

THE ECONOMIC SOCIETY OF SINGAPORE

Society Reference No.: 0219/1956

(A registered society in Singapore)

**AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

MAZARS LLP

Public Accountants and
Chartered Accountants
Singapore

THE ECONOMIC SOCIETY OF SINGAPORE

**AUDITED FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2015**

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**INDEPENDENT AUDITORS' REPORT TO THE EXECUTIVE COMMITTEE OF
THE ECONOMIC SOCIETY OF SINGAPORE**

Report on the financial statements

We have audited the accompanying financial statements of The Economic Society of Singapore ("the Society") which comprise the statement of financial position as at 31 December 2015, the income and expenditure account and the receipts and payments account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Executive Committee's Responsibility

The Executive Committee is responsible for the preparation of financial statements that give a true and fair view in accordance with the Societies Act, Chapter 311 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Society as at 31 December 2015 and the results, receipts and payments account of the Society for the year ended on that date.



**INDEPENDENT AUDITORS' REPORT TO THE EXECUTIVE COMMITTEE OF
THE ECONOMIC SOCIETY OF SINGAPORE (Continued)**

Report on Other Legal and Regulatory Requirements

The accounting and other records required by the regulations enacted under the Act to be kept by the Society have been properly kept in accordance with those regulations.

A handwritten signature in black ink that reads 'Mazars' in a cursive, stylized script.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2016

THE ECONOMIC SOCIETY OF SINGAPORE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u> S\$	<u>2014</u> S\$
INCOME		
Subscriptions	117,450	103,673
Annual dinner contributions	89,040	37,680
Seminars contribution	94,836	22,122
Royalty income	25	25
Contribution for essay competition	6,000	6,000
Dividend income	7,060	11,225
Others	106	-
	314,517	180,725
EXPENDITURE		
Audit fees	4,843	4,607
AGM expenses	2,821	3,197
Bank charges	10	-
Communication charges	5,393	5,709
Depreciation	210	210
ESS website charges	1,455	3,052
Essay competition	6,413	6,640
Expenses for annual dinner	94,771	57,353
Gold medals and prizes	810	1,460
Meeting expense	5,452	2,685
Miscellaneous expenses	813	1,507
Professional fee	48,300	49,600
Postage and faxes	321	140
Printing and stationery	1,324	1,973
Purchases of "Singapore Economic Review"	5,326	9,209
Society forum, public lectures and seminars expenses	98,884	34,437
Transportation	693	753
	<u>(277,839)</u>	<u>(182,532)</u>
Surplus /(Deficit) for the year before income tax	36,678	(1,807)
Income tax expense	4	(128)
Surplus/(Deficit) for the year representing total comprehensive income for the year	<u>36,678</u>	<u>(1,935)</u>

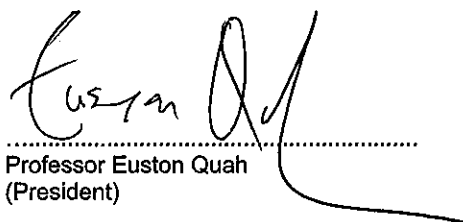
The annexed notes form an integral part of these financial statements

THE ECONOMIC SOCIETY OF SINGAPORE

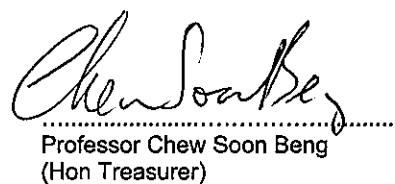
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<u>Note</u>	<u>2015</u> S\$	<u>2014</u> S\$
CURRENT ASSETS			
Other receivable and prepayments	5	12,880	8,683
Cash and cash equivalents	6	203,862	166,704
		216,742	175,387
CURRENT LIABILITIES			
Deferred income – subscription		42,049	49,444
Other payable and accruals		6,100	3,800
		48,149	53,244
NET CURRENT ASSETS		168,593	122,143
NON-CURRENT ASSETS			
Equipment	7	629	839
Available-for-sale financial assets	8	212,515	235,770
		213,144	236,609
NON-CURRENT LIABILITY			
Deferred income-subscription		9,735	173
NET ASSETS		372,002	358,579
Represented by:			
Accumulated fund	9	240,739	204,061
Available-for-sale reserve	10	71,541	94,796
Life subscription	11	59,722	59,722
		372,002	358,579

Certified Correct


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Professor Euston Quah
(President)

Date: 21 MAR 2016


.....
Professor Chew Soon Beng
(Hon Treasurer)

Date: 21 MAR 2016

The annexed notes form an integral part of these financial statements

THE ECONOMIC SOCIETY OF SINGAPORE

**RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<u>2015</u> S\$	<u>2014</u> S\$
BALANCE AS AT 1 JANUARY		
Cash in hand	-	40
Cash at bank – DBS	166,704	156,514
	<u>166,704</u>	<u>156,554</u>
RECEIPTS		
Subscriptions	121,700	99,585
Annual dinner contributions	86,240	37,680
Contribution for essay competition	6,000	6,000
Royalty	25	25
Society Forum, Public Lectures and Seminars Contribution	95,556	44,308
Dividend income	7,060	11,225
Others	106	-
	<u>316,687</u>	<u>198,823</u>
PAYMENTS		
Purchase of equipment	-	1,049
Audit fees	4,643	4,607
AGM expenses	2,821	3,197
Bank charges	10	-
Communication charges	5,393	5,709
ESS website charges	1,455	2,752
Essay competition	6,413	6,640
Expenses for annual dinner	94,771	57,353
Gold medals and prizes	810	1,460
Meeting expense	5,452	2,685
Miscellaneous expenses	813	1,507
Postage and faxes	321	140
Printing and stationery	1,324	1,973
Professional fee	50,400	49,800
Purchases of "Singapore Economic Review"	5,326	9,209
Society forum, public lectures and seminars expenses	98,884	39,711
Transportation	693	753
Tax paid	-	128
	<u>279,529</u>	<u>188,673</u>
BALANCE AS AT 31 DECEMBER		
Cash in hand	512	-
Cash at bank – DBS	203,350	166,704
	<u>203,862</u>	<u>166,704</u>

The annexed notes form an integral part of these financial statements

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. General

The Economic Society of Singapore ("the Society") is a non-profit organisation of economists and other professionals interested in economics. The Society comprises members of the economics profession in academic, the government and business sectors and provides a platform for discussions on issues facing the Singapore economy and the region. The primary objective of the Society is to raise public awareness, and stimulate public interest and debate, in economic issues. It does this by organising conferences, talks workshops and public lectures and by conducting studies on issues, either on its own or in partnership with other organisations.

The registered office and principal place of operations of the Society is at National University of Singapore, Department of Economics, 1 Arts Link, Singapore 117570.

The financial statements of the Society for the financial year ended 31 December 2015 were authorised for issue by the Executive Committee on 21 March 2016.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been drawn up in accordance with the Societies Act and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The Society's financial statements are measured and presented in the currency of the primary economic environment in which the Society operates (its functional currency). The financial statements of the Society are presented in Singapore dollar ("S\$") which is also the functional currency of the Society.

In the current financial year, the Society has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Society's accounting policies and has no material effect on the amounts reported for the current or prior years.

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptance Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interest in Joint Operations	1 January 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception (Editorial corrections in June 2015)	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
Various	Improvements to FRSs (November 2014)	Various

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Society in the period of their initial adoption.

(b) Income recognition

Provided it is probable that the economic benefits will flow to the Society and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) *Provision of services – subscription and contributions revenue*

Revenue is recognised when the services are rendered and accepted by customers.

(ii) *Dividend income*

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

2. Summary of significant accounting policies (Continued)

(c) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from surplus as reported income and expenditure account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Society's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which deductible temporary differences can be utilised.

A deferred income tax asset is recognised to the extent that it is probable that future taxable surplus will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable surpluses will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Society expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to income and expenditure account, except when it relates to items charged or credited directly to accumulated fund, in which case the deferred tax is also dealt with in accumulated fund.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Society intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in income and expenditure account, except when they relate to items credited or debited directly to accumulated fund.

2. Summary of significant accounting policies (Continued)

(d) Equipment

Equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the equipment.

Subsequent expenditure relating to the equipment 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 entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in income and expenditure account when incurred.

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, on the following bases:

- Computer equipment 20%

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of equipment is recognised in income and expenditure account.

Fully depreciated equipment are retained in the financial statements until they are no longer in use.

(e) Impairment of tangible assets

The Society reviews the carrying amounts of its tangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing 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.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in income and expenditure account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Summary of significant accounting policies (Continued)

(e) Impairment of tangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income and expenditure account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Financial instruments

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss ("FVTPL").

Financial assets

All financial assets are recognised on a trade date - the date on which the Society commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Society's loans and receivables comprise bank balances.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. Summary of significant accounting policies (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets ("AFS")

Certain equity instruments and debt securities held by the Society are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as the fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses arising from monetary items. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in income and expenditure account for the year.

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment 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.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in income and expenditure account.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of 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 and expenditure account to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in available-for-sale reserve.

THE ECONOMIC SOCIETY OF SINGAPORE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

2. Summary of significant accounting policies (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Society derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Society neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Society recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Society retains substantially all the risks and rewards of ownership of a transferred financial asset, the Society continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities

Other payable and accruals

Other payable and accruals are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Society derecognises financial liabilities when, and only when, the Society's obligations are discharged, cancelled or they expire.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are subject to insignificant risk of changes in value.

3. Critical accounting judgements and key sources of estimation uncertainty

The Society made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Society's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

3.1 Critical judgements made in applying the Society's accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

Management is of the opinion that there are no key sources of estimation uncertainty at the end of financial year that have a significant effect on the amounts of assets and liabilities within the next financial year.

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

4. Income tax expense

	<u>2015</u> S\$	<u>2014</u> S\$
Current income tax		
- under provision in prior years	-	128

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to surplus/(deficit) before income tax expense as a result of the following differences:

	<u>2015</u> S\$	<u>2014</u> S\$
Surplus/(Deficit) for the year before income tax	36,678	(1,807)
Income tax at statutory rate	6,235	(307)
Add/(Less):		
Effect of income not subject to tax	(52,268)	(30,723)
Under provision in prior years	-	128
Effect of non-allowable items	47,233	31,030
Others	(1,200)	-
Total tax expense	-	128

5. Other receivable and prepayments

Other receivable and prepayments are denominated in Singapore dollar.

6. Cash and cash equivalents

Cash and cash equivalents approximate their fair values and are denominated in Singapore dollars.

7. Equipment

	<u>Computer equipment</u> S\$
<u>2015</u> <u>Cost</u> At 1 January and 31 December	1,049
<u>Accumulated depreciation</u> At 1 January	210
Charge for the year	210
At 31 December	420
<u>Carrying amount</u> At 31 December	629

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

7. Equipment (Continued)

	Computer equipment S\$
2014	
<u>Cost</u>	
At 1 January	-
Addition during the year	1,049
At 31 December	1,049
<u>Accumulated depreciation</u>	
At 1 January	-
Charge for the year	210
At 31 December	210
<u>Carrying amount</u>	
At 31 December	839

8. Available-for-sale financial assets

	<u>2015</u> S\$	<u>2014</u> S\$
As at 1 January	235,770	214,614
Fair value changes recognised in accumulated fund	(23,255)	21,156
As at 31 December	212,515	235,770

Available-for-sale financial assets include the following:

	<u>2015</u> S\$	<u>2014</u> S\$
Quoted equity securities, at fair value	212,515	235,770

The investments in quoted equity securities have no fixed maturity date nor coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Available-for-sale financial assets are denominated in Singapore dollar.

9. Accumulated fund

	<u>2015</u> S\$	<u>2014</u> S\$
As at 1 January	204,061	205,996
Surplus/(Deficit) for the year	36,678	(1,935)
As at 31 December	240,739	204,061

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

10. Available-for-sale reserve

	<u>2015</u> S\$	<u>2014</u> S\$
As at 1 January	94,796	73,640
Change in fair value of available-for-sale financial assets	<u>(23,255)</u>	<u>21,156</u>
As at 31 December	<u>71,541</u>	<u>94,796</u>

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

11. Life subscription

	<u>2015</u> S\$	<u>2014</u> S\$
As at 1 January and 31 December	<u>59,722</u>	<u>59,722</u>

12. Financial management and financial risks

The Society's activities expose it to market risks such as equity price risk and liquidity risk. The Society's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Society's financial performance.

The Executive Committee is responsible for setting the objectives and underlying principles of financial risk management for the Society. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Executive Committee.

There have been no changes to the Society's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Society. The Society do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

The Society major classes of financial assets are bank deposits and available-for-sale financial assets.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

THE ECONOMIC SOCIETY OF SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

12. Financial management and financial risks (Continued)

Market risks

Equity price risk

The Society is exposed to equity price risk arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Society did not actively trade in available-for-sale investments.

Further details of these equity investments can be found in Note 8 to the financial statements.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the financial year.

The sensitivity analysis assumes an instantaneous 10% change in the equity prices from the reporting date, with all variables held constant.

	<u>Increase/(Decrease)</u>	
	<u>Equity</u>	
	<u>2015</u>	<u>2014</u>
	<u>S\$</u>	<u>S\$</u>
Available-for-sale financial assets	<u>21,252</u>	<u>23,577</u>

Foreign exchange risk

The Society does not transact in foreign currency denominated transactions.

Interest rate risk

The Society has no exposure to interest rate risk.

Liquidity risk

The Executive Committee exercises prudent liquidity risk management policies. It implies maintaining sufficient cash to close out market positions. Due to the non-profit organisation nature of its operations, funding is mainly from memberships, organisation of events and to some extent the income from its investment. All financial liabilities of the Society is payable within the next 12 months.

Fair values

The carrying amounts of cash and cash equivalents and other payable and accruals, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

THE ECONOMIC SOCIETY OF SINGAPORE

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

12. Financial management and financial risks (Continued)

Fair values (Continued)

The fair values of applicable financial assets and financial liabilities are determined as follows:

- (a) the fair values of financial assets and financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);
- (b) in the absence of quoted market prices, the fair values of the other financial assets and financial liabilities (excluding derivative instruments) are determined using the other observable inputs such as quoted prices for similar assets/liabilities in active markets, quoted prices for identical or similar assets/liabilities in non-active markets or inputs other than quoted prices that are observable for the asset or liability (Level 2 of fair value hierarchy).
- (c) in the absence of observable inputs, the fair values of the remaining financial assets and financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).
- (d) the fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

The available-for-sale financial assets of the Society belong to Level 1 of the fair value hierarchy.

13. Capital management

The Society is a non-profit organisation where funding is obtained through memberships, profits from events organised and returns on investments made. The Society ensures that there is sufficient income and funds to realise its primary objectives by regularly reviewing its financial standing in relation to the requirements of the operations.

The Society is not subject to any externally imposed capital requirement. The society's overall strategy remains unchanged from 2014.