

## CONTENTS

### FINANCIAL REPORT

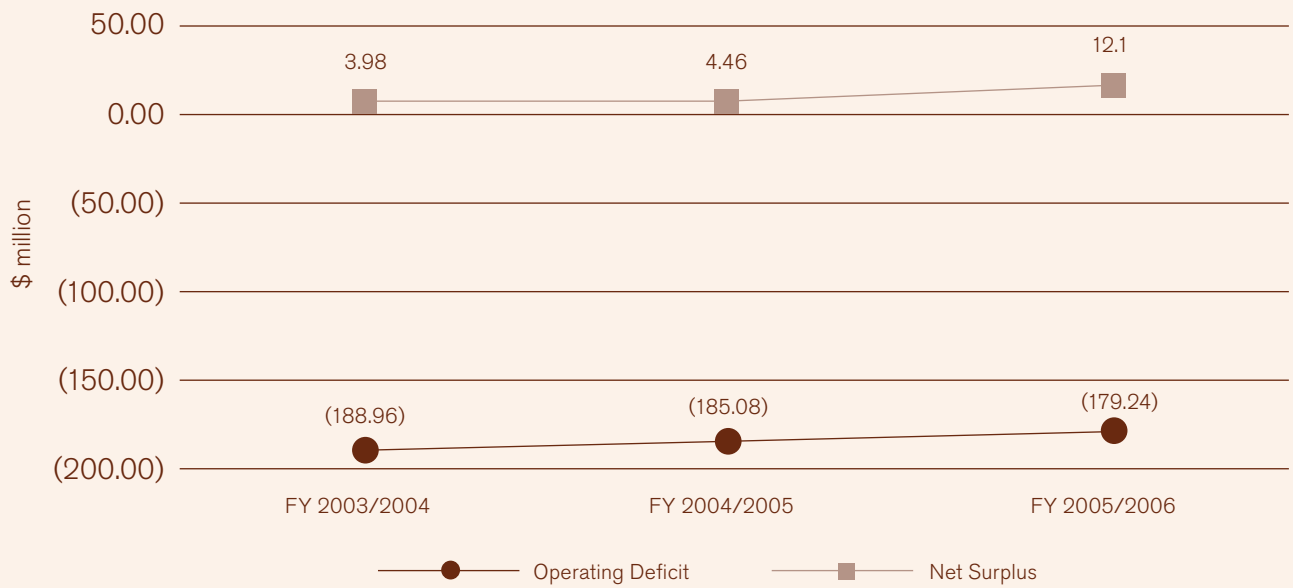
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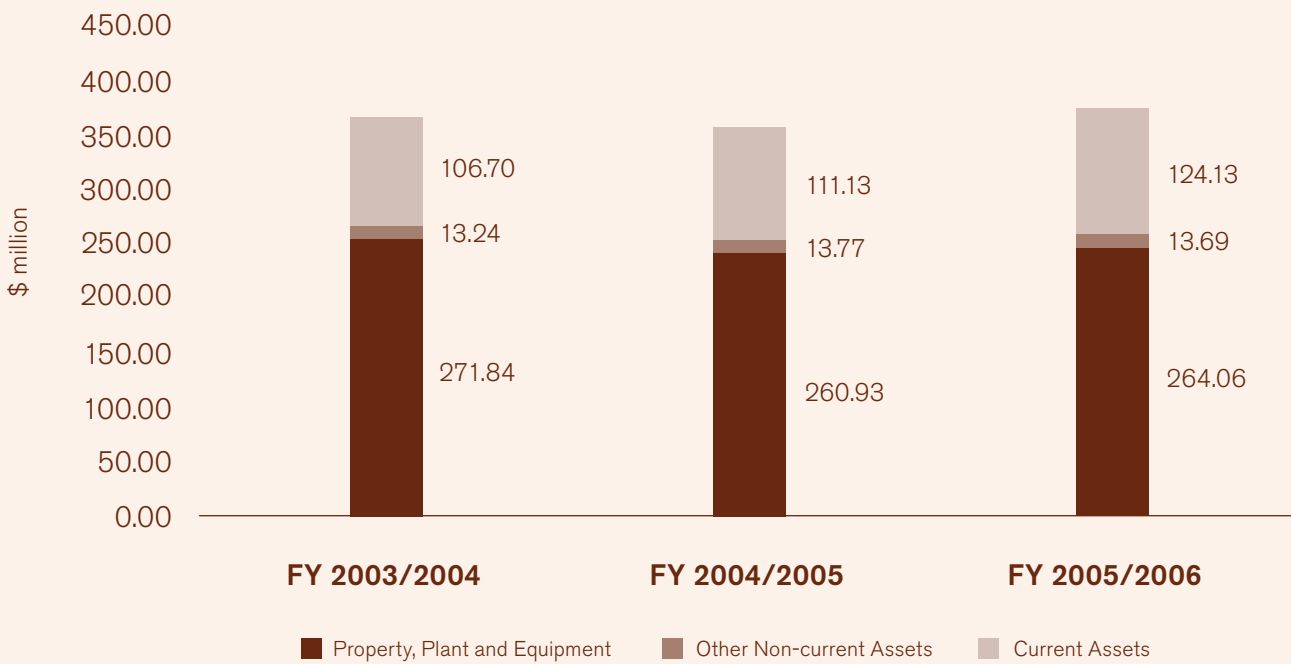
## Financial Review

	FY 2003/2004	FY 2004/2005	FY 2005/2006
<b>FINANCIAL RESULTS</b>	\$ million	\$ million	\$ million
Operating Income	37.44	42.31	43.56
Operating Expenditure	226.40	227.39	222.80
Operating Deficit	(188.96)	(185.08)	(179.24)
Non-operating Income	4.88	7.56	7.95
(Deficit) before Grants	(184.08)	(177.52)	(171.29)
Grants	188.06	181.98	183.39
Surplus for the Financial Year	3.98	4.46	12.10

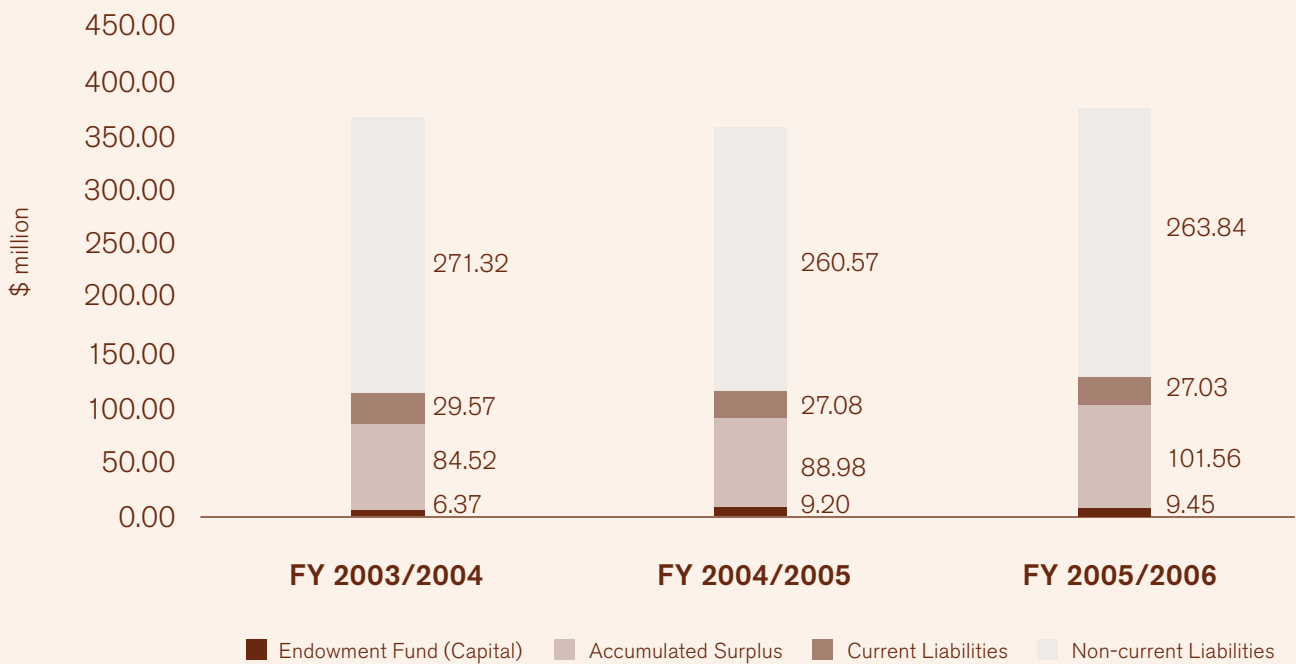
	FY 2003/2004	FY 2004/2005	FY 2005/2006
<b>FINANCIAL POSITION</b>	\$ million	\$ million	\$ million
Property, Plant and Equipment	271.84	260.93	264.06
Other Non-current Assets	13.24	13.77	13.69
Current Assets	106.70	111.13	124.13
	391.78	385.83	401.88
Endowment Fund (Capital)	6.37	9.20	9.45
Accumulated Surplus	84.52	88.98	101.56
Current Liabilities	29.57	27.08	27.03
Non-Current Liabilities	271.32	260.57	263.84
	391.78	385.83	401.88

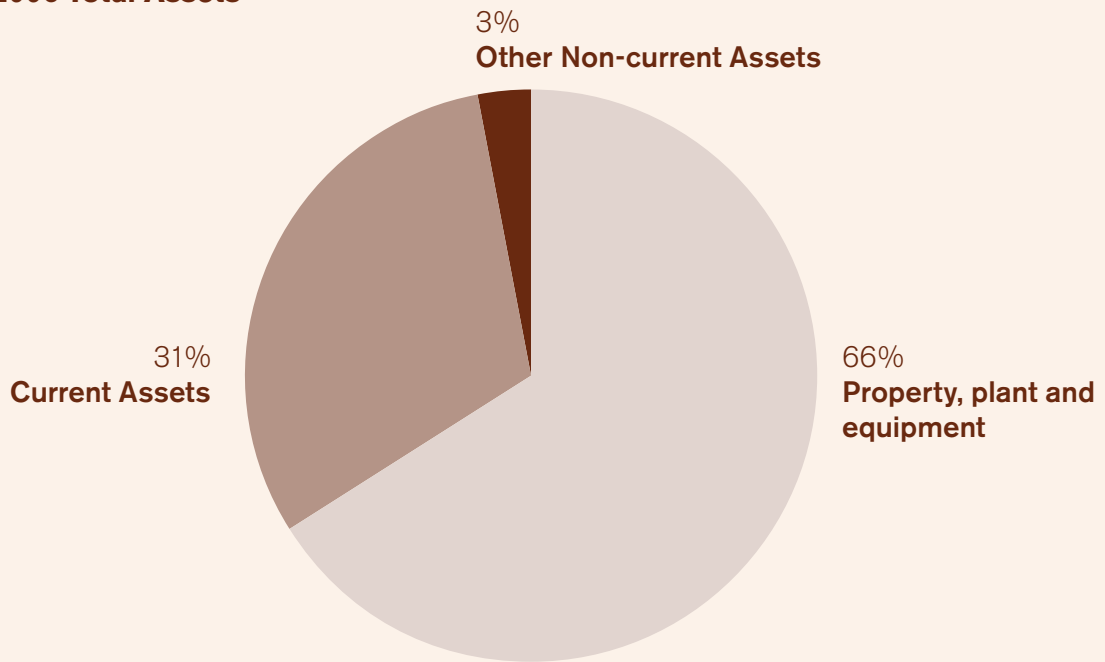
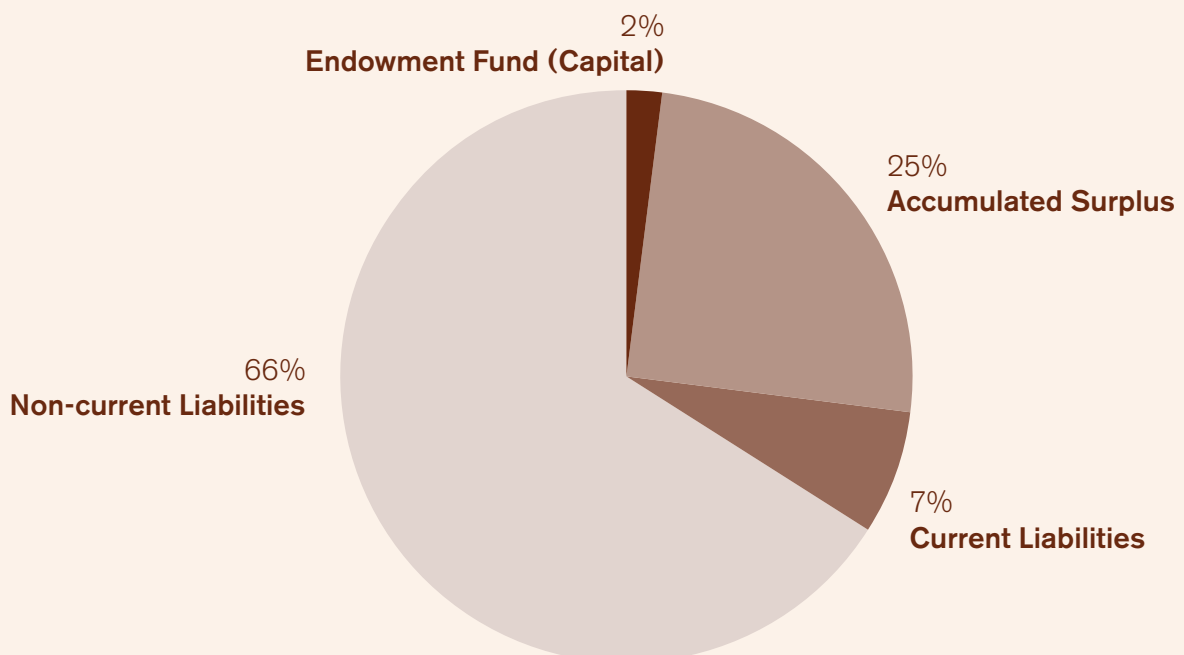
### Three-Year Financial Summary



**Total Assets**

### Capital and Liabilities



**FY 2005/2006 Total Assets****FY 2005/2006 Capital and Liabilities**

## Statement by Board of Governors

In our opinion, the financial statements set out on pages 113 to 134 are drawn up so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2006 and of the income and expenditure, changes in equity and cash flows of the Polytechnic for the year ended on that date.

On behalf of the Board



**Tan Kay Yong**  
Chairman



**Low Wong Fook**  
Principal

28 June 2006

## Report of the Auditors Appointed under Section 19(1) of the Singapore Polytechnic Act, Chapter 303 Singapore Polytechnic

We have audited the accompanying financial statements of Singapore Polytechnic (the "Polytechnic") for the year ended 31 March 2006 as set out on pages 113 to 134. These financial statements are the responsibility of the Polytechnic. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the financial year ended 31 March 2005 were audited by another firm of certified public accountants whose report dated 30 June 2005 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Polytechnic, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We draw your attention to Note 2 to the financial statements. The Polytechnic has not disclosed related party transactions and outstanding balances with other state-controlled entities as it was granted relief by the Finance Circular Minute No M4/2005 issued by the Ministry of Finance, from such disclosure. The non-disclosure is a non-compliance with Singapore Financial Reporting Standard 24 Related Party Disclosures.

In our opinion:

- (a) except for the non-disclosure of related party transactions and outstanding balances with other statutory boards, the financial statements of the Polytechnic are properly drawn up in accordance with the provisions of the Singapore Polytechnic Act, Chapter 303 (the "Act") and Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Polytechnic as at 31 March 2006 and of the income and expenditure, changes in equity and cash flows of the Polytechnic for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Polytechnic have been properly kept in accordance with the provisions of the Act, including records of all assets of the Polytechnic whether purchased, donated or otherwise.

During the course of our audit, nothing has come to our attention that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Polytechnic during the financial year have not been made in accordance with the provisions of the Act.



**KPMG**  
Certified Public Accountants

Singapore

28 June 2006



**Balance Sheet**

As at 31 March 2006

	Note	2006 \$'000	2005 \$'000
<b>Endowment fund (Capital)</b>	3	9,457	9,196
<b>Accumulated surplus</b>			
General fund		45,166	41,340
Other funds	4	55,920	47,641
Fair value reserve		475	-
		<u>111,018</u>	<u>98,177</u>
<b>Non-current assets</b>			
Property, plant and equipment	5	264,063	260,929
Investment in subsidiaries	6	1,100	1,100
Available-for-sale assets	7	8,400	7,925
Loans to Singapore Polytechnic Graduates' Guild	8	-	-
Staff and student loans	9	4,194	4,748
		<u>277,757</u>	<u>274,702</u>
<b>Current assets</b>			
Current portion of staff and student loans	9	1,727	1,552
Trade and other receivables	10	5,608	2,426
Cash and cash equivalents	11	116,792	107,148
		<u>124,127</u>	<u>111,126</u>
<b>Current liabilities</b>			
Trade and other payables	12	21,308	21,670
Development grants received in advance	13	3,912	3,774
Government advances for staff and student loans	14	1,807	1,636
		<u>27,027</u>	<u>27,080</u>
<b>Net current assets</b>		<u>97,100</u>	<u>84,046</u>
		374,857	358,748
<b>Non-current liabilities</b>			
Government advances for staff and student loans	14	4,144	4,681
Deferred capital grants	15	259,695	255,890
		<u>263,839</u>	<u>260,571</u>
<b>Net assets</b>		<u>111,018</u>	<u>98,177</u>

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

## Income and Expenditure Statement

Year ended 31 March 2006

	Note	General fund		Other funds		Total	
		2006	2005	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating income</b>							
Course fees		28,108	26,925	14,650	14,567	42,758	41,492
Other fees		764	779	37	43	801	822
		<u>28,872</u>	<u>27,704</u>	<u>14,687</u>	<u>14,610</u>	<u>43,559</u>	<u>42,314</u>
<b>Operating expenditure</b>							
Staff costs		131,956	137,013	4,767	4,739	136,723	141,752
Teaching materials		6,742	6,331	283	307	7,025	6,638
Repairs and maintenance		11,722	11,308	–	–	11,722	11,308
Depreciation of property, plant and equipment		35,676	37,766	783	791	36,459	38,557
Development expenses written off		10,407	7,466	–	–	10,407	7,466
Staff development and benefits		3,733	3,223	2	–	3,735	3,223
Other expenditure		10,964	11,349	5,761	7,101	16,725	18,450
		<u>211,200</u>	<u>214,456</u>	<u>11,596</u>	<u>12,938</u>	<u>222,796</u>	<u>227,394</u>
<b>Operating (deficit)/surplus</b>		(182,328)	(186,752)	3,091	1,672	(179,237)	(185,080)
<b>Non-operating income/(expense)</b>							
Donations		–	–	395	619	395	619
Interest income – banks		1,049	471	1,336	841	2,385	1,312
Rental income – operating leases		–	–	1,108	1,081	1,108	1,081
Other income		1,716	1,908	2,349	2,639	4,065	4,547
<b>(Deficit)/Surplus before government grants</b>	16	(179,563)	(184,373)	8,279	6,852	(171,284)	(177,521)
<b>Government grants</b>	17	183,389	181,977	–	–	183,389	181,977
<b>Surplus/(Deficit) for the year</b>		<u>3,826</u>	<u>(2,396)</u>	<u>8,279</u>	<u>6,852</u>	<u>12,105</u>	<u>4,456</u>

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

**Statement of Changes in Equity**

Year ended 31 March 2006

	Note	Endowment fund (Capital)	General fund	Other funds	Fair value reserve	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>2005</b>						
At 1 April 2004		6,370	43,736	40,789	–	90,895
Donations received		2,826	–	–	–	2,826
Net gains recognised directly in equity		2,826	–	–	–	2,826
Net surplus/(deficit) for the year		–	(2,396)	6,852	–	4,456
Total recognised income and expense for the year		2,826	(2,396)	6,852	–	7,282
At 31 March 2005		9,196	41,340	47,641	–	98,177
<b>2006</b>						
At 31 March 2005, as previously stated		9,196	41,340	47,641	–	98,177
Effects of adopting FRS 39	21	–	–	–	695	695
At 1 April 2005, restated		9,196	41,340	47,641	695	98,872
Donations received		261	–	–	–	261
Net deficit on revaluation		–	–	–	(220)	(220)
Net gains/(losses) recognised directly in equity		261	–	–	(220)	41
Net surplus for the year		–	3,826	8,279	–	12,105
Total recognised income and expense for the year		261	3,826	8,279	(220)	12,146
At 31 March 2006		9,457	45,166	55,920	475	111,018

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

## Statement of Cash Flows

Year ended 31 March 2006

	Note	2006 \$'000	2005 \$'000
<b>Operating activities</b>			
Deficit before grants		(171,284)	(177,521)
Adjustment for:			
Depreciation of property, plant and equipment		36,459	38,557
Interest income		(2,385)	(1,312)
Loss on disposal of property, plant and equipment		140	98
Allowance for doubtful receivables		315	–
Operating loss before working capital changes		<u>(136,755)</u>	<u>(140,178)</u>
Changes in working capital:			
Trade and other receivables		(3,497)	(475)
Trade and other payables		(362)	(6,347)
Cash utilised in operations		<u>(140,614)</u>	<u>(147,000)</u>
Staff loans repaid		289	401
Student loans repaid		1,593	425
Student loans disbursed		(1,503)	(483)
Contributions and donations received for the endowment fund (capital)		261	2,826
Operating grants refunded to non-government organisations	17	–	(2,110)
Operating grants received from non-government organisations	17	390	–
<b>Cash flows from operating activities</b>		<u>(139,584)</u>	<u>(145,941)</u>
<b>Investing activities</b>			
Interest received		2,385	1,150
Purchases of property, plant and equipment		(39,016)	(26,160)
Proceeds from disposals of property, plant and equipment		60	3
Investment in subsidiary		–	(1,000)
<b>Cash flows from investing activities</b>		<u>(36,571)</u>	<u>(26,007)</u>
<b>Financing activities</b>			
Development grants received from Government	13	44,353	32,119
Operating grants received from Government	18	141,812	143,850
Net increase in fixed deposits with more than 3 months maturity		(3,208)	(2,217)
Staff loan grants returned to Government		(286)	(380)
Student loan grants received from Government		274	519
Student loan grants returned to Government		(354)	(498)
<b>Cash flows from financing activities</b>		<u>182,591</u>	<u>173,393</u>
<b>Net increase in cash and cash equivalents</b>		<u>6,436</u>	<u>1,445</u>
Cash and cash equivalents at beginning of the year		103,666	102,221
<b>Cash and cash equivalents at end of the year</b>	11	<u>110,102</u>	<u>103,666</u>

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 Governors on 28 June 2006.

### 1 Domicile and Activities

The Singapore Polytechnic (the "Polytechnic") was established under the Singapore Polytechnic Act, Chapter 303, and is domiciled in Singapore. The Polytechnic's campus is situated at 500 Dover Road, Singapore 139651.

The Polytechnic is principally engaged in providing studies, training and research in technology, science, commerce and arts. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

### 2 Summary of Significant Accounting Policies

#### 2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance and the applicable requirements of the Singapore Polytechnic Act, Chapter 303.

In 2006, the Polytechnic adopted the following new/revised FRS which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 36 (revised)	Impairment of Assets
FRS 39	Financial Instruments: Recognition and Measurement

The Polytechnic has not disclosed related party transactions and outstanding balances with other state-controlled entities as it was granted relief by the Finance Circular Minute No M4/2005 issued by the Ministry of Finance ("MOF"), from such disclosure. The non-disclosure is a non-compliance with FRS 24 Related Party Disclosures.

The effects of adopting the new/revised FRSs in 2006 are set out in note 21.

The financial statements, which are expressed in Singapore dollars and rounded to the nearest thousand, unless otherwise stated. They are prepared on a historical cost basis except for certain financial assets and financial liabilities which are stated at fair value.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## 2.2 Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities at foreign currencies at the balance sheet date are translated into Singapore dollars at foreign exchange rate ruling at that date. Foreign exchange arising from translation are included in the Income and Expenditure Statement.

## 2.3 Funds

### **Endowment fund**

Donations, which donors have specified to be kept intact, are taken directly to the Endowment Fund (Capital). Other donations together with other income and expenditure of the Fund are taken to the Fund's operating account under "Other Funds – Endowment Fund" of the Income and Expenditure Statement.

### **General fund**

Income and expenditure relating to the main activities of the Polytechnic are accounted for in the "General Fund" column of the Income and Expenditure Statement.

### **Other funds**

Income and expenditure relating to funds set up for specific purpose are accounted for in the "Other Funds" column in the Income and Expenditure Statement and disclosed separately in the notes to the financial statements.

## 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Donated assets are recorded at valuation.

Except for buildings under construction and building improvements in progress, depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows:

Leasehold land	Leasehold period ranging from 21 to 86 years
Building (campus and staff quarters)	Over the lease period (subject to maximum of 50 years)
Building improvements	5 years
Equipment and furniture	3 to 10 years
Motor vehicles	5 years

Construction-in-progress is stated at cost. No depreciation is charged on construction-in-progress. Upon completion of the construction-in-progress, the property, plant and equipment are transferred to the respective property, plant and equipment categories and depreciated accordingly.

The cost of major renovations and restoration is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard performance of the existing asset will flow to the Polytechnic, and depreciated over the remaining useful life of the asset.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in Income and Expenditure Statement.

The useful lives and residual values, if not insignificant, are reassessed annually.

## 2.5 Subsidiaries

A subsidiary is a company controlled by the Polytechnic. Control exists when the Polytechnic has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investment in subsidiary is stated in the Polytechnic's balance sheet at cost less impairment losses.

## 2.6 Available-for-sale assets

Quoted investments classified as available-for-sale are stated at fair value, with any resultant gain or loss being recognised directly in equity. When the quoted investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income and Expenditure Statement.

The fair value of the quoted investments classified as available-for-sale is determined as the quoted bid price at the balance sheet date.

Quoted investments are recognised by the Polytechnic on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

## 2.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## 2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits placed in financial institutions.

## 2.9 Impairment

The carrying amounts of the Polytechnic's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the Income and Expenditure Statement.

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 or amortisation, if no impairment loss has been recognised.

## 2.10 Trade and other payables

Trade and other payables are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, trade and other payables and interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

## 2.11 Employee benefits

### ***Defined contribution plans***

Contributions to defined contribution plans are recognised as an expense in the Income and Expenditure Statement.

## 2.11 Employee benefits (Cont'd)

### **Short-term employee benefits**

All short-term employee benefits, including accumulated compensated absences, are recognised in the Income and Expenditure Statement in the period in which the employees render their services to the Polytechnic.

## 2.12 Grants

Government grants and contributions from other organisations for the purchase of depreciable assets or to finance research or capital projects are taken to the Grants received account in the first instance. They are taken to the deferred capital grants account upon the utilisation of the grants for purchase of assets, which are capitalised, or to the Income and Expenditure Statement for purchase of assets which are written off in the year of purchase.

Deferred capital grants are recognised in the Income and Expenditure Statement over the periods necessary to match the depreciation, write off and/or impairment loss of the assets purchased with the related grants. Upon the disposal of property, plant and equipment, the balance of the related deferred capital grants is recognised in the Income and Expenditure Statement to match the net book value of the property, plant and equipment written off.

Government grants to meet the current year's operating expenses are recognised as income in the same year. Government grants are accounted for on the accrual basis.

Government and other grants received but not utilised are included in the "Grant received in advance" account.

## 2.13 Income recognition

### **Course and other fees**

Course and other fees for the academic year and all other income are recognised on an accrual basis.

### **Donations**

Donations are recognised upon receipt.

### **Interest income**

Interest income is recognised on a time proportion basis.

## 2.14 Key management personnel

Key management personnel of the Polytechnic are those persons having the authority and responsibility for planning, directing and controlling the activities of the Polytechnic. The Singapore Polytechnic Management Team ("SPM") are considered as key management personnel of the Polytechnic.



### 3 Endowment Fund (Capital)

The purpose of the endowment fund is to provide financial assistance to needy students, promote excellence in teaching amongst the academic staff and provide assistance for the benefit of graduates.

Interest income and expenditure of the Fund are taken to the operating account under "Other Funds" in the Income and Expenditure Statement.

The seed capital of this Fund is kept intact and it comprises the following:

	2006 \$'000	2005 \$'000
At 1 April	9,196	6,370
Donations received	261	2,826
At 31 March	<u>9,457</u>	<u>9,196</u>
Represented by:		
Available-for-sale assets	1,890	1,800
Fair value reserve	(90)	–
	<u>1,800</u>	<u>1,800</u>
Cash and cash equivalents	7,657	7,396
	<u>9,457</u>	<u>9,196</u>

#### 4 Other Funds

(a) Other funds comprise the following funds:

<b>Name of fund</b>	<b>Purpose</b>
Endowment fund	Provides financial assistance to needy students, promotes excellence in teaching amongst the academic staff and provides assistance for the benefit of graduates.
Student welfare & development fund	Provides funding to support student welfare and development activities.
Miscellaneous funds	Provides funding for: <ul style="list-style-type: none"><li>(i) short and continuing education courses;</li><li>(ii) upgrading courses;</li><li>(iii) upgrading campus facilities to meet the demand for development in technological skills;</li><li>(iv) implementation of programmes to achieve the goals of the Polytechnic; and</li><li>(v) maintenance and upgrading of staff quarters.</li></ul>

**4 Other Funds (Cont'd)**

(b) The breakdown of the income, expenditure, assets and liabilities of the individual funds are as follows:

	Endowment fund		Student welfare & development fund		Miscellaneous funds		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating income</b>								
Course fees	–	–	–	–	14,650	14,567	14,650	14,567
Other fees	–	–	–	–	37	43	37	43
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,687</u>	<u>14,610</u>	<u>14,687</u>	<u>14,610</u>
<b>Operating expenditure</b>								
Staff costs	–	–	–	5	4,769	4,734	4,769	4,739
Depreciation of property, plant and equipment	–	–	64	70	719	721	783	791
Teaching materials	–	–	–	–	283	307	283	307
Other expenditure	634	667	661	535	4,466	5,899	5,761	7,101
	<u>634</u>	<u>667</u>	<u>725</u>	<u>610</u>	<u>10,237</u>	<u>11,661</u>	<u>11,596</u>	<u>12,938</u>
<b>Operating surplus/(deficit)</b>	(634)	(667)	(725)	(610)	4,450	2,949	3,091	1,672
<b>Non-operating income</b>								
Donations	395	619	–	–	–	–	395	619
Interest income – banks	334	177	54	21	948	643	1,336	841
Rental income – operating leases	–	–	–	–	1,108	1,081	1,108	1,081
Other income	133	238	586	668	1,630	1,733	2,349	2,639
	<u>133</u>	<u>238</u>	<u>586</u>	<u>668</u>	<u>1,630</u>	<u>1,733</u>	<u>2,349</u>	<u>2,639</u>
<b>Surplus/(Deficit) for the year</b>	228	367	(85)	79	8,136	6,406	8,279	6,852
Accumulated surplus at 1 April	3,058	2,691	4,164	4,085	40,419	34,013	47,641	40,789
	<u>3,058</u>	<u>2,691</u>	<u>4,164</u>	<u>4,085</u>	<u>40,419</u>	<u>34,013</u>	<u>47,641</u>	<u>40,789</u>
Accumulated surplus at 31 March	3,286	3,058	4,079	4,164	48,555	40,419	55,920	47,641
	<u>3,286</u>	<u>3,058</u>	<u>4,079</u>	<u>4,164</u>	<u>48,555</u>	<u>40,419</u>	<u>55,920</u>	<u>47,641</u>

**4 Other Funds (Cont'd)**

	Endowment fund		Student welfare & development fund		Miscellaneous funds		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Represented by:								
Property, plant and equipment	–	–	878	936	3,491	4,103	4,369	5,039
Staff and student loans	–	–	70	78	44	47	114	125
Investment in subsidiaries	–	–	–	–	1,100	1,100	1,100	1,100
Available-for-sale assets	525	500	–	–	5,985	5,625	6,510	6,125
Fair value reserve	(25)	–	–	–	(360)	–	(385)	–
Cash and cash equivalents	2,707	2,489	3,153	3,176	36,257	25,525	42,117	31,190
Receivables, deposits and prepayments	81	71	–	–	3,574	4,708	3,655	4,779
Payables, deposits and accruals	(2)	(2)	(22)	(26)	(1,536)	(689)	(1,560)	(717)
	<u>3,286</u>	<u>3,058</u>	<u>4,079</u>	<u>4,164</u>	<u>48,555</u>	<u>40,419</u>	<u>55,920</u>	<u>47,641</u>

## 5 Property, Plant and Equipment

	Leasehold land	Building (campus and staff quarters)	Building improvements	Equipment and furniture	Motor vehicles	Construction- in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>							
At 1 April 2004	56,518	221,447	41,809	230,626	176	293	550,869
Additions	–	609	1,647	21,419	–	4,075	27,750
Disposals	–	–	–	(9,811)	–	–	(9,811)
At 31 March 2005	<u>56,518</u>	<u>222,056</u>	<u>43,456</u>	<u>242,234</u>	<u>176</u>	<u>4,368</u>	<u>568,808</u>
At 1 April 2005	56,518	222,056	43,456	242,234	176	4,368	568,808
Additions	–	8,049	3,213	28,531	–	–	39,793
Transfers	–	4,266	–	–	–	(4,266)	–
Disposals	–	–	–	(17,035)	–	–	(17,035)
At 31 March 2006	<u>56,518</u>	<u>234,371</u>	<u>46,669</u>	<u>253,730</u>	<u>176</u>	<u>102</u>	<u>591,566</u>
<b>Accumulated depreciation</b>							
At 1 April 2004	13,306	74,924	34,659	156,023	120	–	279,032
Depreciation for the year	809	4,649	3,046	30,018	35	–	38,557
Disposals	–	–	–	(9,710)	–	–	(9,710)
At 31 March 2005	<u>14,115</u>	<u>79,573</u>	<u>37,705</u>	<u>176,331</u>	<u>155</u>	<u>–</u>	<u>307,879</u>
At 1 April 2005	14,115	79,573	37,705	176,331	155	–	307,879
Depreciation for the year	809	4,664	2,324	28,641	21	–	36,459
Disposals	–	–	–	(16,835)	–	–	(16,835)
At 31 March 2006	<u>14,924</u>	<u>84,237</u>	<u>40,029</u>	<u>188,137</u>	<u>176</u>	<u>–</u>	<u>327,503</u>
<b>Carrying amount</b>							
At 1 April 2004	<u>43,212</u>	<u>146,523</u>	<u>7,150</u>	<u>74,603</u>	<u>56</u>	<u>293</u>	<u>271,837</u>
At 31 March 2005	<u>42,403</u>	<u>142,483</u>	<u>5,751</u>	<u>65,903</u>	<u>21</u>	<u>4,368</u>	<u>260,929</u>
At 1 April 2005	<u>42,403</u>	<u>142,483</u>	<u>5,751</u>	<u>65,903</u>	<u>21</u>	<u>4,368</u>	<u>260,929</u>
At 31 March 2006	<u>41,594</u>	<u>150,134</u>	<u>6,640</u>	<u>65,593</u>	<u>–</u>	<u>102</u>	<u>264,063</u>

## 5 Property, Plant and Equipment (Cont'd)

Leasehold land alienated to the Polytechnic at nominal value was taken into the accounting records with valuation as their cost base. The valuations were provided by the Chief Valuer, Inland Revenue Department in 1986 (S\$56,660,000) and Colliers Jardin (S) Pte Ltd in 1994 for sports complex (S\$740,000), on market value basis.

Included in additions for the year are assets donated by non-government organisations of \$777,000 (2005: 1,590,000).

## 6 Investment in Subsidiaries

	2006	2005
	\$'000	\$'000
Investment in subsidiaries, at cost	1,100	1,100

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2006	2005
			%	%
Innomart Pte Ltd	Investment holding company	Singapore	100	100
Singapore Polytechnic International Pte Ltd	Recruitment of full-fee paying foreign students to study in the Polytechnic and licensing local and overseas education institutions to conduct in whole and in part the Polytechnic's diploma courses offshore	Singapore	100	100

The results of the subsidiaries have not been consolidated as they are not material to the Polytechnic's financial statements.

## 7 Available-for-Sale Assets

	2006	2005
	\$'000	\$'000
Quoted bonds, at fair value	8,400	7,925

With the adoption of FRS 39, the Polytechnic states available-for-sale investments at fair value. The differences between the fair values and the carrying amounts of these investments at 1 April 2005 are taken to the opening balance of the fair value reserve funds at that date.

The bonds earn an interest rate of 4.17% to 4.81% (2005: 4.17% to 4.81%) per annum. \$3 million of the bonds will mature in 2010 while the remaining bonds will mature in 2016.

**8 Loan to Singapore Polytechnic Graduates' Guild**

	2006	2005
	\$'000	\$'000
Loan	2,500	2,500
Interest receivable	246	246
	<u>2,746</u>	<u>2,746</u>
Allowance for doubtful receivables	(2,746)	(2,746)
	<u>–</u>	<u>–</u>

The loan to Singapore Polytechnic Graduates' Guild ("SPGG") has a mortgage in escrow over the SPGG's clubhouse subject to the security interest created by SPGG in favour of OCBC Bank Limited ("OCBC"). The loan and interest are repayable within a period of 10 years commencing from the date of first drawdown of the loan. First repayment will be due on the first day of each month following the last and final instalment repayment to OCBC in respect of the loan granted by the latter to SPGG or such other dates thereafter as the Polytechnic has subordinated its right to repayment of indebtedness of SPGG to OCBC. The expected first principal monthly repayment will not be within the next 12 months of the financial year ended 31 March 2006.

Interest is levied at the average of the prevailing DBS prime rate and DBS fixed deposit rate over the last 12 months prior to the first date of disbursement of the loan or any part thereof calculated on a monthly rest basis or at such other periodic rests basis as may be determined by the Polytechnic.

**9 Staff and Student Loans**

	2006	2005
	\$'000	\$'000
Repayable after 12 months		
– Staff loans	1,168	1,384
– Student loans	3,026	3,364
	<u>4,194</u>	<u>4,748</u>
Repayable within 12 months		
– Staff loans	302	375
– Student loans	1,425	1,177
	<u>1,727</u>	<u>1,552</u>

Loans given to students are interest-free until 1 February or 1 August in the year of their graduation, or for those with National Service obligation, in the year in which they finish their National Service. Thereafter, loans are repayable by monthly instalments with interest at 4.75% (2005: 4.75%) per annum which is based on the average prime rates of banks or such other rates as may be determined by the Polytechnic from time to time.

Loans to staff consist of housing loan made in accordance with the regulations of the Polytechnic. With effect from January 2002, housing loan benefit is no longer provided and the unutilised grants as well as the repayment of these staff loans amounting to \$291,000 (2005: \$380,000) were refunded to the Ministry of Education. Existing housing loans will continue to be funded.

Staff and student loans are disbursed from advances from the government and repayment of the loans will eventually be returned to the government. Accordingly, the carrying amounts of staff and student loans approximate their fair values.

**10 Trade and Other Receivables**

	2006 \$'000	2005 \$'000
Trade receivables	4,450	1,673
Allowance for doubtful receivables	(315)	–
	<u>4,135</u>	<u>1,673</u>
Goods and services tax receivable	728	–
Prepayments	745	753
	<u>5,608</u>	<u>2,426</u>

Included in trade receivables are development grants receivable from the Ministry of Education of \$1,315,424 (2005: Nil).

**11 Cash and Cash Equivalents**

	2006 \$'000	2005 \$'000
Cash at bank and in hand	28,458	28,456
Fixed deposits	88,334	78,692
Cash and cash equivalents	<u>116,792</u>	<u>107,148</u>
Fixed deposits with more than 3 months maturity	(6,690)	(3,482)
Cash and cash equivalents per cash flow statements	<u>110,102</u>	<u>103,666</u>

Cash and cash equivalents include a balance of \$144,000 (2005: \$142,000) representing undisbursed staff and student loans grants (Note 14).

The effective interest rates per annum relating to cash and cash equivalents at the balance sheet date are 3.22% (2005: 1.62%). Interest rates reprice at intervals of less than 1 year.

**12 Trade and Other Payables**

	2006 \$'000	2005 \$'000
Sundry creditors	6,289	2,119
Deposits	765	1,089
Goods and services tax payable	–	2,886
Accruals	14,254	15,576
	<u>21,308</u>	<u>21,670</u>



**13 Development Grants Received in Advance**

	Note	2006 \$'000	2005 \$'000
At 1 April		3,774	33
Grants received/receivable during the year		44,353	32,119
Transfer to deferred capital grants (government)	15	(33,808)	(20,912)
Amount taken to Income and Expenditure Statement	17	(10,407)	(7,466)
At 31 March		<u>3,912</u>	<u>3,774</u>

**14 Government Advances for Staff and Student Loans**

	Note	2006 \$'000	2005 \$'000
<b>Government advances</b>			
At 1 April		6,317	6,676
Grants received during the year		176	415
Grants refunded during the year		(718)	(973)
Interest collected		176	199
At 31 March		<u>5,951</u>	<u>6,317</u>
Repayable as follows:			
After 1 year		4,144	4,681
Within 1 year		1,807	1,636
		<u>5,951</u>	<u>6,317</u>
<b>Represented by:</b>			
Staff loans		1,426	1,711
Student loans		4,381	4,464
Bank balances and fixed deposits	11	144	142
Net staff and student loans funds		<u>5,951</u>	<u>6,317</u>

The staff and student loans funds were set up from advances from the Ministry of Education for the purpose of providing loans to staff and students.

The bank balances and fixed deposits represent undisbursed advances included in the Polytechnic's cash and cash equivalents.

**15 Deferred Capital Grants**

	Government		Non-Government		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April	252,547	263,046	3,343	3,113	255,890	266,159
Add:						
Grants received for purchases of property, plant and equipment						
– development (Note 13)	33,808	20,912	–	–	33,808	20,912
– operating (Note 18)	5,096	5,093	–	–	5,096	5,093
Assets donated by various organisations (Note 5)	–	–	777	1,590	777	1,590
	38,904	26,005	777	1,590	39,681	27,595
Less:						
Grants taken to Income and Expenditure Statement						
– amortisation charge for the year (Note 17)	(34,415)	(36,504)	(1,461)	(1,360)	(35,876)	(37,864)
At 31 March	<u>257,036</u>	<u>252,547</u>	<u>2,659</u>	<u>3,343</u>	<u>259,695</u>	<u>255,890</u>

**16 (Deficit)/Surplus Before Government Grants**

The following items have been included in arriving at (deficit)/surplus before government grants:

	2006	2005
	\$'000	\$'000
Contribution to Central Provident Fund included in salaries and allowances	11,151	12,611
Loss on disposal of property, plant and equipment	140	98
Allowance for doubtful debts	<u>315</u>	<u>–</u>

**17 Government Grants**

	General Fund		Other Funds		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating grants received from/ (refunded or refundable to)						
– Government (Note 18)	136,716	138,757	–	–	136,716	138,757
– Non-government	390	(2,110)	–	–	390	(2,110)
Deferred capital grants amortised			–	–		
– Government (Note 15)	34,415	36,504	–	–	34,415	36,504
– Non-government (Note 15)	1,461	1,360	–	–	1,461	1,360
Development grants utilised (Note 13)	10,407	7,466	–	–	10,407	7,466
	<u>183,389</u>	<u>181,977</u>	<u>–</u>	<u>–</u>	<u>183,389</u>	<u>181,977</u>

**18 Government Operating Grants**

	Note	2006 \$'000	2005 \$'000
Operating grants received during the year		149,195	151,442
Payment for goods and services tax on tuition fees and tuition grants		(7,383)	(7,592)
Operating grants utilised on property, plant and equipment transferred to deferred capital grants (government)	15	(5,096)	(5,093)
Operating grants taken to Income and Expenditure Statement	17	<u>136,716</u>	<u>138,757</u>

Operating grants received from Government since 1 April 1980: \$2,439.2 million (2005: \$2,290.0 million) which include the cumulative operating grants for GST subsidy of \$56.5 million (2005: \$49.1 million).

**19 Key Management Personnel Compensation**

	2006 \$'000	2005 \$'000
Short-term employee benefits	<u>4,657</u>	<u>4,680</u>

**20 Taxation**

By virtue of Section 13M(2)(b) of the Income Tax Act, Chapter 134, the Polytechnic will be exempted from taxation provided 80% of its adjusted income for each financial year is expended for charitable purposes by the end of the following year.

As the Polytechnic had met the 80% spending requirement, no provision for taxation has been made in the financial statements for the current financial year.

## 21 Changes in Accounting Policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2006.

Except as disclosed below, the adoption of the new/revised FRSs did not give rise to any effect on the comparatives or the opening balances of accumulated surpluses for the Polytechnic.

### ***FRS 39 Financial Instruments: Recognition and Measurement***

The adoption of FRS 39 resulted in the Polytechnic measuring its financial assets and financial liabilities at fair value. Previously, investments in quoted bonds were stated at cost, and provision was made where there was permanent impairment in value.

With the adoption of FRS 39, the resulting change in the fair values has been accounted for by increasing the opening balance of the Polytechnic's accumulated surplus at 1 April 2005 by \$695,000. Comparatives have not been restated.

## 22 Capital Commitments

The Polytechnic has the following commitments as at 31 March:

	2006	2005
	\$'000	\$'000
Approved and contracted for	23,216	10,493
Approved but not contracted for	6,364	11,710
	<u>29,580</u>	<u>22,203</u>

The capital commitments are mainly funded from government grants.

## 23 Financial Instruments

Risk management is integral to the operations of the Polytechnic. The Polytechnic 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 Polytechnic continually monitors its risk management process to ensure that an appropriate balance between risk and control is achieved.

### ***Credit risk***

Credit risk is the potential loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Polytechnic, as and when they fall due.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### ***Liquidity risk***

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

### ***Interest rate risk***

Surplus funds from the Polytechnic's operations are invested in bank deposits. The Polytechnic's exposure to interest rate risk relates primarily to the fixed deposits. The Polytechnic does not have any interest-bearing borrowings.

**23 Financial Instruments (Cont'd)****Foreign currency risk**

The Polytechnic's activities are not exposed to significant foreign exchange risk. All its financial assets and liabilities as at 31 March 2006 are denominated in Singapore dollars.

**Fair value**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The carrying amounts of the Polytechnic's other financial assets and financial liabilities approximate their fair values and are as disclosed in the financial statements.

**24 FRS not yet Adopted**

The Polytechnic has not applied the following standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 40	Investment Property
FRS 102	Share-based Payment
FRS 106	Exploration and Evaluation of Mineral Resources
FRS 107	Financial Instruments: Disclosures Amendments to FRS 1 Presentation of Financial Statements – Capital disclosures
Amendments to FRS 1	Presentation of Financial Statements – Capital disclosures
Amendments to FRS 19	Employee Benefits – Actuarial gains and losses, Group plans and Disclosures
Amendments to FRS 21	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
Amendments to FRS 39	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Group Transactions
Amendments to FRS 39	Financial Instruments: Recognition and Measurement – The Fair Value Option
Amendments to FRS 39	Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts and Credit Insurance
INT-FRS 104	Determining whether an Arrangement contains a Lease
INT-FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT-FRS 106	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
INT-FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies

The initial application of these standards and interpretations are not expected to have any material impact on the Polytechnic's financial statements.

The Polytechnic has not considered the impact of accounting standards issued after the balance sheet date.

**25 Comparative Information**

The comparative figures relating to the financial statements for the year ended 31 March 2005 were audited by another firm of certified public accountants.

The following comparative figures have been restated to conform with the current year's presentation:

	As restated	As previously reported
	\$'000	\$'000
<b>Balance sheet</b>		
Staff loans fund	–	1,737
Student loans fund	–	4,580
Government advances for staff and student loans		
– current liabilities	1,636	–
– non-current liabilities	4,681	–

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Ibn Sina  
Salvador Dali  
**Marie Curie**



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ISSN 0217 - 3603

Produced by the  
Department of Corporate Communications  
Singapore Polytechnic

500 Dover Road  
Singapore 139651  
[www.sp.edu.sg](http://www.sp.edu.sg)