

Annual Report 2017/2018

Future-Ready. Lifelong Learning.

- 1 Council Members' Statement \ 3 Independent Auditor's Report \ 6 Statement of Comprehensive Income
7 Statement of Financial Position \ 8 Statement of Changes in Members' Fund \ 9 Statement of Cash Flows
10 Notes to the Financial Statements

THE INSTITUTE OF BANKING AND FINANCE

COUNCIL MEMBERS' STATEMENT

For the financial year ended 31 December 2017

The Council Members present their statement to the members together with the audited financial statements of The Institute of Banking and Finance (the "Institute") for the financial year ended 31 December 2017.

In the opinion of the Council Members,

- (a) the financial statements as set out on pages 6 to 28 are drawn up so as to give a true and fair view of the financial position of the Institute as at 31 December 2017 and of the financial performance, changes in members' fund and cash flows of the Institute for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due.

Council Members

The Council Members in office at the date of this statement are as follows:

Ravi Menon, Chairman
Samuel Tsien, Vice Chairman
Jacqueline Loh
Wee Ee Cheong
Piyush Gupta
Philip Lee
Guan Yeow Kwang
Nicholas Hadow
Loh Boon Chye
Judy Hsu
Amol Gupte
Julia Ng
Chong Yiun Lin (Appointed on 1 June 2017)
Patrick Teow (Appointed on 15 July 2017)
Patrick Tay (Appointed on 1 February 2018)
Karl Hamann (Appointed on 1 April 2018)
Tony Cripps (Appointed on 1 April 2018)
John Lee (Appointed on 1 April 2018)

Council Members Contractual Benefits

No Council Member has received or become entitled to receive benefits by reason of a contract made by the Institute with the Council Member or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

THE INSTITUTE OF BANKING AND FINANCE

COUNCIL MEMBERS' STATEMENT

For the financial year ended 31 December 2017

Share Capital and Options

The Institute has no share capital and as such the provisions of Section 201(6)(f), 201(6)(g), 201(8), 201(11), 201(12)(a) and (b) of the Singapore Companies Act, Chapter 50 (the "Act") are not applicable.

Independent auditor

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

On behalf of the Council Members

Ravi Menon
Chairman

Samuel Tsien
Vice Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF BANKING AND FINANCE

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of The Institute of Banking and Finance (the "Institute") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act"), the Singapore Charities Act, Chapter 37 (the "Charities Act"), and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Institute as at 31 December 2017 and of the financial performance, changes in members' funds and cash flows of the Institute for the year ended on that date.

What we have audited

The financial statements of the Institute comprise:

- the statement of comprehensive income for the year ended 31 December 2017
- the statement of financial position as at 31 December 2017;
- the statement of changes in members' funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Independence

We are independent of the Institute in accordance with the Accounting and Corporate Regulatory Authority 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.

Other Information

Management is responsible for the other information. The other information comprises the Council Members' Statement 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 and will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF BANKING AND FINANCE (continued)

Other Information (continued)

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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Council Members for the Financial Statements

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

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

The Council Members' responsibilities include overseeing the Institute'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF BANKING AND FINANCE (continued)

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

- 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 7 May 2018

THE INSTITUTE OF BANKING AND FINANCE

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Income			
Fees from courses and examinations		2,394,619	2,389,369
Sale of publications		71,550	74,858
Members' subscriptions		422,000	62,150
Entrance fee from new members		-	300
Fair value changes on investments		1,806,161	703,357
Grants	13	3,144,403	3,462,319
Other income		35	-
Total income		7,838,768	6,692,353
Expenditure			
Printing and miscellaneous expenses for courses and examinations		560,407	413,735
Salaries and staff expenses	4	4,225,741	4,076,626
Office rental		401,472	392,904
Depreciation of property and equipment	11	368,011	359,785
Professional fees - Consultancy		126,000	307,285
Professional fees - Others		275,027	126,069
Electricity, telephone and postages		18,224	19,815
Data processing		37,472	38,814
Repairs and maintenance		42,922	27,885
IBF Project expenses	5	578,898	901,512
Printing, stationery and periodicals		9,732	10,824
Rental of copiers		2,640	2,640
Other administrative expenses		16,588	9,868
Total expenditure		6,663,134	6,687,762
Total comprehensive income for the year		1,175,634	4,591

There is no other comprehensive income for the financial year ended 31 December 2017 and 31 December 2016.

The accompanying notes form an integral part of these financial statements

THE INSTITUTE OF BANKING AND FINANCE

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	30,860,724	3,446,394
Accounts receivables		77,436	121,252
Other receivables and prepayments	10	2,807,066	2,859,611
Investments	8	-	26,064,324
Derivative financial instruments	9	-	202,007
		<u>33,745,226</u>	<u>32,693,588</u>
Non-current assets			
Property and equipment	11	<u>392,077</u>	<u>529,386</u>
Total assets		<u>34,137,303</u>	<u>33,222,974</u>
LIABILITIES			
Current liabilities			
Payables	12	2,601,231	2,099,714
Advance fees for courses and examinations		423,565	408,580
Derivative financial instruments	9	-	543,053
FSDF claim disbursement account	13	946,252	1,126,106
		<u>3,971,048</u>	<u>4,177,453</u>
Non-current liabilities			
Members' funding contributions	14	922,747	977,647
FSDF claim disbursement account	13	11,000	11,000
		<u>933,747</u>	<u>988,647</u>
Total liabilities		<u>4,904,795</u>	<u>5,166,100</u>
NET ASSETS		<u>29,232,508</u>	<u>28,056,874</u>
EQUITY			
Members' Funds		28,056,874	28,052,283
Accumulated gains		1,175,634	4,591
Total equity		<u>29,232,508</u>	<u>28,056,874</u>

The accompanying notes form an integral part of these financial statements

THE INSTITUTE OF BANKING AND FINANCE

STATEMENT OF CHANGES IN MEMBERS' FUND

For the financial year ended 31 December 2017

	\$
2017	
Beginning of financial year	28,056,874
Total comprehensive income	<u>1,175,634</u>
End of financial year	<u>29,232,508</u>
2016	
Beginning of financial year	28,052,283
Total comprehensive income	<u>4,591</u>
End of financial year	<u>28,056,874</u>

The accompanying notes form an integral part of these financial statements

THE INSTITUTE OF BANKING AND FINANCE

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Profit after tax		1,175,634	4,591
Adjustments for:			
- Fair values change on investments and derivatives		(1,806,161)	(703,357)
- Depreciation	11	368,011	359,785
		<u>(262,516)</u>	<u>(338,981)</u>
Operating profit/(loss) before working capital changes:			
- Accounts receivables		43,816	(63,974)
- Other receivables and prepayments	10	52,545	280,492
- Payables	12	501,517	463,018
- Advance fees for courses and examinations		14,985	311,605
- FSDF claim disbursement account		(179,854)	772,626
		<u>(179,854)</u>	<u>772,626</u>
Net cash (used in)/provided by operating activities		<u>170,493</u>	<u>1,424,786</u>
Cash flows from investing activities			
Proceeds from disposal of investments		27,529,439	(428,092)
Proceeds from disposal of property and equipment		-	-
Purchase of property, plant and equipment	11	(230,702)	(178,713)
		<u>(230,702)</u>	<u>(178,713)</u>
Net cash (used in)/provided by investing activities		<u>27,298,737</u>	<u>(606,805)</u>
Cash flows from financing activities			
Members funding contribution/(refund) to members		(54,900)	14,000
		<u>(54,900)</u>	<u>14,000</u>
Net (decrease)/increase in cash and cash equivalents		<u>27,414,330</u>	<u>831,981</u>
Cash and cash equivalents at beginning of financial year	7	3,446,394	2,614,413
Cash and cash equivalents at end of financial year	7	<u>30,860,724</u>	<u>3,446,394</u>

The accompanying notes form an integral part of these financial statements

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1. Corporate information

The Institute of Banking and Finance (the “Institute”) is a company limited by guarantee incorporated in Singapore.

The registered office of the Institute is located at 10 Shenton Way #13-07/08, MAS Building, Singapore 079117.

The Institute was established in 1974 as a not-for-profit industry association to foster and develop the professional competencies of the financial sector. The principal activity of the Institute is to act as the national accreditation and certification agency for financial industry competency in Singapore, under the “IBF Standards” (previously known as the “Financial Industry Competency Standards” or “FICS”). As a standard-setter, the Institute develops industry standards, competency roadmaps and identifies professional development pathways to uplift the competency of financial sector practitioners. It accredits training and assessment programmes targeted at the financial industry, promotes continuous professional development and the adoption of high standards of workforce competency across the financial services sector. The Institute also administers licensing examinations on behalf of the Monetary Authority of Singapore (“MAS”), as well as common examinations on behalf of industry associations. It has also been appointed by MAS as the administrator for training grant schemes offered under the Financial Sector Development Fund (“FSDF”).

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) 1 under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Institute’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Institute adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Institute's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Institute and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Fees from courses and examinations

Fees from courses and examinations are recognised when the courses or examinations are completed.

(b) Membership subscriptions

Fees from membership subscriptions are recognised proportionally over the membership term.

(c) Income from sale of publications

Income from sale of publications is recognised when significant risk and rewards of ownership are transferred to the buyer and the amount of income and costs of the transactions can be measured reliably.

(d) Other income

All other income is recognised on an accrual basis.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.3 Government grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.4 Employee compensation

(a) Defined contribution plans

The Institute's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due.

(b) Employee leave entitlement

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

2.5 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.6 Property and equipment

Property and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.6 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Computer hardware	3 years
Computer software	3 years
Training equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years
Renovation	3 years

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Impairment of non-financial assets

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

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

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

2.8 Loans and receivables

Bank balances

Trade and other receivables

Bank balances, trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.8 Loans and receivables

Bank balances

Trade and other receivables

The Institute assesses at each statement of financial position date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the statement of financial position date, which are presented as non-current assets.

2.9 Investments

Investments are designated at fair value through profit or loss at inception. The investments are managed and their performances are evaluated on a fair value basis, in accordance with the Institute's investment strategy. The investments are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the statement of financial position date.

Regular way purchases and sales of investments are recognised on trade date – the date on which the Institute commits to purchase or sell the asset.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Institute has transferred substantially all risks and rewards of ownership. On disposal of the investment, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

Changes in the fair values of the investments including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

2.10 Derivative financial instruments

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.11 Payables

Payables represent liabilities for goods and services provided to the Institute prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.14 Currency translation

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

Transactions in a currency other than Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the fair value reserve.

2.15 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in the current year presentation. These reclassifications have been made to better reflect the nature of items in the set of financial information.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting estimates, assumptions and judgements

Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

4. Salaries and staff expense

	2017	2016
	\$	\$
Salaries and staff related expenditure	3,237,672	3,088,693
Costs of defined contribution plans included in salaries and staff expenses	440,340	430,334
Cost of unutilised leave included in salaries and staff expenses	146,626	134,140
	<u>3,824,638</u>	<u>3,653,167</u>

Compensation of key management personnel

The remuneration of key management personnel were as follows:

	2017	2016
	\$	\$
Short-term benefits	<u>401,103</u>	423,459

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. IBF Project expenses

The expenses incurred are as follows:

	2017 \$	2016 \$
Costs associated with IBF Portal	559,498	901,512
Costs associated with Mobile Learning Platform (Learn@IBF)	<u>19,400</u>	-

6. Income tax expense

The Institute is registered as a charity under the Charity Act and is exempted from income tax, under Section 13M(2)(b) of the Income Tax Act, Chapter 134.

7. Cash and bank balances

	2017 \$	2016 \$
Cash at bank	2,941,820	3,134,579
Cash and cash equivalents, placed with investment manager	<u>27,918,904</u>	311,815
	<u>30,860,724</u>	<u>3,446,394</u>

Cash at bank is non-interest bearing and is denominated in Singapore dollars.

8. Investments

Investments comprise funds placed with an investment manager for discretionary management and are classified as held-for trading.

At the end of the reporting period, the composition of the funds under management and their indicative fair values are as follows:

	2017 \$	2016 \$
Fixed Income	-	19,331,993
Equities	-	4,605,271
Investment Fund	-	2,025,905
Margin account	-	101,155
	<u>-</u>	<u>26,064,324</u>

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. Investments (continued)

During the current financial year, a management fee of S\$87,040 (2016: S\$82,085) was paid to the Investment Manager.

As at 31 December 2017, the funds under management with the incumbent investment manager were liquidated. The newly appointed investment manager had taken over the investment portfolio on 2 January 2018.

9. Derivative financial instruments

As at 31 December 2017, the Institute had no outstanding financial derivative contracts.

As at 31 December 2016, the Institute had investments in the following outstanding financial derivative contracts which were transacted by the investment manager to manage currency exposure arising from the Institute's investments.

As at 31 December 2016

Derivatives held for trading

- FX Forward Contracts	8,384,315	128,079	16,049,120	532,365
- Stock futures	12,473,788	73,928	10,817,620	10,688
Total	20,858,103	202,007	26,866,740	543,053

10. Other receivables and prepayments

	Note	2017 \$	2016 \$
Security deposits		102,046	102,426
Prepaid expenses		84,760	146,705
Other debtors		48,438	44,221
Grant receivables	13	2,571,822	2,566,259
Total		2,807,066	2,859,611

The Institute's other receivables and prepayments are denominated in the functional currency of the Institute.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Property and equipment

	<u>Furniture and fittings</u> \$	<u>Computers and equipment</u> \$	<u>Renovations</u> \$	<u>Total</u> \$
2017				
<u>Cost</u>				
Beginning of financial year	90,204	1,543,024	208,909	1,842,137
Additions	30,400	149,632	50,670	230,702
Disposals	(22,500)	(42,326)	(17,977)	(82,803)
End of financial year	<u>98,104</u>	<u>1,650,330</u>	<u>241,602</u>	<u>1,990,036</u>
<u>Accumulated depreciation</u>				
Beginning of financial year	84,929	1,024,573	203,249	1,312,751
Depreciation charge	3,668	358,532	5,811	368,011
Disposals	(22,500)	(42,326)	(17,977)	(82,803)
End of financial year	<u>66,097</u>	<u>1,340,779</u>	<u>191,083</u>	<u>1,597,959</u>
Net book value				
End of financial year	<u>32,007</u>	<u>309,551</u>	<u>50,519</u>	<u>392,077</u>
2016				
<u>Cost</u>				
Beginning of financial year	87,684	1,366,831	210,596	1,665,111
Additions	2,520	176,193	-	178,713
Disposals	-	-	(1,687)	(1,687)
End of financial year	<u>90,204</u>	<u>1,543,024</u>	<u>208,909</u>	<u>1,842,137</u>
<u>Accumulated depreciation</u>				
Beginning of financial year	82,020	672,749	199,884	954,653
Depreciation charge	2,909	351,824	5,052	359,785
Disposals	-	-	(1,687)	(1,687)
End of financial year	<u>84,929</u>	<u>1,024,573</u>	<u>203,249</u>	<u>1,312,751</u>
Net book value				
End of financial year	<u>5,275</u>	<u>518,451</u>	<u>5,660</u>	<u>529,386</u>

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Payables

	2017 \$	2016 \$
Other Payables	843,481	-
Accrued expenses	1,393,213	1,238,346
Trade payables	217,911	727,228
Provision	146,626	134,140
	<u>2,601,231</u>	<u>2,099,714</u>

Trade payables, accrued expenses and provisions principally comprise amounts outstanding for trade purchases, operating expenses and provisions for bonuses and leave entitlement.

The payables are denominated in the functional currency of the Institute.

13. Grants

The Institute receives Financial Sector Development Fund ("FSDF") grant to support projects and initiatives that aims to raise the competency standard of the Singapore financial sector.

	2017 \$	2016 \$
Total grant income	<u>3,144,403</u>	<u>3,462,319</u>
Total grant receivables (Note 10)	<u>2,571,822</u>	<u>2,566,259</u>

The Institute is also the appointed administrator of the IBF Standards Training Scheme (IBF-STS) and the Financial Training Scheme (FTS) funding scheme, which incentivise competency-raising of the financial sector.

	2017 \$	2016 \$
Total grant payable to FSDF	<u>957,252</u>	<u>1,137,106</u>

Any unutilised grant should be returned at the end of the IBF's appointment as the FTS and IBF-STS administrator. This grant is repayable upon demand.

14. Members' funding contributions

These represent amounts contributed by members when they were admitted to the Institute. The contributions are refundable to the members when they cease to be a member of the Institute.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Operating lease commitments

	2017	2016
	\$	\$
Minimum lease payment paid under operating lease	401,472	392,904

At the end of the reporting period, commitments in respect of operating lease for the rental of office premises were as follows:

	2017	2016
	\$	\$
Within one year	811,499	401,472
In the second to fifth year inclusive	3,156,686	501,840
	3,968,185	903,312

The Institute has committed to 2 additional office units for the expanded IBF mandate. These operating lease payments are fixed until March 2022.

16. Financial risk management

Financial risk factors

The Institute is exposed to financial risk arising from the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk.

The Council Members review and agree policies and procedures for the management of these risks, which are overseen by Investment Committee or Audit Committee, where relevant, are executed by the Management team.

(a) Market risk

(i) *Currency risk*

The Institute takes on expenses to effects of fluctuation in the prevailing foreign currency exchange rate in the investments. The Institute manages this risk by entering into currency forwards.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Institute's currency exposure is as follows:

	SGD \$	USD \$	Others \$	Total \$
2017				
Assets				
Cash and cash equivalents (Note 7)	30,860,540	184	-	30,860,724
Investments (Note 8)	-	-	-	-
Derivative financial Instruments (Note 9)	-	-	-	-
	30,860,540	184	-	30,860,724
Liabilities				
Derivative financial Instruments (Note 9)	-	-	-	-
Net position	30,860,540	184	-	30,860,724
2016				
Assets				
Cash and cash equivalents (Note 7)	3,230,264	51,082	165,048	3,446,394
Investments (Note 8)	8,851,987	12,593,939	4,618,398	26,064,324
Derivative financial Instruments (Note 9)	62,008	1,041,970	(901,971)	202,007
	12,144,259	13,686,991	3,881,475	29,712,725
Liabilities				
Derivative financial Instruments (Note 9)	(12,907,613)	10,904,775	2,545,891	543,053
Net position	25,051,872	2,782,216	1,335,584	29,169,672

All statement of financial position items, except those disclosed as above, are denominated in the Institute's functional currency with no material impact to the Institute.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The following table shows the effects arising from the financial asset position due to the change of USD against SGD with all other variables, including tax rate, being held constant:

	2017 Profit after tax \$	2016 Profit after tax \$
<u>USD against SGD</u>		
- Strengthened by 1% (2016: 1%)	2	27,822
- Weakened by 1% (2016: 1%)	(2)	(27,822)
	<hr/>	<hr/>

(ii) Price risk

The Institute is exposed to equity securities price risk arising from the investments classified as fair value through profit or loss. To manage its price risk, the Institute diversifies its portfolio in accordance with the limits set by the Institute.

The following table shows the effects arising from the financial asset position due to the change of prices for equity securities with all other variables, including tax rate, being held constant:

	2017 Profit after tax \$	2016 Profit after tax \$
<u>Listed in USA</u>		
- Strengthened by 1% (2016: 1%)	-	4,870
- Weakened by 1% (2016: 1%)	-	(4,870)
<u>Listed in Singapore</u>		
- Strengthened by 1% (2016: 1%)	-	4,157
- Weakened by 1% (2016: 1%)	-	(4,157)
<u>Listed in Hong Kong</u>		
- Strengthened by 1% (2016: 1%)	-	5,592
- Weakened by 1% (2016: 1%)	-	(5,592)
	<hr/>	<hr/>

At the end of the current financial year, the Institute has an insignificant exposure to equity securities price risk.

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Institute has insignificant financial assets or liabilities that are exposed to interest rate risks.

(b) Credit risk

The Institute adopts the policy of dealing only with customers of appropriate credit standing and history where appropriate to mitigate credit risk. For other financial assets, the Institute adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

(i) Financial assets that are past due but not impaired

There is no class of financial asset that is past due and impaired. Accounts receivables of \$77,436 (2016: \$121,252) are past due but not impaired. Management assessed that those receivables are recoverable as the counterparties are financial institutions with high credit ratings.

(ii) Credit quality of investments held by the Institute

As at 31 December 2017, there were no fixed income investments held by the Institute.

The table below presents an analysis of fixed income investment held by the Institute as at 31 December 2016. The rating scale is based on the rating as defined by Standard & Poor's, Moody's and Fitch.

	2017	2016
	\$	\$
<u>External Rating</u>		
AAA/Aaa	-	4,206,464
AA/Aa2	-	865,528
AA-/Aa3	-	420,477
A+/A1	-	1,867,580
A/A2	-	1,942,058
A-/A3	-	3,368,464
BBB+/Baa1	-	1,686,054
BBB/Baa2	-	1,977,965
BBB-/Baa3	-	788,133
BB+/Ba1	-	460,645
BB	-	304,505
Unrated	-	1,444,120
	-	<u>19,331,993</u>

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(c) Liquidity risk

The table below analyses the Institute's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than <u>1 year</u> \$	1 to 5 <u>years</u> \$	More than <u>5 years</u> \$	<u>Total</u> \$
At 31 December 2017				
Member's funding contributions	-	-	922,747	922,747
Advances fees from courses and examinations	423,565	-	-	423,565
Payables	2,516,110	85,121	-	2,601,231
FSDF claim disbursement account	946,252	11,000	-	957,252
	<u>3,885,927</u>	<u>96,121</u>	<u>922,747</u>	<u>4,904,795</u>

At 31 December 2016				
Member's funding contributions	-	-	977,647	977,647
Advances fees from courses and examinations	408,580	-	-	408,580
Payables	2,027,239	72,475	-	2,099,714
FSDF claim disbursement account	1,126,106	11,000	-	1,137,106
	<u>3,561,925</u>	<u>83,475</u>	<u>977,647</u>	<u>4,623,047</u>

The table below analyses the Institute's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to <u>1 month</u> \$	1 - 3 <u>months</u> \$	3 - 12 <u>months</u> \$	1 - 5 <u>years</u> \$	<u>Total</u> \$
At 31 December 2016					
Gross settled FX Forward Contracts					
- Receipts	24,383,139	-	-	-	24,383,139
- Payments	(24,787,425)	-	-	-	(24,787,425)
Gross settled stock futures					
- Receipts	-	1,656,168	-	-	1,656,168
- Payments	-	(1,592,928)	-	-	(1,592,928)

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

At the end of the current financial year, the Institute had no outstanding financial derivative contracts.

(d) Fair value investments

The Institute designates its investments at fair value through profit or loss as the investments are managed and its performance evaluated on a fair value basis.

As at 31 December 2017, there were no investments placed with an investment manager.

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

	Quoted prices in active markets for identical instrument <u>Level 1</u> \$	Significant other observable inputs <u>Level 2</u> \$	Significant unobservable inputs <u>Level 3</u> \$	<u>Total</u> \$
As at 31 December 2016				
Financial assets				
Fixed income	19,331,993	-	-	19,331,993
Equities	4,605,271	-	-	4,605,271
Investment Fund	2,025,905	-	-	2,025,905
Derivative financial instruments	-	202,007	-	202,007
Margin account	101,155	-	-	101,155
	<u>26,064,324</u>	<u>202,007</u>	-	<u>26,266,331</u>
Financial liabilities				
Derivative financial instruments	-	543,053	-	543,053

Fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted in active markets for identical assets or liabilities)
 - Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
 - Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e., unobservable inputs).
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THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(d) Fair value investments (continued)

Determination of fair value

Fixed income investments and forward foreign exchange contracts: Fair value is determined directly by reference to their published market bid prices at the end of the reporting period. The valuation is applied by the investment manager.

Equities: Fair value is determined directly by reference to their published market bid prices at the end of the reporting period.

The fair value of financial instruments traded in active markets (available-for-sale listed equity financial assets) is determined based on quoted current bid prices at the statement of financial position date. These instruments are included in Level 1 fair value measurement hierarchy.

Derivative financial instruments: Fair value is determined using a valuation technique with market observable inputs.

The fair value of financial instruments that are not traded in an active market (over-the-counter currency forwards) is determined using quoted forward exchange rates at the statement of financial position date. These instruments are included in level 2.

The carrying value less impairment provision of current trade receivables and payables approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Institute for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(e) Financial instruments by category

The carrying amounts of financial assets measured at fair value through profit or loss held for trading are disclosed on the face of the statement of financial position and in Note 8 to the financial statements.

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	2017	2016
	\$	\$
Loans and receivables	2,799,742	2,834,158
Financial liabilities at amortised cost	<u>3,411,858</u>	<u>3,102,681</u>

THE INSTITUTE OF BANKING AND FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Financial risk management (continued)

(f) Offsetting financial assets and financial liabilities

The Institute has currency forwards with one counterparty that are subject to enforceable master arrangement. These currency forwards are being offset and presented net on the face of the statement of financial position. There are no financial collaterals received in respect of these currency forwards.

17. New or revised accounting standards and interpretations

The Institute has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Institute's accounting periods beginning on or after 1 January 2017. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Institute in the period of their initial adoption.

18. Subsequent events

On 2 January 2018, the Institute's newly appointed investment manager had taken over the investment portfolio, to which S\$ 25million cash were transferred to the Institute's custodian account.

On 26 January 2018, the Institute expanded its mandate to also provide career, skills and professional development advisory services, and facilitate placements in the financial sector.

19. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Council Members of The Institute of Banking and Finance on 7 May 2018.

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