Reference Asia AGM-19-Dec-02

Embry-Riddle Aeronautical University, Asia Ltd.
Registration Number: 200911992M

Annual Report
Year ended 30 June 2019

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Independent auditors' report

Members of the Company
Embry-Riddle Aeronautical University, Asia Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Embry-Riddle Aeronautical University, Asia Ltd. ('the Company'), which comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS30.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 30 June 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 30 June 2018 were audited by another auditor who expressed an unqualified opinion on those financial statements on 8 October 2018.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

KPMG

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.

Responsibilities of management and directors 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 Company's internal controls.

- Obtain an understanding of internal controls 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 Company's internal controls.

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
17 October 2019

Statement of financial position
As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Plant and equipment	5	6,491	9,346
Non-current assets		6,491	9,346
Trade and other receivables	6	841,408	712,034
Prepayments		148,880	74,164
Cash and cash equivalents	7	1,712,410	1,009,960
Current assets		2,702,698	1,796,158
Total assets		2,709,189	1,805,504
Equity			
Accumulated losses		(895,134)	(1,832,328)
Total equity		(895,134)	(1,832,328)
Liabilities			
Other payables	8	2,989,096	3,357,110
Provision	9	49,000	49,000
Deferred revenue	10	566,227	231,722
Current liabilities/Total liabilities		3,604,323	3,637,832
Total equity and liabilities		2,709,189	1,805,504

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

Statement of comprehensive income
Year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	11	5,618,309	5,480,992
Interest income		209	209
Other income	12	103,975	84,464
Depreciation		(5,376)	(59,957)
Employee benefits expense	13	(1,541,975)	(1,820,861)
Other operating expenses		(3,237,948)	(3,271,605)
Profit before tax	14	937,194	413,242
Tax expense	15	–	–
Profit for the year/Total comprehensive income for the year		937,194	413,242

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

Statement of changes in equity
Year ended 30 June 2019

	Accumulated losses $
At 1 July 2017	(2,245,570)
Total comprehensive income for the year	
Profit for the year	413,242
Total comprehensive income for the year	413,242
At 30 June 2018	(1,832,328)
At 1 July 2018	(1,832,328)
Total comprehensive income for the year	
Profit for the year	937,194
Total comprehensive income for the year	937,194
At 30 June 2019	(895,134)

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

Statement of cash flows
Year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Profit before tax		937,194	413,242
Adjustment for:			
- depreciation	5	5,376	59,957
- interest income		(209)	(209)
		942,361	472,990
Changes in:			
- trade and other receivables		(129,374)	(421,198)
- prepayments		(74,716)	84,003
- other payables		(368,014)	(287,373)
- deferred revenue		334,505	84,276
Net cash from/(used in) operating activities		704,762	(67,302)
Cash flows from investing activities			
Interest income		209	209
Purchase of plant and equipment	5	(2,521)	(10,227)
Movement in fixed deposits pledged		(209)	(210)
Net cash used in investing activities		(2,521)	(10,228)
Net increase/(decrease) in cash and cash equivalents		702,241	(77,530)
Cash and cash equivalents at 1 July		905,391	982,921
Cash and cash equivalents at 30 June	7	1,607,632	905,391

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 17 October 2019.

1 Domicile and activities

Embry-Riddle Aeronautical University, Asia Ltd. ('the Company') is incorporated in the Republic of Singapore. The address of the Company's registered office is 75 Bukit Timah Road, #02-01/02, Boon Siew Building, Singapore 229833.

The principal activities of the Company are to provide teaching and research in the area of aeronautics and aerospace to tertiary institutions, regulatory agencies, and airlines.

The Company's member is Embry-Riddle Aeronautical University, Inc, a company incorporated in United States.

2 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that the Company is in a net current liability position of $901,625 (2018: $1,841,674) for the year ended 30 June 2019 and a net liability position of $895,134 (2018: $1,832,328) as of that date, as its member has given an undertaking that it will continue to provide the Company with financial and other support as is necessary for the next twelve months to enable the Company to continue operations and to meet its liabilities as and when they fall due.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRSs).

This is the first set of the Company's annual financial statements in which FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* have been applied. Changes to significant accounting policies are described in note 3.5.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in note 19.

3.5 Changes in accounting policies

The Company has applied the following FRSs, amendments to and interpretations of FRSs for the first time for the annual period beginning on 1 July 2018:

- FRS 115 *Revenue from Contracts with Customers*;
- *Clarifications to FRS 115 Revenue from Contracts with Customers* (Amendments to FRS 115);
- FRS 109 *Financial Instruments*; and
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration.*

Other than FRS 109, the adoption of these FRSs, amendments to standards and interpretations did not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the classification and measurement of financial assets.

FRS 109 *Financial Instruments*

FRS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model.

The Company has adopted consequential amendments to FRS 107 *Financial Instruments: Disclosures* that are applied to disclosures for the financial year beginning 1 July 2018 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of FRS 109 have been applied by the Company retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2018 does not generally reflect the requirements of FRS 109, but rather those of FRS 39.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

The impact upon adoption of FRS 109 is described below:

(i) Classification and measurement of financial assets and financial liabilities

FRS 109 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale. Under FRS 109, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

FRS 109 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of FRS 109 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under FRS 109, see note 4.2.

The following table and the accompanying note below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Company's financial assets and financial liabilities as at 1 July 2018.

	Note	Original classification under FRS 39 $	New classification under FRS 109 $	Original carrying amount under FRS 39 $	New carrying amount under FRS 109 $
Financial assets					
Trade and other receivables	(a)	Loans and receivables	Amortised cost	712,034	712,034
Cash and cash equivalents	(a)	Loans and receivables	Amortised cost	1,009,960	1,009,960
Total financial assets				1,721,994	1,721,994

(a) Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost. No additional allowance for impairment was recognised in opening accumulated losses of the Company as at 1 July 2018 on transition to FRS 109.

(ii) Impairment of financial assets

FRS 109 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost. The allowance for impairment for financial assets at 1 July 2018 is negligible.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 3.5, which addresses changes in accounting policies.

4.1 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

4.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes 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.

The Company classifies its non-derivative financial assets as measured at amortised cost.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 July 2018

The Company classified non-derivative financial assets into the loans and receivables category.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 July 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and fixed deposits with banks which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents excludes any pledged deposits.

4.3 Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

• Office equipment	3 years
• Computer equipment	3 years
• Renovation	6 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.4 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 July 2018

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers or economic conditions that correlate with defaults.

Loans and receivables

The Company considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods 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 had been recognised.

4.5 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

4.7 Contract costs

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs are amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Company has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Company otherwise would have recognised is one year or less.

4.8 Revenue recognition

Tuition fees

Tuition fees is recognised when the Company satisfies a performance obligation (PO) by transferring control of a service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised services.

Revenue is recognised over time following the timing of satisfaction of the PO.

4.9 Interest income

Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.10 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

4.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.12 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs relevant to the Company and are effective for annual periods beginning after 1 July 2018:

Applicable to 2020 financial statements
- FRS 116 *Leases;* and
- INT FRS 123 *Uncertainty over Income Tax Treatments.*

The Company's assessment of FRS 116, which is expected to have a more significant impact to the Company, is as described below.

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 July 2019, with early adoption permitted.

The Company plans to apply FRS 116 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of accumulated losses at 1 July 2019, with no restatement of comparative information. The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 July 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Company as lessee

The Company expects to measure lease liabilities by applying a single discount rate to the lease of its office premises. Furthermore, the Company is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. For lease contracts that contain the option to renew, the Company is expected to use hindsight in determining the lease term.

The Company expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116.

The Company's operating lease commitments amounted to approximately $417,286 (note 16) as at 30 June 2019. Under FRS 116, remaining lease payments under the operating leases will be recognised at their present value discounted using appropriate discount rates. The Company is in the process of quantifying the adjustments required in the adoption of the standard.

The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

5 Plant and equipment

	Office equipment $	Computer equipment $	Renovation $	Total $
Cost				
At 1 July 2017	4,116	82,534	377,808	464,458
Additions	9,519	708	–	10,227
At 30 June 2018	13,635	83,242	377,808	474,685
Additions	1,370	1,151	–	2,521
At 30 June 2019	15,005	84,393	377,808	477,206
Accumulated depreciation				
At 1 July 2017	2,031	78,273	325,078	405,382
Depreciation for the year	4,467	2,760	52,730	59,957
At 30 June 2018	6,498	81,033	377,808	465,339
Depreciation for the year	3,887	1,489	–	5,376
At 30 June 2019	10,385	82,522	377,808	470,715
Carrying amounts				
At 1 July 2017	2,085	4,261	52,730	59,076
At 30 June 2018	7,137	2,209	–	9,346
At 30 June 2019	4,620	1,871	–	6,491

6 Trade and other receivables

	Note	2019 $	2018 $
Trade receivables		732,267	599,955
Other receivables		1,641	4,579
Deposits		107,500	107,500
		841,408	712,034

7 Cash and cash equivalents

	2019 $	2018 $
Cash and bank balances	1,607,632	905,391
Fixed deposits 1	50,143	50,124
Fixed deposits 2	54,635	54,445
	1,712,410	1,009,960

The fixed deposits 1 are pledged to a bank as security for credit card facilities granted to the Company. The fixed deposits bear an interest rate of 0.05% to 1.05% (2018: 0.05% to 1.05%) per annum with maturity of 3 to 38 months (2018: 1 to 14 months) from the end of the reporting period.

The fixed deposits 2 are pledged to a bank as banker guarantee for the premises occupied on an operating lease agreement. This deposit bears interest rate of 0.35% (2018: 0.35%) per annum with maturity of 10 to 13 months (2018: 7 days to 10 months) from the end of the reporting period.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2019 $	2018 $
Cash and bank balances	1,607,632	905,391
Fixed deposits	104,778	104,569
	1,712,410	1,009,960
Fixed deposits pledged	(104,778)	(104,569)
Cash and cash equivalents in the statement of cash flows	1,607,632	905,391

8 Other payables

	2019 $	2018 $
Third parties	92,442	95,686
Accrued operating expenses	223,512	205,993
Amounts due to member (non-trade)	2,673,142	3,055,431
	2,989,096	3,357,110

The non-trade amounts due to member are unsecured, interest free and repayable on demand.

9 Provision

Provision for reinstatement costs consists of estimated costs of dismantlement, removal or restoration of plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of plant and equipment.

10 Deferred revenue

Deferred revenue primarily relates to advance consideration received from students where the Company had billed at the reporting date but teaching services have yet to be provided.

Significant changes in the deferred revenue balance during the period are as follows:

	2019
	$
Revenue recognised that was included in the deferred revenue balance at the beginning of the year	231,722
Increases due to cash received, excluding amounts recognised as revenue during the year	(566,227)

11 Revenue

	2019	**2018**
	$	**$**
Tuition fees	5,618,309	5,480,992

Revenue is recognised, over the period teaching services are provided. Invoices are issued before the start of each school term and are payable within 30 days.

Transaction price allocated to the remaining performance obligations

As at 30 June 2019, $11,199,625 will be recognised as revenue by reference to period teaching services are provided, which is expected to complete over the next three years. The Company has elected to apply the practical expedient to not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognise that amount as revenue prior to 1 July 2018.

12 Other income

	2019 $	2018 $
Foreign exchange gain, net	24,385	37,193
Government grants	–	10,450
Others	79,590	36,821
	103,975	84,464

13 Employee benefits expense

	2019 $	2018 $
Salaries, wages and other benefits	1,270,148	1,474,321
Contribution to defined contribution plan	112,659	101,395
Others	159,168	245,145
	1,541,975	1,820,861

The above employee benefits expense includes Director's remuneration as disclosed in note 18 to the financial statements.

14 Profit before tax

The following items have been included in arriving at profit before tax:

	2019 $	2018 $
Advertising expenses	377,336	305,543
Entertainment expenses	4,575	3,744
Lecturers' expenses	573,667	670,737
Operating leases rental	225,336	221,767
Tuition fee commission	1,551,312	1,521,821
Travelling expenses	127,202	121,379

15 Tax expense

	2019 $	2018 $
Current tax expense		
Current year	–	–

Reconciliation of effective tax rate

	2019	2018
	$	$
Profit before tax	937,194	413,242
Tax calculated using the Singapore tax rate of 17% (2018: 17%)	159,323	70,251
Expenses not deductible for income tax purposes	2,323	2,913
Income not subject to income tax	(4,145)	(6,323)
Enhanced tax deduction	(2,084)	(1,710)
Utilisation of deferred tax assets previously not recognised	(156,401)	(65,000)
Others	984	(131)
	–	–

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2019	2018
	$	$
Deductible temporary differences	391,290	385,914
Tax losses	194,603	1,119,987
	585,893	1,505,901

The Company has unutilised tax losses that are available for set-off against future taxable profits subject to the agreement by the tax authority and with certain provisions of Singapore Income Tax Act.

The deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits.

16 Operating lease commitments

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premise and office equipment are as follows:

	2019	2018
	$	$
Future minimum lease payments payable:		
Within one year	225,336	225,336
After one year but within five years	191,950	417,286
	417,286	642,622

These non-cancellable leases have remaining lease terms of 10 to 25 months (2018: 34 to 49 months) from the end of the reporting period. Operating lease for office premise has the renewal option for another period of 36 months at the prevailing market rate.

17 Member's guarantee

The member of the Company is Embry-Riddle Aeronautical University, Inc.

The Memorandum of Association of the Company provides that the liability of the Company's members is limited and every member of the Company undertakes to contribute to the assets of the Company in the event of the same being wound up during the time he is a member, or within one year afterwards for payment of the debts and liabilities of the Company contracted before he ceases to be a member, and the costs, charges and expenses of winding up the same, and for adjusting the rights of the contributors amongst themselves, such amount as may be required, not exceeding the sum of $100.

18 Related party transaction

Key management personnel remuneration

The key management's remuneration includes fees, salary, bonus and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Company, and where the Company did not incur any costs, the value of the benefit. The remuneration of key management personnel of the Company during the financial year is as follows:

	2019	2018
	$	$
Director		
Salaries, wages and other short-term employee benefits	191,758	317,857

Other related party transactions

	2019	2018
	$	$
With the member		
Expenses paid on behalf of the Company	106,870	144,313

19 Financial risk management

Financial risk management

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. 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 Board of Directors.

Financial risk management objectives and policies

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Company's business activities. These risks are limited by the Company's financial management policies and practices described below.

Credit risk

The Company has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and cash equivalents are placed with banks and financial institutions which are regulated.

At the reporting date, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Expected credit loss assessment as at 30 June 2019

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 30 June 2019:

	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Current (not past due)	522,024	–	No
1 – 30 days past due	45,249	–	No
31 – 60 days past due	61,408	–	No
61 – 90 days past due	5,653	–	No
More than 90 days	207,074	–	No
	841,408	–	

Based on actual credit loss experience over the past three years and Company's view of economic conditions over the expected lives of the receivables, the Company considers the loss rates to be negligible.

Comparative information under FRS 39

The ageing of trade and other receivables at the reporting date is as follows:

	2018
	$
Not past due	376,041
Past due 0 to 30 days	31,871
Past due 31 to 60 days	298,287
Past due 61 to 90 days	225
Past due for more than 90 days	5,610
	712,034

Trade receivables

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a very large number of small balances. Loss rates are based on actual credit loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. The exposure to credit risk and ECL for trade receivables as at 30 June 2019 is negligible.

Other receivables

The Company assesses on a forward-looking basis the ECLs associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company considers that the credit risk of these counterparties has not increased.

The Company considers the amount of the allowance on other receivables to be negligible.

Cash and cash equivalents

The Company held cash and cash equivalents of $1,712,410 as at 30 June 2019 (2018: $1,009,960), which represents its maximum credit exposure on these assets. Cash is placed with financial institutions which are regulated and have good credit standing.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			Cash flows	
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 - 5 years
	$	$	$	$
2019				
Non-derivative financial liabilities				
Other payables	(2,989,096)	(2,989,096)	(2,989,096)	–
2018				
Non-derivative financial liabilities				
Other payables	(3,357,110)	(3,357,110)	(3,357,110)	–

Foreign exchange risk

The Company is exposed to foreign currency risk on bank balances and purchases that are denominated in currencies other than the functional currency of the Company. The currency giving rise to this risk is primarily the United States dollars. The Company does not hedge these exposures by purchasing forward currency contracts. However, the Board keeps this policy under review.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	United States dollars	
	2019	2018
	$	$
Cash and cash equivalents	2,684	2,707
Other payables	(2,673,142)	(3,073,913)
Net exposure	(2,670,458)	(3,071,206)

Sensitivity analysis

The following table details the Company's sensitivity to a 5% change in United States dollars against the Singapore dollars. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in United States dollars is included in the analysis.

	Increase/(Decrease) Profit or loss	
	2019	2018
	$	$
United States dollar		
Strengthens against Singapore dollar	(133,523)	(153,560)
Weakens against Singapore dollar	133,523	153,560

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates mainly to bank balances and deposits with financial institutions.

The management does not expect any material impact on profit or loss arising from the effects of reasonably possible changes to interest rates.

Accounting classification and fair values

The carrying amounts of financial assets and liabilities shown in the statement of financial position are as follows:

	Note	Amortised cost $	Other financial liabilities $	Total carrying amount $	Fair value $
2019					
Financial assets not measured at fair value					
Trade and other receivables	6	841,408	–	841,408	841,408
Cash and cash equivalents	7	1,712,410	–	1,712,410	1,712,410
		2,553,818	–	2,553,818	2,553,818
Financial liabilities not measured at fair value					
Other payables	8	–	2,989,096	2,989,096	2,989,096

	Note	Loans and receivables $	Other financial liabilities $	Total carrying amount $	Fair value $
2018					
Financial assets not measured at fair value					
Trade and other receivables	6	712,034	–	712,034	712,034
Cash and cash equivalents	7	1,009,960	–	1,009,960	1,009,960
		1,721,994	–	1,721,994	1,721,994
Financial liabilities not measured at fair value					
Other payables	8	–	3,357,110	3,357,110	3,357,110

The carrying amounts of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and other payables) are assumed to approximate their fair values because of the relative short period to maturity.

20 Comparative information

The financial statements for the year ended 30 June 2018 were audited by another auditor whose report dated 8 October 2018 expressed an unqualified opinion on those statements.