	719,115
Retrenchment cost	(259,020)
Gain on disposal of a subsidiary (Note 9)	751,016
Consideration paid in cash and cash equivalents:	
Cash and cash equivalents of subsidiary disposed of	(147,956)
Net cash outflow on disposal of subsidiary	(147,956)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

12 SUBSIDIARIES AND INTRA-GROUP TRANSACTIONS (CONT'D)

(d) Intra-group transactions

During the financial year, the Institute has the following significant transactions with the subsidiaries on terms agreed between the parties:

	Institute	
	2018	2017
	$	$
Income		
Management fees	**159,956**	164,733
Rental income	**–**	540
Seminar and talk fees	**3,000**	8,000
Expenditure		
Disbursement of expenses	**5,725**	6,113
Donation to ISCA Cares Limited	**6,432**	6,576
Rental expenses	**–**	8,406

The Institute, as part of supporting ISCA Cares Limited contributed 2,335 hours (2017: 1,968 hours) to support the administration of the Charity for the financial year ended 31 December 2018.

13 ASSOCIATE

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Investment in associate	**95,225**	107,436	**–**	–

Details of associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective interest held by the Group	
			2018	2017
			%	%
Insolvency Practitioners Association of Singapore Limited*	Singapore	Professional body for insolvency practitioners	**50**	50

* There is no cost of investment as the associate is a company limited by guarantee whereby every member of the company undertakes to contribute to meet the debts and liabilities of the company in the event of its liquidation to an amount not exceeding $10 for each member.

13 ASSOCIATE (CONT'D)

The summarised financial information of the associate based on its audited financial statements and reconciliation to the carrying amount of the investments in the consolidated financial statements is as follows:

	2018 **$**	2017 $
Revenue	**34,449**	24,563
Profit after tax	**(24,422)**	(2,231)
Non-current assets	**874**	–
Current assets	**213,173**	242,356
Current liabilities	**(23,596)**	(27,483)
Net assets	**190,451**	214,873
Group's share of net assets based on proportion of ownership interest, representing net carrying amount of investment	**95,225**	107,436

During the financial year, the Institute has the following transaction with the associate on the terms agreed between the parties:

	Group and Institute	
	2018 **$**	2017 $
Management fee income	**16,622**	15,369

14 DEFERRED TAX (LIABILITIES)/ASSETS

	Group		**Institute**	
	2018 **$**	2017 $	**2018** **$**	2017 $
Deferred tax (liabilities)/assets comprise tax effect of temporary differences arising from:				
Depreciation and amortisation for tax purposes	**(203,000)**	72,000	**(203,000)**	72,000
Provisions and accruals	**140,000**	113,000	**140,000**	113,000
Unabsorbed approved donations	**–**	8,000	**–**	8,000
	(63,000)	193,000	**(63,000)**	193,000
Representing:				
Non-current				
Deferred tax assets	**–**	193,000	**–**	193,000
Deferred tax liabilities	**(63,000)**	–	**(63,000)**	–
	(63,000)	193,000	**(63,000)**	193,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

15 INTANGIBLE ASSETS

Group

	Computer software $	Others $	Total $
Cost			
At 1 January 2017	2,455,879	60,888	2,516,767
Additions	91,775	88,975	180,750
Disposal of a subsidiary	(440,930)	–	(440,930)
At 31 December 2017	2,106,724	149,863	2,256,587
Additions	16,740	77,000	93,740
Adjustment	(11,556)	–	(11,556)
At 31 December 2018	**2,111,908**	**226,863**	**2,338,771**
Accumulated amortisation			
At 1 January 2017	1,153,724	45,207	1,198,931
Amortisation charge for the year	385,016	20,658	405,674
Disposal of a subsidiary	(428,353)	–	(428,353)
At 31 December 2017	1,110,387	65,865	1,176,252
Amortisation charge for the year	302,635	50,616	353,251
At 31 December 2018	**1,413,022**	**116,481**	**1,529,503**
Carrying amount			
At 31 December 2017	996,337	83,998	1,080,335
At 31 December 2018	**698,886**	**110,382**	**809,268**

15 INTANGIBLE ASSETS (CONT'D)

Institute

	Computer software $	Others $	Total $
Cost			
At 1 January 2017	2,014,949	60,888	2,075,837
Additions	67,700	88,975	156,675
At 31 December 2017	2,082,649	149,863	2,232,512
Additions	16,740	77,000	93,740
At 31 December 2018	**2,099,389**	**226,863**	**2,326,252**
Accumulated amortisation			
At 1 January 2017	733,806	45,207	779,013
Amortisation charge for the year	375,778	20,658	396,436
At 31 December 2017	1,109,584	65,865	1,175,449
Amortisation charge for the year	300,132	50,616	350,748
At 31 December 2018	**1,409,716**	**116,481**	**1,526,197**
Carrying amount			
At 31 December 2017	973,065	83,998	1,057,063
At 31 December 2018	**689,673**	**110,382**	**800,055**

Amortisation charge is taken up as follows:

	Group		Institute	
	2018 $	2017 $	**2018 $**	2017 $
Statement of Profit or Loss and Other Comprehensive Income				
Continuing operations:				
– Other income – CA Qualification net administrative fee (Note 4)	**26,433**	46,715	**26,433**	46,715
– Operating expenses (Note 5)	**324,315**	349,721	**324,315**	349,721
Discontinued operation:				
– Operating expenses	**–**	8,435	**–**	–
ISCA Cares Fund	**2,503**	803	**–**	–
	353,251	405,674	**350,748**	396,436

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

15 INTANGIBLE ASSETS (CONT'D)

Group and Institute

Computer software comprise membership, financial management and administrative systems.

Others comprise intellectual property, website development and development costs of E-Learning platform, including development costs of the educational system and curriculum contents.

Included in additions of intangible assets of the Group and Institute are payable to a third party of $Nil (2017: $55,575) and $Nil (2017: $31,500) respectively. The cash outflows on additions to intangible assets of the Group and Institute were $93,740 (2017: $125,175).

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Institute	
	2018	2017
	$	$
Available-for-sale financial assets		
– Quoted equity shares, at fair value (Note 12)	**–**	290,921

Investment in quoted equity shares classified as available-for-sale financial assets as at 31 December 2017 are classified and measured at fair value through profit or loss beginning at 1 January 2018 (Note 17).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Institute	
	2018	2017
	$	$
Financial assets measured at FVTPL		
– Quoted equity investment in the United Kingdom	**240,505**	–
– Funds placed with fund managers	**46,874,799**	–
	47,115,304	–

The above instruments offer the Group and Institute the opportunities for returns through dividend and fair value gains are measured at fair value through profit or loss.

18 INVENTORIES

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Medallions	**15,240**	15,240	**15,240**	15,240
Notebooks	**936**	1,187	**–**	–
Merchandise for E-store	**4,032**	–	**4,032**	–
Pouches	**2,698**	–	**–**	–
	22,906	16,427	**19,272**	15,240

19 CONTRACT ASSETS

Contract assets relate to the Group's and the Institute's rights to consideration for work completed but not billed at the reporting date on the Group's and the Institute's practice monitoring review services.

Judgements are used to estimate the man hours to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The following table provides information about contract assets from contracts with customers:

	Group		Institute	
	2018	1.1.2018	**2018**	1.1.2018
	$	$	**$**	$
Contract assets	**238,800**	369,000*	**238,800**	369,000*

* The amount is presented under trade and other receivables (Note 21) as at 31 December 2017.

There were no significant changes in the contract asset balances during the financial year.

20 CONTRACT LIABILITIES

Contract liabilities comprise course fees and subscription fees advance consideration received from participants and/or members for courses or events organised by the Group or the Institute and members annual fee, respectively. Contract liabilities are recognised as revenue as (or when) the Group and the Institute satisfy the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers:

	Group		Institute	
	2018	1.1.2018	**2018**	1.1.2018
	$	$	**$**	$
Contract liabilities	**3,475,884**	3,755,329*	**3,472,269**	3,752,182*

* As at 31 December 2017, the amount is presented as course fees received in advance amounting to $566,732 and $564,772 and subscription fees received in advance amounting to $3,188,597 and $3,187,410, respectively on the Group's and the Institute's balance sheet.

There were no significant changes in the contract liability balances during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

21 TRADE AND OTHER RECEIVABLES

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Trade receivables				
– third parties	**1,533,844**	1,640,555	**1,528,601**	1,629,861
– subsidiaries	**–**	–	**253,976**	260,878
– associate	**16,622**	16,445	**16,622**	16,445
	1,550,466	1,657,000	**1,799,199**	1,907,184
Non-trade amount due from a subsidiary	**–**	–	**95,591**	90,347
Accrued practice monitoring review fee receivable	**–**	369,000	**–**	369,000
Deposits	**489,228**	488,838	**489,228**	488,838
Interest receivables	**31,727**	101,037	**25,742**	94,819
Prepayments	**572,898**	410,706	**532,743**	382,741
Recoverable administrative costs	**653,796**	–	**653,796**	–
Others	**313,309**	11,261	**303,138**	6,260
	3,611,424	3,037,842	**3,899,437**	3,339,189

Non-trade amount due from a subsidiary is unsecured, interest-free and repayable on demand.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank deposits and bank balances.

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Interest bearing accounts	**13,234,276**	61,217,368	**11,560,736**	59,633,132
Non-interest bearing accounts	**2,499,789**	2,026,390	**1,746,984**	1,307,687
	15,734,065	63,243,758	**13,307,720**	60,940,819
Less: Fixed deposits pledged	**(66,070)**	(58,035)	**(66,070)**	(58,035)
Cash and cash equivalents per Statements of Cash Flows	**15,667,995**	63,185,723	**13,241,650**	60,882,784

Included in interest bearing accounts of the Group and Institute are fixed deposits amounting to $11,975,830 (2017: $58,803,857) and $10,376,465 (2017: $57,619,116) respectively which are placed for varying periods between 1 to 18 months (2017: 1 to 18 months) depending on the immediate cash requirements of the Group and the Institute, and earn interest of 0.25% to 1.90% (2017: 0.25% to 1.30%) per annum. Fixed deposits of the Group and Institute amounting to $66,070 (2017: $58,035) are pledged to bank for banking facilities.

Included in interest bearing accounts of the Group is the bank balance of ISCA Cares Fund amounting to $552,603 (2017: $442,860), of which $26,553 (2017: $43,416) is held in the bank balance of the Institute.

23 PROVISIONS

Provisions for dismantlement, removal and restoration costs have been recognised as a consequence of lease arrangement entered into for its office and training premises.

Movements in provisions are as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
At beginning of year	**318,509**	490,377	**318,509**	314,577
Unwind of discount	**3,981**	3,932	**3,981**	3,932
Disposal of a subsidiary	**–**	(175,800)	**–**	–
At end of year	**322,490**	318,509	**322,490**	318,509

The provisions represent the present value of management's best estimate of the future outflow of economic benefits that will be required to reinstate leased property to its original state. The estimates have been made on the basis of quotes obtained from external contractors. The unexpired term of the lease including the renewal options range is 7 years (2017: 8 years).

24 TRADE AND OTHER PAYABLES

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Trade payables	**910,845**	3,800,422	**897,275**	3,799,864
Amount due to a subsidiary	**–**	–	**29,124**	45,987
Accrued operating expenses	**2,788,028**	3,116,957	**2,677,672**	2,939,874
Accrual for unutilised annual leave	**515,464**	530,863	**501,344**	513,259
Deposits received	**239,280**	222,572	**239,280**	222,572
Billings in advance	**260,175**	316,498	**255,957**	306,321
Grants received	**400,105**	461,970	**400,105**	461,970
	5,113,897	8,449,282	**5,000,757**	8,289,847

Amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

Included in trade payables of the Group and Institute are consultancy fee payable amounting to $139,564 (2017: $243,420) and $127,045 (2017: $219,345) respectively which relate to the implementation of membership and financial management systems.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

25 ISCA CARES FUND

	Group 2018 $	Group 2017 $
At beginning of year	**443,251**	215,043
Donations received		
– Tax deductible receipts	**193,482**	317,891
– Non-tax deductible receipts	**10,227**	9,857
Donations in Kind	**2,000**	–
Other income		
– Miscellaneous sales	**15,859**	18,312
– Interest income	**3,340**	121
Cost of notebooks	**(3,867)**	(4,894)
Bursary awards	**(87,129)**	(100,305)
Administrative expenses	**(18,160)**	(12,774)
At end of year	**559,003**	443,251
Represented by:		
Non-current assets		
Intangible assets	**9,213**	23,273
Current assets		
Cash and cash equivalents	**552,653**	442,910
Trade and other receivables	**11,527**	5,000
Inventories	**3,634**	1,187
	567,814	449,097
Total assets	**577,027**	472,370
Current liabilities		
Trade and other payables, representing total liabilities	**(18,024)**	(29,119)
Net assets	**559,003**	443,251

The purpose of the ISCA Cares Fund is to provide disadvantaged Singapore youth with academic potential, access to quality accountancy education through financial and non-financial assistance. Pursuant to the Memorandum of Association of ISCA Cares Limited, if upon the winding up or dissolution of the company or in the event of the company ceases to be a registered charity, the fund balance shall be donated to charitable organisations or Institutions of a Public Character with similar objectives in Singapore.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group/Institute and related parties during the financial year on terms agreed by the parties concerned:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
CPE course fees				
Company related to a council member	**–**	1,500	**–**	1,500

Related parties comprise key management personnel and firms/companies which are controlled or jointly controlled by certain Council Members of the Institute.

(b) Key management personnel compensation comprise:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Continuing operations				
Short-term employee benefits	**1,815,280**	1,890,757	**1,815,280**	1,890,757
Contribution to CPF	**108,084**	112,371	**108,084**	112,371
	1,923,364	2,003,128	**1,923,364**	2,003,128

27 COMMITMENTS

(a) Lease commitments – where the Group is a lessee

The Group and the Institute lease properties and office equipment from non-related parties under non-cancellable operating lease agreements. These leases have an average tenure of between one to six years, varying terms, escalation clauses and renewal options.

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

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Within one year	**1,595,816**	2,022,836	**1,595,816**	2,022,836
After one year but within five years	**143,080**	1,641,176	**143,080**	1,641,176

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

27 COMMITMENTS (CONT'D)

(b) Lease commitments – where the Group is a lessor

The Group leases out office premises to non-related parties, while the Institute leases out office premises to subsidiaries and non-related parties, all of which are under non-cancellable operating leases.

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

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Within one year	**957,120**	163,764	**957,120**	163,764
After one year but within five years	**3,844,925**	–	**3,844,925**	–
Above five years	**180,939**	–	**180,939**	–

(c) Capital commitment

Capital commitment not provided for in the financial statements:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Capital commitment in respect of intangible assets	**18,900**	18,900	**–**	–

(d) Other commitment – Institute

As at 31 December 2018, the Institute has provided continuing financial support of $9,457 (2017: $Nil) to a subsidiary in net liability position.

28 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at their carrying amounts as of the balance sheet date are as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Financial assets				
Available-for-sale financial assets	–	290,921	–	290,921
Loans and receivables (including cash and cash equivalents)	–	65,870,894	–	63,897,267
Financial assets at fair value through profit or loss	**47,115,304**	–	**47,115,304**	–
Financial assets at amortised costs	**18,772,591**	–	**16,674,414**	–
	65,887,895	66,161,815	**63,789,718**	64,188,188
Financial liabilities				
At amortised cost	**3,938,153**	7,139,951	**3,843,351**	7,008,297

(b) Financial risk management

The main risks arising from the Group's financial management are interest rate risk, credit risk, liquidity risk, price risk and foreign currency risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

The Group's and the Institute's exposure to credit risk arises from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due. The Group manages this risk by monitoring credit periods and limiting the aggregate financial exposure to any individual counterparty.

The Group and the Institute place cash and fixed deposits with the established banks and financial institutions in Singapore.

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
Contractual payments are more than 1 year past due or there is evidence of credit impairment	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, and reminders and warning letters issued for debts due for more than 12 months.	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and

- an actual or expected significant deterioration in the operating results/key financial performance ratios of the debtor.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

Definition of default

The Group considers an event of default for internal credit risk management purpose. Management considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Trade receivables and contract assets

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

The contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and warning letters issued for debts due for more than 12 months.

The Group and the Institute assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Institute measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Other financial assets at amortised cost

Other financial assets at amortised costs include other receivables and cash and cash equivalents.

Credit risk exposure in relation to other financial assets at amortised costs as at 31 December 2018 is insignificant, and accordingly no credit loss allowance is recognised as at 31 December 2018.

Previous accounting policy for impairment of financial assets

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies and individuals with a good collection track record.

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) **Financial risk management (cont'd)**

Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
Past due 0 to 3 months	**952,241**	555,743	**947,296**	587,812
Past due 3 to 6 months	**97,373**	109,627	**97,075**	109,627
Past due over 6 months	**46,469**	89,071	**43,898**	89,071
	1,096,083	754,441	**1,088,269**	786,510

Financial assets that are past due and impaired

There are no trade and other receivables that are impaired either individually or collectively as at the end of each reporting period.

Movement in allowance for doubtful receivables:

	Group		Institute	
	2018	2017	**2018**	2017
	$	$	**$**	$
At beginning of year	**–**	74,323	**–**	584,420
Write-back	**–**	(74,323)	**–**	(74,323)
Write-off	**–**	–	**–**	(510,097)
At end of year	**–**	–	**–**	–

In 2017, trade receivables that are individually determined to be impaired at the balance sheet date were related to a debtor that has defaulted on payments and a subsidiary that is in net liability position. Trade receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

Liquidity risk

In the management of liquidity risk, the Group and the Institute monitor and maintain a level of cash and bank balances deemed adequate by the Management to finance the Group and the Institute operations and mitigate the effects of fluctuations in cash flows.

The financial liabilities of the Group and the Institute are due within twelve months from the balance sheet date and approximate the contractual undiscounted repayment obligations.

The table below details the liquidity analysis for the Group's and the Institute's derivative financial instruments. The amounts disclosed in the table below are the contractual undiscounted gross cash flows on derivatives that require gross settlement.

	Group and Institute Less than 1 year	
	2018	2017
	$	$
Gross-settled foreign exchange forward contracts		
– Gross inflow	–	238,000
– Gross outflow	–	(240,054)

Interest rate risk

The Group and the Institute are exposed to interest rate risk through the impact of rate changes on interest bearing fixed deposits. The sensitivity analysis for changes in interest rate is not disclosed as the effect on income or expenditure is considered not significant.

Price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Institute's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group and the Institute are exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the London Stock Exchange and are classified as financial assets at fair value through profit or loss. To manage price risk arising from investment in quoted equity instruments, the Group and the Institute diversify its portfolio in accordance with the limits set by the Group.

28 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

Price risk (cont'd)

Sensitivity analysis

The sensitivity analysis for price risk is not disclosed if prices for equity securities change by 2% with all other variables being constant, as the effect on profit or loss is considered insignificant.

Funds placed with fund managers comprise a portfolio of equity instruments, debt instruments, derivatives and cash and cash equivalents. The Group and the Institute are exposed to changes in market prices, interest rate risk and foreign exchange risk with respect to its funds placed with fund managers. Fair values of debt instruments at fixed rates may fluctuate due to changes in market interest rates. A 2% increase/(decrease) in the fair value of the portfolio at the balance sheet date would increase/(decrease) the Group's and the Institute's profit or loss by $937,496 (2017: $Nil).

Foreign currency risk

The Group's and the Institute's foreign currency risk results mainly from cash flows and transactions denominated in foreign currencies. It is the Group's and the Institute's policy not to enter into derivative forward foreign exchange contracts for speculative purposes except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The Group and the Institute have no significant financial assets and liabilities held in foreign currency.

29 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Fair value measurement of assets that are measured at fair value

The following table presents the assets measured at fair value at 31 December 2018.

	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurement				
2018				
Group and Institute				
Financial assets at fair value through profit or loss				
– Quoted investment	**240,505**	**–**	**–**	**240,505**
– Funds placed with fund managers	**–**	**46,874,799**	**–**	**46,874,799**
2017				
Group and Institute				
Available-for-sale financial assets				
– Quoted investment	290,921	–	–	290,921

(c) Assets and liabilities not carried at fair value but which fair values are disclosed

	Carrying amount $	Fair value measurement at balance sheet date Level 1 $	Level 2 $	Level 3 $
2018				
Group and Institute				
Investment property	**11,392,109**	**–**	**–**	**28,000,000**
2017				
Group and Institute				
Investment property	11,694,555	–	–	27,300,000

The above does not include financial assets and financial liabilities whose carrying amounts are measured on the amortised cost basis. The carrying amounts of these financial assets and financial liabilities approximate their fair values due to their short-term nature.

29 FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Determination of fair values

Fair values have been determined for measurement and/or disclosure purpose based on the following methods:

Quoted equity security

The fair value of quoted equity investments is based on quoted market prices at the balance sheet date. The instrument is included in Level 1.

Funds placed with fund managers

The fair values of funds placed with fund managers are determined based on market prices provided by financial institutions at the balance sheet date. These instruments are included in Level 2.

Investment property

The fair value is determined based on the property's highest and best use by an external and independent professional valuer using the Direct Comparison Approach, under which the properties are assessed having regards to the recent transactions within the development and around the vicinity. Appropriate adjustments have been made between comparables and the subject property to reflect the differences in size, tenure, location, condition, prevailing marketing and all other factors affecting their value. The fair value measurement is categorised under Level 3 of the fair value hierarchy.

30 FUND MANAGEMENT

The Group's and the Institute's objectives when managing the accumulated fund and ISCA Cares Fund are to safeguard the Group's and the Institute's ability to maintain adequate working capital, to promote its objective to lead, develop and support accountancy professionals in Singapore and uphold the public interest and these objectives remain unchanged from previous year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

For the financial year ended 31 December 2018

31 COMPARATIVES

Prior year reclassification has been made to reclassify goods and services tax on disposal of investment property from operating activities to investing activities to better reflect the nature of the transaction.

The comparative figures have been restated as follows:

	As previously reported $	Reclassification $	As restated $
Group			
Statement of Cash Flows			
Cash flows from operating activities			
Change in working capital			
– Payables	2,173,751	(2,948,145)	(774,394)
Net cash generated from operating activities	3,516,992	(2,948,145)	568,847
Cash flows from investing activities			
– Goods and services tax on disposal of investment property	–	2,948,145	2,948,145
Net cash generated from investment activities	41,882,596	2,948,145	44,830,741
Institute			
Statement of Cash Flows			
Cash flows from operating activities			
Change in working capital			
– Payables	1,481,193	(2,948,145)	(1,466,952)
Net cash generated from operating activities	4,161,169	(2,948,145)	1,213,024
Cash flows from investing activities			
– Goods and services tax on disposal of investment property	–	2,948,145	2,948,145
Net cash generated from investment activities	42,017,486	2,948,145	44,965,631

32 AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the financial statements of the Institute for the financial year ended 31 December 2018 were authorised for issue by the Council on 11 March 2019.