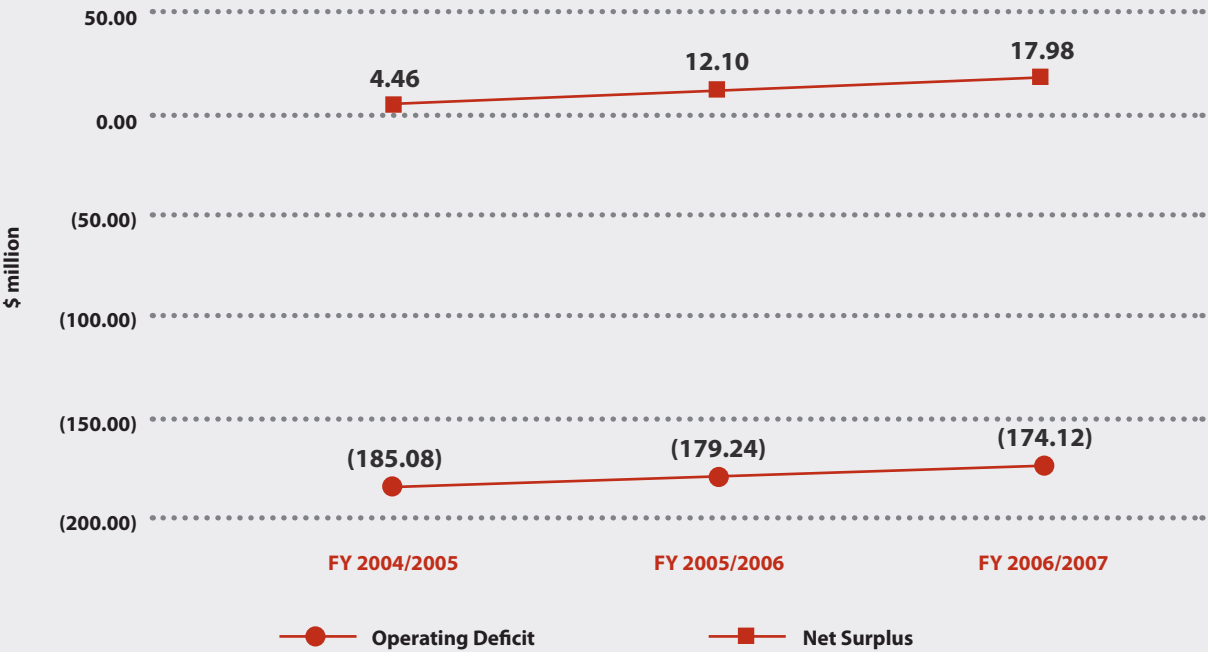


FINANCIAL REVIEW

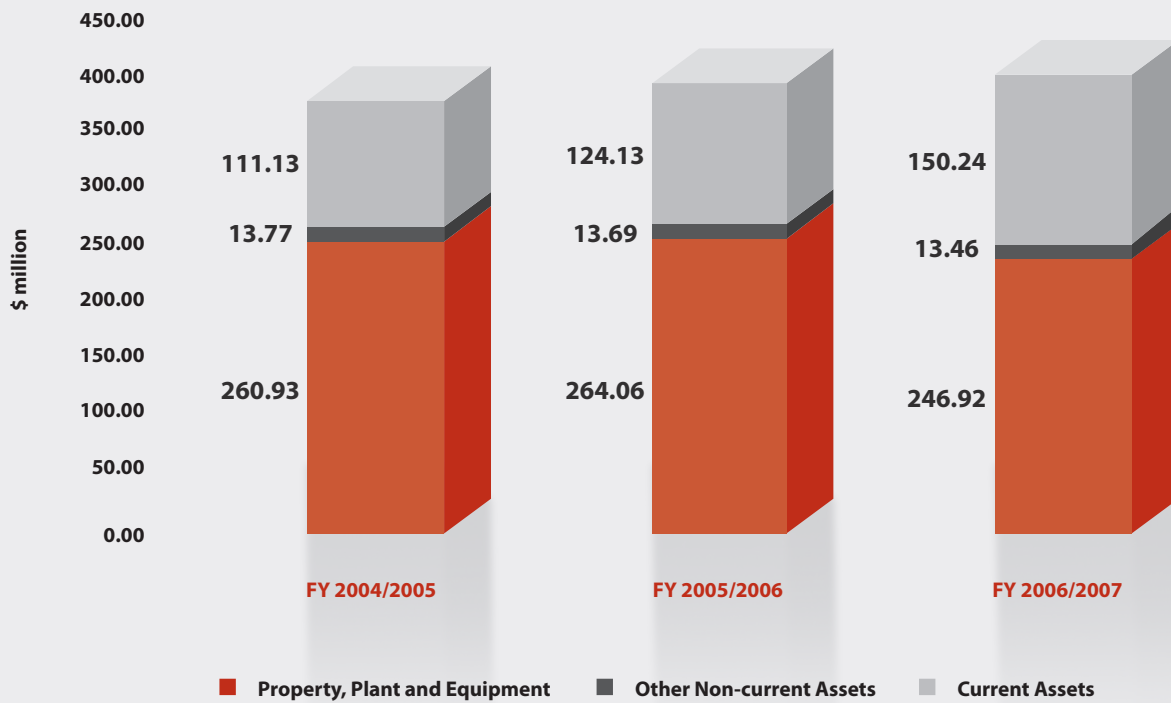
	FY 2004/2005 \$ million	FY 2005/2006 \$ million	FY 2006/2007 \$ million
Financial Results			
Operating Income	42.31	43.56	46.21
Operating Expenditure	227.39	222.80	220.34
Operating Deficit	(185.08)	(179.24)	(174.13)
Non-operating Income	7.56	7.95	10.09
(Deficit) before Grants	(177.52)	(171.29)	(164.04)
Grants	181.98	183.39	182.02
Surplus for the Financial Year	4.46	12.10	17.98

	FY 2004/2005 \$ million	FY 2005/2006 \$ million	FY 2006/2007 \$ million
Financial Position			
Property, Plant and Equipment	260.93	264.06	246.92
Other Non-current Assets	13.77	13.69	13.46
Current Assets	111.13	124.13	150.24
	385.83	401.88	410.62
Endowment Fund (Capital)	9.20	9.45	9.91
Accumulated Surplus	88.98	101.56	119.33
Current Liabilities	27.08	27.03	34.59
Non-current Liabilities	260.57	263.84	246.79
	385.83	401.88	410.62

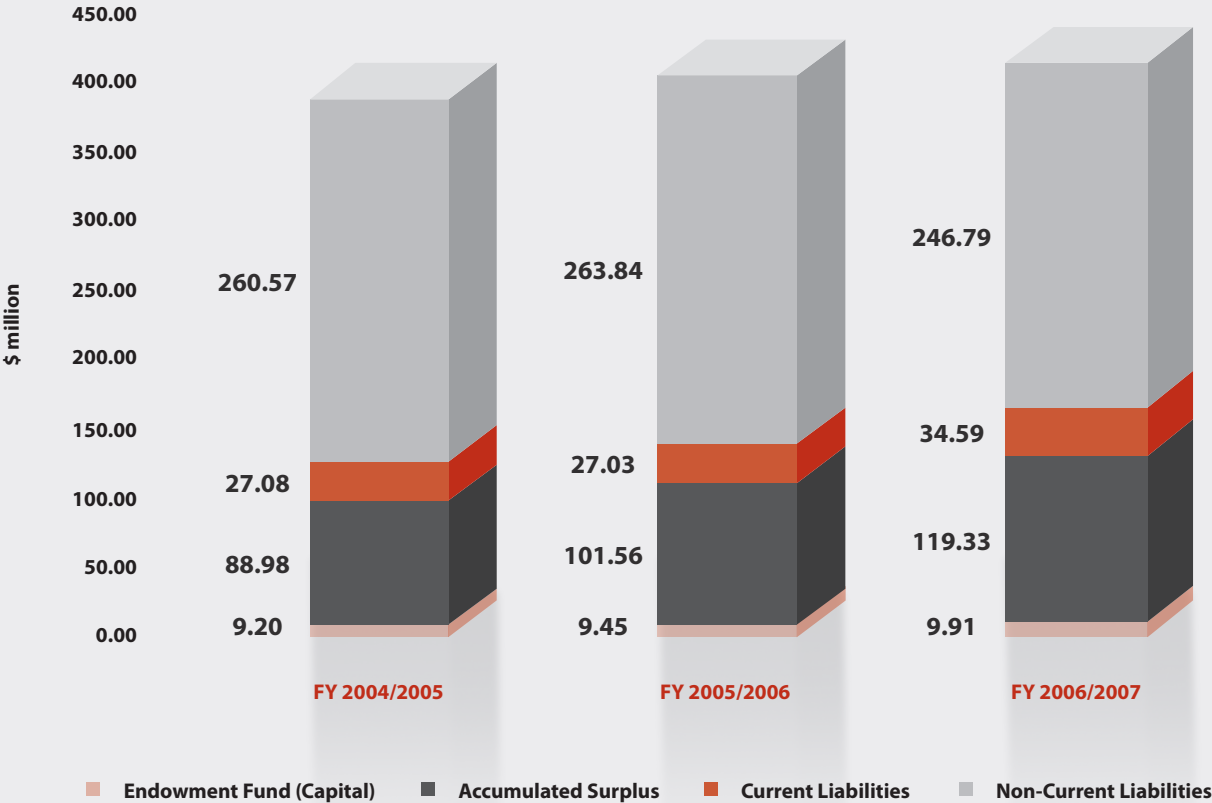
Three-Year Financial Results



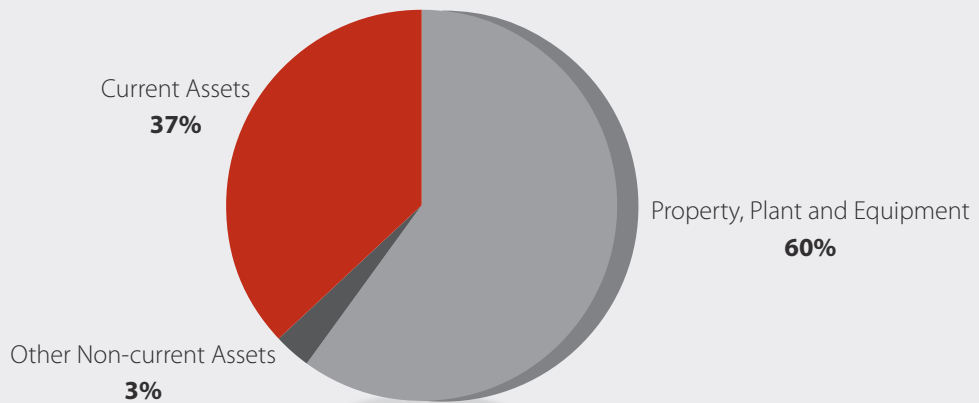
Total Assets



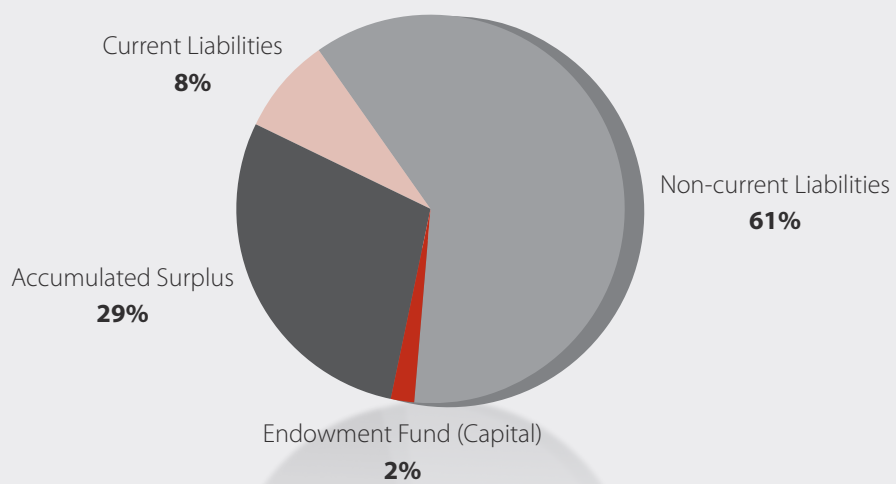
Capital and Liabilities



FY 2006/2007 Total Assets



FY 2006/2007 Capital and Liabilities



STATEMENT BY BOARD OF GOVERNORS

In our opinion, the financial statements set out on pages 116 to 138 are drawn up so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2007 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 2007

INDEPENDENT AUDITORS' REPORT

Members of the Board of Governors Singapore Polytechnic

Report on the financial statements

We have audited the financial statements of Singapore Polytechnic (the "Polytechnic"), which comprise the balance sheet as at 31 March 2007, the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 116 to 138.

Board of Governors' responsibility for the financial statements

The Board of Governors (the "Board") is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Polytechnic Act, Chapter 303 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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*.

**Independent Auditors' Report
Opinion (cont'd)**

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 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 2007 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 came to our notice that caused us to believe that:

- (1) 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; and
- (2) in relation to the Singapore Polytechnic Endowment Fund, the use of donations monies was not in accordance with the objectives of the fund; and



KPMG

Certified Public Accountants

Singapore

28 June 2007

BALANCE SHEET As at 31 March 2007

	Note	2007 \$'000	2006 \$'000
Endowment fund (Capital)	3	9,916	9,457
Accumulated surplus			
General fund		53,318	45,166
Other funds	4	65,387	55,920
Fair value reserve		625	475
		<u>129,246</u>	<u>111,018</u>
Non-current assets			
Property, plant and equipment	5	246,916	264,063
Investment in subsidiaries	6	1,100	1,100
Available-for-sale assets	7	8,550	8,400
Loan to Singapore Polytechnic Graduates' Guild	8	-	-
Staff and student loans	9	3,813	4,194
		<u>260,379</u>	<u>277,757</u>
Current assets			
Staff and student loans	9	1,665	1,727
Trade and other receivables	10	7,372	5,608
Cash and cash equivalents	11	141,204	116,792
		<u>150,241</u>	<u>124,127</u>
Current liabilities			
Trade and other payables	12	17,716	21,308
Development grants received in advance	13	15,246	3,912
Government advances for staff and student loans	14	1,624	1,807
		<u>34,586</u>	<u>27,027</u>
Net current assets		<u>115,655</u>	<u>97,100</u>
Non-current liabilities			
Government advances for staff and student loans	14	3,784	4,144
Deferred capital grants	15	243,004	259,695
		<u>246,788</u>	<u>263,839</u>
Net assets		<u>129,246</u>	<u>111,018</u>

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

INCOME AND EXPENDITURE STATEMENT Year ended 31 March 2007

	Note	General fund		Other funds		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating income							
Course fees		30,185	28,108	15,159	14,650	45,344	42,758
Other fees		795	764	76	37	871	801
		<u>30,980</u>	<u>28,872</u>	<u>15,235</u>	<u>14,687</u>	<u>46,215</u>	<u>43,559</u>
Operating expenditure							
Staff costs		130,541	131,956	5,187	4,769	135,728	136,725
Teaching materials		7,117	6,742	410	283	7,527	7,025
Repairs and maintenance		12,057	11,722	-	-	12,057	11,722
Depreciation of property, plant and equipment		34,165	35,676	674	783	34,839	36,459
Development expenses written off		4,670	10,407	-	-	4,670	10,407
Staff development and benefits		3,687	3,733	2	-	3,689	3,733
Other expenditure		15,662	10,964	6,167	5,761	21,829	16,725
		<u>207,899</u>	<u>211,200</u>	<u>12,440</u>	<u>11,596</u>	<u>220,339</u>	<u>222,796</u>
Operating (deficit)/surplus		(176,919)	(182,328)	2,795	3,091	(174,124)	(179,237)
Non-operating income							
Donations		-	-	707	395	707	395
Interest income – banks		1,597	1,049	2,164	1,336	3,761	2,385
Rental income – operating leases		-	-	1,264	1,108	1,264	1,108
Other income		1,459	1,716	2,895	2,349	4,354	4,065
(Deficit)/Surplus before grants	16	(173,863)	(179,563)	9,825	8,279	(164,038)	(171,284)
Grants	17	182,015	183,389	-	-	182,015	183,389
Surplus for the year		<u>8,152</u>	<u>3,826</u>	<u>9,825</u>	<u>8,279</u>	<u>17,977</u>	<u>12,105</u>

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

STATEMENT OF CHANGES IN EQUITY Year ended 31 March 2007

	Endowment fund (Capital) \$'000	General fund \$'000	Other funds \$'000	Fair value reserve \$'000	Total \$'000
At 1 April 2005, as previously reported	9,196	41,340	47,641	695	98,872
Reclassification of funds	358	-	(358)	-	-
At 1 April 2005, restated	9,554	41,340	47,283	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	9,815	45,166	55,562	475	111,018
At 1 April 2006, as previously reported	9,457	45,166	55,920	475	111,018
Reclassification of funds	358	-	(358)	-	-
At 1 April 2006, restated	9,815	45,166	55,562	475	111,018
Donations received	101	-	-	-	101
Net gain on revaluation	-	-	-	150	150
Net gains recognised directly in equity	101	-	-	150	251
Net surplus for the year	-	8,152	9,825	-	17,977
Total recognised income and expense for the year	101	8,152	9,825	150	18,228
At 31 March 2007	9,916	53,318	65,387	625	129,246

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

CASH FLOW STATEMENT Year ended 31 March 2007

	Note	2007 \$'000	2006 \$'000
Operating activities			
Deficit before grants		(164,038)	(171,284)
Adjustment for:			
Depreciation of property, plant and equipment		34,839	36,459
Interest income		(3,761)	(2,385)
Loss on disposal of property, plant and equipment		15	140
Allowance for doubtful receivables		-	315
		(132,945)	(136,755)
Changes in working capital:			
Trade and other receivables		(1,764)	(3,497)
Trade and other payables		(3,592)	(362)
Cash utilised in operations		(138,301)	(140,614)
Staff loans repaid		353	289
Student loans repaid		1,374	1,593
Student loans disbursed		(1,283)	(1,503)
Contributions and donations received for the endowment fund (capital)		101	261
Cash flows from operating activities		(137,756)	(139,974)
Investing activities			
Interest received		3,761	2,385
Purchases of property, plant and equipment		(16,438)	(39,016)
Proceeds from disposals of property, plant and equipment		13	60
Cash flows from investing activities		(12,664)	(36,571)
Financing activities			
Development grants received from Government	13	9,315	44,353
IT and F & E grants received from Government	13	13,258	-
Operating grants received from Government	18	152,553	141,812
Operating grants received from non-government organisations	17	252	390
Net decrease/(increase) in fixed deposits with more than 3 months maturity		5,939	(3,208)
Student loan grants received from Government	14	72	176
Staff and student loan grants returned to Government		(615)	(542)
Cash flows from financing activities		180,774	182,981
Net increase in cash and cash equivalents		30,354	6,436
Cash and cash equivalents at beginning of the year		110,102	103,666
Cash and cash equivalents at end of the year	11	140,456	110,102

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 2007.

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 have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the applicable requirements of the Singapore Polytechnic Act, Chapter 303.

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Polytechnic's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenditure. 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 estimate is revised and in any future periods affected.

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*.

MOF has clarified that there are already strict financial procedures and controls in place to govern the operations of statutory boards. In addition, as statutory boards are legally constituted entities, their financial affairs would primarily be governed by the respective statutes which constituted them, as well as the financial and accounting policies issued by MOF from time to time. Hence, statutory boards need not comply with this requirement of FRS 24 *Related Party Disclosures*.

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of preparation (cont'd)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5 – measurement of recoverable amounts of property, plant and equipment
- Note 7 – valuation of financial instruments
- Note 10 – valuation of trade receivables

Except for the above change, the accounting policies used by the Polytechnic have been applied consistently to all periods presented in these financial statements.

2.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Polytechnic at the exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised 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.

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Polytechnic and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income and expenditure statement as incurred.

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.

Except for construction-in-progress, depreciation is recognised in the income and expenditure on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are 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

Property, plant and equipment costing less than \$2,000 each and renovations costing below \$200,000 are charged to the income and expenditure statement in the year of purchase.

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

2.4 Property, plant and equipment (cont'd)

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.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

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 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in debt securities, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Polytechnic becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Polytechnic's contractual rights to the cash flows from the financial assets expire or if the Polytechnic transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Polytechnic commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Polytechnic's obligations specified in the contract expire or are discharged or cancelled.

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

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

2.6 Financial instruments (cont'd)

Available-for-sale financial 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.

Others

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income and expenditure statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income and expenditure statement when there is objective evidence that the asset is impaired.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

2.7 Impairment – non-financial assets

The carrying amounts of the Polytechnic's non-financial assets are reviewed at the reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

2.7 Impairment – non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income and expenditure statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit.

Impairment losses in respect of other assets recognised in prior periods are assessed at the balance sheet 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 or amortisation, if no impairment loss had been recognised.

2.8 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income and expenditure statement.

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.

2.9 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 in advance 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.

Notes to the financial statements

2 Summary of Significant Accounting Policies (cont'd)

2.10 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.

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.

4 Other Funds

(a) Other funds comprise the following funds:

Name of fund	Purpose
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: (i) short and continuing education courses; (ii) upgrading courses; (iii) upgrading campus facilities to meet the demand for development in technological skills; (iv) implementation of programmes to achieve the goals of the Polytechnic; and (v) maintenance and upgrading of staff quarters.

Notes to the financial statements
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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating income								
Course fees	-	-	-	-	15,159	14,650	15,159	14,650
Other fees	-	-	-	-	76	37	76	37
	-	-	-	-	15,235	14,687	15,235	14,687
Operating expenditure								
Staff costs	-	-	-	-	5,187	4,769	5,187	4,769
Staff benefits	-	-	-	-	2	-	2	-
Depreciation of property, plant and equipment	-	-	61	64	613	719	674	783
Teaching materials	-	-	-	-	410	283	410	283
Other expenditure	831	634	491	661	4,845	4,466	6,167	5,761
	831	634	552	725	11,057	10,237	12,440	11,596
Operating surplus/ (deficit)								
	(831)	(634)	(552)	(725)	4,178	4,450	2,795	3,091
Non-operating income								
Donations	707	395	-	-	-	-	707	395
Interest income – banks	467	334	73	54	1,624	948	2,164	1,336
Rental income – operating leases	-	-	-	-	1,264	1,108	1,264	1,108
Other income	107	133	572	586	2,216	1,630	2,895	2,349
Surplus/(Deficit) for the year								
	450	228	93	(85)	9,282	8,136	9,825	8,279
Accumulated surplus at 1 April, as previously reported								
	3,286	3,058	4,079	4,164	48,555	40,419	55,920	47,641
Reclassification of funds								
	12	-	(370)	-	-	-	(358)	-
Accumulated surplus at 1 April, restated								
	3,298	3,058	3,709	4,164	48,555	40,419	55,562	47,641
Accumulated surplus at 31 March								
	3,748	3,286	3,802	4,079	57,837	48,555	65,387	55,920

Notes to the financial statements

4 Other Funds (cont'd)

	Endowment fund		Student welfare & development fund		Miscellaneous funds		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Represented by:								
Property, plant and equipment	-	-	832	878	3,080	3,491	3,912	4,369
Staff and student loans	-	-	68	70	25	44	93	114
Investment in subsidiaries	-	-	-	-	1,100	1,100	1,100	1,100
Available-for-sale assets	525	525	-	-	6,135	5,985	6,660	6,510
Fair value reserve	(25)	(25)	-	-	(510)	(360)	(535)	(385)
Cash and cash equivalents	3,172	2,707	2,918	3,153	50,196	36,257	56,286	42,117
Receivables, deposits and prepayments	84	81	-	-	1,623	3,574	1,707	3,655
Payables, deposits and accruals	(8)	(2)	(16)	(22)	(3,812)	(1,536)	(3,836)	(1,560)
	<u>3,748</u>	<u>3,286</u>	<u>3,802</u>	<u>4,079</u>	<u>57,837</u>	<u>48,555</u>	<u>65,387</u>	<u>55,920</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
Cost							
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>
Additions	-	973	1,947	14,690	-	108	17,718
Disposals	-	-	(495)	(12,328)	-	-	(12,823)
At 31 March 2007	<u>56,518</u>	<u>235,344</u>	<u>48,121</u>	<u>256,092</u>	<u>176</u>	<u>210</u>	<u>596,461</u>

Notes to the financial statements

5 Property, Plant and Equipment (cont'd)

	Leasehold land \$'000	Building (campus and staff quarters) \$'000	Building improvements \$'000	Equipment and furniture \$'000	Motor vehicles \$'000	Construction -in- progress \$'000	Total \$'000
Accumulated depreciation							
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	14,924	84,237	40,029	188,137	176	-	327,503
Depreciation for the year	809	4,935	2,191	26,904	-	-	34,839
Disposals	-	-	(495)	(12,302)	-	-	(12,797)
At 31 March 2007	15,733	89,172	41,725	202,739	176	-	349,545
Carrying amount							
At 1 April 2005	42,403	142,483	5,751	65,903	21	4,368	260,929
At 31 March 2006	41,594	150,134	6,640	65,593	-	102	264,063
At 31 March 2007	40,785	146,172	6,396	53,353	-	210	246,916

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 (\$56,660,000) for the leasehold land and Colliers Jardin (S) Pte Ltd in 1994 for the sports complex (\$740,000), on market value basis.

Included in additions for the year are assets donated by non-government organisations of \$1,280,000 (2006: \$777,000).

The costs of property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 86 years. The Polytechnic reviews annually the estimated useful lives of plant and equipment based on the factors that include asset utilisation, internal technical evaluation, technological changes, anticipated use of the assets and related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of plant and equipment would increase depreciation expense and decrease non-current assets.

Notes to the financial statements

6 Investment in Subsidiaries

	2007 \$'000	2006 \$'000
Investment in subsidiaries, at cost	1,100	1,100

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2007 %	2006 %
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

	2007 \$'000	2006 \$'000
Quoted bonds, at fair value	8,550	8,400

The bonds are denominated in Singapore dollars and earn an interest rate of 4.17% to 4.81% (2006: 4.17% to 4.81%) per annum. \$3 million of the bonds will mature in 2010 while the remaining bonds will mature in 2016.

Notes to the financial statements

8 Loan to Singapore Polytechnic Graduates' Guild

	2007 \$'000	2006 \$'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"), which is denominated in Singapore dollars, 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 2007.

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.

The Polytechnic performs annual impairment review to assess the recoverable amounts of its loan to SPGG. The estimated recoverable amounts of its loan was determined based on its value in use. The value in use calculations were estimated based on the fair value of the underlying assets and liabilities of the SPGG and its estimated future cash flows. Having considered the foregoing, management have fully impaired the Polytechnic's loan to SPGG in prior years.

9 Staff and Student Loans

	2007 \$'000	2006 \$'000
Repayable after 12 months		
- Staff loans	881	1,168
- Student loans	2,932	3,026
	<u>3,813</u>	<u>4,194</u>
Repayable within 12 months		
- Staff loans	236	302
- Student loans	1,429	1,425
	<u>1,665</u>	<u>1,727</u>

Notes to the financial statements

9 Staff and Students loans (cont'd)

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% (2006: 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 \$345,000 (2006: \$291,000) 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. These loans are denominated in Singapore dollars.

10 Trade and Other Receivables

	2007 \$'000	2006 \$'000
Trade receivables	5,453	4,450
Allowance for doubtful receivables	(315)	(315)
	<hr/>	<hr/>
	5,138	4,135
Goods and services tax receivable	1,126	728
Prepayments	1,108	745
	<hr/>	<hr/>
	7,372	5,608

Included in trade receivables in the previous financial year are development grants receivable from the Ministry of Education of \$1,315,424. Trade and other receivables are denominated in Singapore dollars.

The Polytechnic maintains allowance for doubtful receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Polytechnic on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Polytechnic's relationship with debtors, their payment behaviour and known market factors. The Polytechnic reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Polytechnic made different judgement or utilised different estimates. An increase in the Polytechnic's allowance for doubtful receivables would increase the Polytechnic's recorded operating expenses and decrease current assets.

Notes to the financial statements

11 Cash and Cash Equivalents

	2007 \$'000	2006 \$'000
Cash at bank and in hand	34,854	28,458
Fixed deposits	106,350	88,334
Cash and cash equivalents	141,204	116,792
Fixed deposits with more than 3 months maturity	(748)	(6,690)
Cash and cash equivalents per cash flow statements	140,456	110,102

Cash and cash equivalents include a balance of \$23,000 (2006: \$144,000) 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 2.99% (2006: 3.22%). Interest rates reprice at intervals of less than 1 year.

12 Trade and Other Payables

	2007 \$'000	2006 \$'000
Sundry creditors	8,376	6,289
Deposits	656	765
Accruals	8,684	14,254
	17,716	21,308

Trade and other payables are denominated in Singapore dollars.

13 Development Grants Received in Advance

	Note	2007 \$'000	2006 \$'000
At 1 April		3,912	3,774
Grants received/receivable during the year			
- Government development grants		9,315	44,353
- Government IT and F & E grants		13,258	-
Transfer to deferred capital grants (government)	15	(6,569)	(33,808)
Amount taken to Income and Expenditure Statement	17	(4,670)	(10,407)
At 31 March		15,246	3,912

Notes to the financial statements

14 Government Advances for Staff and Student Loans

	Note	2007 \$'000	2006 \$'000
Government advances			
At 1 April		5,951	6,317
Grants received during the year		72	176
Grants refunded during the year		(745)	(718)
Interest collected		130	176
At 31 March		<u>5,408</u>	<u>5,951</u>
Repayable as follows:			
After 1 year		3,784	4,144
Within 1 year		1,624	1,807
		<u>5,408</u>	<u>5,951</u>
Represented by:			
Staff loans		1,092	1,426
Student loans		4,293	4,381
Bank balances	11	23	144
Net staff and student loans funds		<u>5,408</u>	<u>5,951</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 represent undisbursed advances included in the Polytechnic's cash and cash equivalents.

Notes to the financial statements

15 Deferred Capital Grants

	Government		Non-Government		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 April	257,036	252,547	2,659	3,343	259,695	255,890
Add:						
Grants received for purchases of property, plant and equipment						
- development (Note 13)	6,569	33,808	-	-	6,569	33,808
- operating (Note 18)	9,651	5,096	-	-	9,651	5,096
Assets donated by various organisations (Note 5)	-	-	1,280	777	1,280	777
	16,220	38,904	1,280	777	17,500	39,681
Less:						
Grants taken to Income and Expenditure Statement						
- amortisation charge for the year (Note 17)	(33,166)	(34,415)	(1,025)	(1,461)	(34,191)	(35,876)
At 31 March	240,090	257,036	2,914	2,659	243,004	259,695

16 (Deficit)/Surplus Before Grants

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

	2007 \$'000	2006 \$'000
Contribution to Central Provident Fund included in salaries and allowances	10,579	11,151
Loss on disposal of property, plant and equipment	15	140
Allowance for doubtful receivables	-	315

Notes to the financial statements

17 Grants

	2007 \$'000	2006 \$'000
Operating grants received from/ (refunded or refundable to)		
- Government (Note 18)	142,902	136,716
- Non-government	252	390
Deferred capital grants amortised		
- Government (Note 15)	33,166	34,415
- Non-government (Note 15)	1,025	1,461
Development grants utilised (Note 13)	4,670	10,407
	<u>182,015</u>	<u>183,389</u>

18 Government Operating Grants

	Note	2007 \$'000	2006 \$'000
Operating grants received during the year		160,152	149,195
Payment for goods and services tax on tuition fees and tuition grants		(7,599)	(7,383)
		<u>152,553</u>	<u>141,812</u>
Operating grants utilised on property, plant and equipment transferred to deferred capital grants (government)	15	(9,651)	(5,096)
Operating grants taken to Income and Expenditure Statement	17	<u>142,902</u>	<u>136,716</u>

Operating grants received from Government since 1 April 1980: \$2,599.4 million (2006: \$2,439.2 million) which include the cumulative operating grants for GST subsidy of \$64.1 million (2006: \$56.5 million).

19 Key Management Personnel Compensation

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. Key management personnel compensation comprised:

	2007 \$'000	2006 \$'000
Short-term employee benefits	4,960	4,657

Notes to the financial statements

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 Capital Commitments

The Polytechnic has the following commitments as at 31 March:

	2007 \$'000	2006 \$'000
Approved and contracted for	16,243	23,216
Approved but not contracted for	7,020	6,364

The capital commitments are mainly funded from government grants.

22 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.

Notes to the financial statements
22 Financial Instruments (cont'd)

Interest rate risk

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

Foreign currency risk

The Polytechnic's activities are not exposed to significant foreign exchange risk.

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 notional amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

23 New Accounting Standards and Interpretations Not Yet Adopted

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

FRS 40	<i>Investment Property</i>
FRS 107	<i>Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures</i>
FRS 108	<i>Operating Segments</i>
INT FRS 108	<i>Scope of FRS 102 Share-based Payment</i>
INT FRS 109	<i>Reassessment of Embedded Derivatives</i>
INT FRS 110	<i>Interim Financial Reporting and Impairment</i>
INT FRS 111 FRS 102	<i>Group and Treasury Share Transactions</i>
INT FRS 112	<i>Service Concession Arrangements</i>

The Polytechnic is evaluating the initial application of these standards and interpretations for the impact on the Polytechnic's financial statements. The Polytechnic has not considered the impact of accounting standards issued after the balance sheet date.