

# STATEMENT BY BOARD OF GOVERNORS

In our opinion, the financial statements set out on pages 83 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2008 and the income and expenditure, changes in equity and cash flows of the Polytechnic for the year ended on that date, in accordance with the provisions of the Singapore Polytechnic Act, Chapter 303 (the "Act") and Statutory Board Financial Reporting Standards.

On behalf of the Board



**Tan Kay Yong**

Chairman



**Tan Hang Cheong**

Principal

23 June 2008

# 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 2008, 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 83 to 108.

## **Management's responsibility for the financial statements**

The Polytechnic's management 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 Statutory Board Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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**

In our opinion:

- (a) the financial statements of the Polytechnic are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards to present fairly, in all material respects, the state of affairs of the Polytechnic as at 31 March 2008 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.

### **Report on other legal and statutory requirements**

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,
  - (a) the use of donations monies was not in accordance with the objectives of the fund; and
  - (b) there were fund raising expenses during the financial year.



**KPMG**

Public Accountants and  
Certified Public Accountants

**Singapore**

23 June 2008

# BALANCE SHEET

As at 31 March 2008

	Note	2008 \$'000	2007 \$'000 (Restated)
<b>Endowment fund (Capital)</b>	3	11,884	9,916
<b>Accumulated surplus</b>			
General fund		61,010	53,318
Other funds	4	73,596	65,387
Fair value reserve		765	625
		147,255	129,246
<b>Funds managed on behalf of the Ministry</b>	5	5,246	5,408
<b>Funds' net assets managed on behalf of the Ministry</b>	5	(5,246)	(5,408)
		-	-
<b>Total capital and other funds</b>		147,255	129,246
<b>Non-current assets</b>			
Property, plant and equipment	6	244,337	246,916
Investment in subsidiaries	7	1,100	1,100
Available-for-sale assets	8	8,690	8,550
Loan to Singapore Polytechnic Graduates' Guild	9	-	-
Staff and student loans	10	220	29
		254,347	256,595
<b>Current assets</b>			
Staff and student loans	10	57	64
Trade and other receivables	11	47,773	7,372
Cash and cash equivalents	12	135,078	141,181
		182,908	148,617
<b>Current liabilities</b>			
Trade and other payables	13	31,758	17,716
Development grants received in advance	14	17,827	15,246
		49,585	32,962
<b>Net current assets</b>		133,323	115,655
<b>Non-current liabilities</b>			
Deferred capital grants	15	240,415	243,004
<b>Net assets</b>		147,255	129,246

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

# INCOME AND EXPENDITURE STATEMENT

Year Ended 31 March 2008

	Note	General fund		Other funds		Total	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Operating income</b>							
Course fees		34,058	30,185	14,995	15,159	49,053	45,344
Other fees		835	795	35	76	870	871
		34,893	30,980	15,030	15,235	49,923	46,215
<b>Operating expenditure</b>							
Staff costs		143,516	130,541	5,535	5,187	149,051	135,728
Teaching materials		7,695	7,117	353	410	8,048	7,527
Repairs and maintenance		12,554	12,057	-	-	12,554	12,057
Depreciation of property, plant and equipment		30,219	34,165	411	674	30,630	34,839
Development expenses written off		7,285	4,670	-	-	7,285	4,670
Staff development and benefits		3,571	3,687	4	2	3,575	3,689
Other expenditure		18,038	15,662	8,229	6,167	26,267	21,829
		222,878	207,899	14,532	12,440	237,410	220,339
<b>Operating (deficit)/surplus</b>		(187,985)	(176,919)	498	2,795	(187,487)	(174,124)
<b>Non-operating income</b>							
Donations		-	-	608	707	608	707
Interest income – banks		1,214	1,597	1,831	2,164	3,045	3,761
Rental income – operating leases		-	-	1,441	1,264	1,441	1,264
Other income		1,404	1,459	3,831	2,895	5,235	4,354
<b>(Deficit)/Surplus before grants</b>	16	(185,367)	(173,863)	8,209	9,825	(177,158)	(164,038)
<b>Grants</b>	17	193,059	182,015	-	-	193,059	182,015
<b>Surplus for the year</b>		7,692	8,152	8,209	9,825	15,901	17,977

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

# STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2008

	Endowment fund (Capital) (Note 3) \$'000	General fund \$'000	Other funds (Note 4) \$'000	Fair value reserve \$'000	Total \$'000
At 1 April 2006	9,815	45,166	55,562	475	111,018
Net gain on revaluation	-	-	-	150	150
Net gains recognised directly in equity	-	-	-	150	150
Net surplus for the year	101	8,152	9,825	-	18,078
Total recognised income and expense for the year	101	8,152	9,825	150	18,228
<b>At 31 March 2007</b>	<b>9,916</b>	<b>53,318</b>	<b>65,387</b>	<b>625</b>	<b>129,246</b>
At 1 April 2007	9,916	53,318	65,387	625	129,246
Net gain on revaluation	-	-	-	140	140
Net gains recognised directly in equity	-	-	-	140	140
Net surplus for the year	1,968	7,692	8,209	-	17,869
Total recognised income and expense for the year	1,968	7,692	8,209	140	18,009
<b>At 31 March 2008</b>	<b>11,884</b>	<b>61,010</b>	<b>73,596</b>	<b>765</b>	<b>147,255</b>

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

# CASH FLOW STATEMENT

Year Ended 31 March 2008

	Note	2008 \$'000	2007 \$'000 (Restated)
<b>Operating activities</b>			
Deficit before grants		(177,158)	(164,038)
Adjustment for:			
Depreciation of property, plant and equipment	6	30,630	34,839
Interest income		(3,045)	(3,761)
Loss on disposal of property, plant and equipment		357	15
		(149,216)	(132,945)
Changes in working capital:			
Trade and other receivables		(7,210)	(1,764)
Trade and other payables		14,042	(3,592)
Cash utilised in operations		(142,384)	(138,301)
Staff loans repaid		20	25
Staff loans disbursed		(45)	(7)
Student loans repaid		11	4
Student loans disbursed		(170)	(1)
<b>Cash flows from operating activities</b>		<b>(142,568)</b>	<b>(138,280)</b>
<b>Investing activities</b>			
Interest received		3,045	3,761
Purchases of property, plant and equipment	6	(28,498)	(17,718)
Proceeds from disposals of property, plant and equipment		90	13
<b>Cash flows from investing activities</b>		<b>(25,363)</b>	<b>(13,944)</b>
<b>Financing activities</b>			
Development grants received from Government	14	12,186	9,315
IT and F & E grants received from Government		14,376	13,258
Operating grants received from Government		131,289	152,553
Operating grants received from non-government organisations		2,009	1,532
Contributions and donations received for the endowment fund (capital)		1,968	101
Net (increase)/ decrease in fixed deposits with more than three months maturity		(3,362)	5,939
<b>Cash flows from financing activities</b>		<b>158,466</b>	<b>182,698</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,465)</b>	<b>30,474</b>
Cash and cash equivalents at beginning of the year		140,433	109,959
<b>Cash and cash equivalents at end of the year</b>	12	<b>130,968</b>	<b>140,433</b>

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 23 June 2008.

## **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 7 to the financial statements.

The Polytechnic also acts as the administrator for the staff housing loan and tuition fee and study loan for Ministry of Education (the "Ministry").

## **2 Summary of Significant Accounting Policies**

### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with the provisions of the Singapore Polytechnic Act, Chapter 303 and Statutory Board Financial Reporting Standards (SB-FRS). SB-FRS include Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General.

The financial statements were previously prepared in accordance with Singapore Financial Reporting Standards (FRS). The effects of the transition from FRS to SB-FRS are set out in note 23.

The adoption of SB-FRS Guidance Note 1 did not give rise to any adjustment in relation to the Polytechnic's opening accumulated surplus or current year's surplus. Certain comparatives, as explained above, have been reclassified in note 23 to conform to the current year's presentation.

Except as described above, there were no other impact on the financial statements following the transition from FRS to SB-FRS in relation to the basis of preparation of the Polytechnic's financial statements.

The financial statements have been prepared on the historical cost basis except certain financial assets and financial liabilities which are measured at fair value. Non-current assets and assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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 6 - measurement of recoverable amounts of property, plant and equipment
- Note 8 - valuation of financial instruments
- Note 11 - 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.

### **2.4 Funds managed/ held on behalf for others**

Funds are set up to account for contributions received from external sources for specific purposes.

The assets and liabilities of funds of the Polytechnic - Staff Housing Loan Scheme and Tuition Fee Loan and Study Loan Scheme held in trust for Ministry of Education are presented as a line item under the capital and other funds section on the face of the balance sheets as prescribed by SB-FRS Guidance Note 1. Income and expenditure relating to these funds are accounted for directly in these funds. Details of income, expenditure, assets and liabilities are disclosed in the notes to the financial statements.

### **2.5 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.

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.

## 2.6 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.

## 2.7 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.

#### *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.

## **2.8 Impairment - non-financial assets**

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

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 each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **2.9 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.

## **2.10 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.

## **2.11 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.

Donations, which donors have specified to be kept intact, are taken directly to the Endowment Fund (Capital) to earn income. 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 [Note 4(b)].

The principal capital comprises the following:

	2008 \$'000	2007 \$'000
At 1 April	9,916	9,815
Donations received	1,968	101
At 31 March	11,884	9,916
Represented by:		
Fixed deposits	10,063	8,103
Bonds (at cost)	1,800	1,800
Cash at bank	21	13
	11,884	9,916

The use of donations monies is in accordance with the objectives of the Singapore Polytechnic Endowment Fund. There is no fund raising activities. The income earned solely relates to interest income derived from the fixed deposits, bonds and donations received.

#### 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: <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>



(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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Operating income</b>								
Course fees	-	-	-	-	14,995	15,159	14,995	15,159
Other fees	-	-	-	-	35	76	35	76
	-	-	-	-	15,030	15,235	15,030	15,235
<b>Operating expenditure</b>								
Staff costs	-	-	-	-	5,535	5,187	5,535	5,187
Staff benefits	-	-	-	-	4	2	4	2
Depreciation of property, plant and equipment	-	-	57	61	354	613	411	674
Teaching materials	-	-	-	-	353	410	353	410
Other expenditure	721	831	604	491	6,904	4,845	8,229	6,167
	721	831	661	552	13,150	11,057	14,532	12,440
<b>Operating surplus/ (deficit)</b>								
	(721)	(831)	(661)	(552)	1,880	4,178	498	2,795
<b>Non-operating income</b>								
Donations	608	707	-	-	-	-	608	707
Interest income - banks	373	467	61	73	1,397	1,624	1,831	2,164
Rental income - operating leases	-	-	-	-	1,441	1,264	1,441	1,264
Other income	84	107	689	572	3,058	2,216	3,831	2,895
<b>Surplus/(Deficit) for the year</b>								
Accumulated surplus at 1 April,	3,748	3,298	3,802	3,709	57,837	48,555	65,387	55,562
Accumulated surplus at 31 March	4,092	3,748	3,891	3,802	65,613	57,837	73,596	65,387

	Endowment fund		Student welfare & development fund		Miscellaneous funds		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Represented by:								
Property, plant and equipment	-	-	786	832	3,136	3,080	3,922	3,912
Staff and student loans	-	-	227	68	50	25	277	93
Investment in subsidiaries	-	-	-	-	1,100	1,100	1,100	1,100
Available-for-sale assets	540	525	-	-	6,206	6,135	6,746	6,660
Fair value reserve	(40)	(25)	-	-	(581)	(510)	(621)	(535)
Cash and cash equivalents	3,613	3,172	2,891	2,918	56,980	50,196	63,484	56,286
Receivables, deposits and prepayments	60	84	-	-	2,284	1,623	2,344	1,707
Payables, deposits and accruals	(81)	(8)	(13)	(16)	(3,562)	(3,812)	(3,656)	(3,836)
	4,092	3,748	3,891	3,802	65,613	57,837	73,596	65,387

## 5 Funds Managed on Behalf of the Ministry

Pursuant to the Tuition Fee and Study Loan Schemes and Staff Housing Loan Scheme, the Polytechnic acts as agent for the tuition fee and student loans and staff housing loans and the Ministry as the financier providing the advances.

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.

	2008 \$'000	2007 \$'000
Advances from the Ministry		
At 1 April	5,408	5,951
Add:		
Advances received	22	72
Interest income	114	130
Less:		
Advances repaid	(297)	(745)
Bad debts	(1)	-
At 31 March	5,246	5,408
Represented by:		
Amount due from the Ministry	(55)	-
Cash and bank balances	-	23
Tuition fees and study loans	4,386	4,293
Staff housing loans	915	1,092
Net assets	5,246	5,408

The cash and bank balances are held on behalf of the Ministry for the purpose of extending study loans to students.

Loans given to students are interest-free until 1 June or 1 December 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% (2007: 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. The interest on the tuition fee loans is remitted in full to the Ministry. The students are given an option to repay by monthly instalments over a period of up to 10 years after the borrowers' graduation.

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 \$182,000 (2007: \$345,000) 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. These loans are denominated in Singapore dollars.

## 6 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 2006	56,518	234,371	46,669	253,730	176	102	591,566
Additions	-	973	1,947	14,690	-	108	17,718
Disposals	-	-	(495)	(12,328)	-	-	(12,823)
At 31 March 2007	56,518	235,344	48,121	256,092	176	210	596,461
Additions	-	444	3,273	18,965	-	5,816	28,498
Disposals	-	(756)	-	(17,727)	-	-	(18,483)
At 31 March 2008	56,518	235,032	51,394	257,330	176	6,026	606,476
<b>Accumulated depreciation</b>							
At 1 April 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
Depreciation for the year	809	4,925	2,167	22,729	-	-	30,630
Disposals	-	(376)	-	(17,660)	-	-	(18,036)
At 31 March 2008	16,542	93,721	43,892	207,808	176	-	362,139
<b>Carrying amount</b>							
At 1 April 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
At 31 March 2008	39,976	141,311	7,502	49,522	-	6,026	244,337

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 \$2,853,000 (2007: \$1,280,000).

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.

## 7 Investment in Subsidiaries

	2008 \$'000	2007 \$'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	
			2008 %	2007 %
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.

## 8 Available-for-Sale Assets

	2008 \$'000	2007 \$'000
Quoted bonds, at fair value	8,690	8,550

The bonds are denominated in Singapore dollars and earn an interest rate of 4.17% to 4.81% (2007: 4.17% to 4.81%) per annum. \$3 million of the bonds will mature in 2010 while the remaining bonds will mature in 2016.

## 9 Loan to Singapore Polytechnic Graduates' Guild

	2008 \$'000	2007 \$'000
Loan	2,500	2,500
Interest receivable	246	246
	2,746	2,746
Allowance for doubtful receivables	(2,746)	(2,746)
	-	-

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 2008.

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.

## 10 Staff and Student Loans

	2008 \$'000	2007 \$'000
Repayable after 12 months		
- Staff loans	38	8
- Student loans	182	21
	220	29
Repayable within 12 months		
- Staff loans	12	17
- Student loans	45	47
	57	64

Included in student loans are personal computer loans of \$168,000 (2007: Nil), which are interest-free and are repayable by monthly instalments within a period of 3 years after the borrowers' graduation. The fair value at inception was determined based on expected future principal repayment cash flows, discounted at the average interest rate of 6.5% (2007: 6.5%) per annum. The carrying amount of the loans approximates the loans measured at amortised cost, using the effective interest method.

## 11 Trade and Other Receivables

	2008 \$'000	2007 \$'000
Trade receivables	5,239	5,453
Allowance for doubtful receivables	(315)	(315)
	4,924	5,138
Goods and services tax receivable	1,296	1,126
Grants receivables	40,669	-
Prepayments	884	1,108
	47,773	7,372

Included in trade receivables are operating and IT and F&E grant receivables from the Ministry of Education of \$40,668,799 (2007: Nil). 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.

## 12 Cash and Cash Equivalents

	2008 \$'000	2007 \$'000
Cash at bank and in hand	20,983	34,831
Fixed deposits	114,095	106,350
Cash and cash equivalents	135,078	141,181
Fixed deposits with more than 3 months maturity	(4,110)	(748)
Cash and cash equivalents per cash flow statements	130,968	140,433

The effective interest rates per annum relating to cash and cash equivalents at the balance sheet date are 1.50% (2007: 2.99%). Interest rates reprice at intervals of less than 1 year.

The Polytechnic manages a bank account on behalf of the Singapore Polytechnic Students' Union. As at balance sheet date, the bank balance of \$497,847 (2007: \$366,664) comprising cash at bank of \$146,725 (2007: \$66,664) and fixed deposit of \$351,122 (2007: \$300,000) has not been included in the cash and cash equivalents of the Polytechnic.

## 13 Trade and Other Payables

	2008 \$'000	2007 \$'000
Sundry creditors	8,234	8,376
Deposits	558	656
Accruals	22,966	8,684
	31,758	17,716

Trade and other payables are denominated in Singapore dollars.



#### 14 Development Grants Received in Advance

	Note	2008 \$'000	2007 \$'000
At 1 April		15,246	3,912
Grants received/receivable during the year			
- Government development grants		12,186	9,315
- Government IT and F & E grants		17,171	13,258
Transfer to deferred capital grants (government)	15	(19,491)	(6,569)
Amount taken to Income and Expenditure Statement	17	(7,285)	(4,670)
At 31 March		17,827	15,246

#### 15 Deferred Capital Grants

	Government		Non-Government		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 April	240,090	257,036	2,914	2,659	243,004	259,695
Add:						
Grants received for purchases of property, plant and equipment						
- development (Note 14)	19,491	6,569	-	-	19,491	6,569
- operating (Note 18)	5,733	9,651	-	-	5,733	9,651
Assets donated by various organisations (Note 6)	-	-	2,853	1,280	2,853	1,280
	25,224	16,220	2,853	1,280	28,077	17,500
Less:						
Grants taken to Income and Expenditure Statement						
- amortisation charge for the year (Note 17)	(29,543)	(33,166)	(1,123)	(1,025)	(30,666)	(34,191)
At 31 March	235,771	240,090	4,644	2,914	240,415	243,004

## 16 (Deficit)/Surplus Before Grants

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

	2008 \$'000	2007 \$'000
Contribution to Central Provident Fund included in salaries and allowances	11,963	10,579
Loss on disposal of property, plant and equipment	357	15

## 17 Grants

	Note	2008 \$'000	2007 \$'000
Operating grants received from/(refunded or refundable to)			
- Government	18	155,952	142,902
- Non-government		(844)	252
Deferred capital grants amortised			
- Government	15	29,543	33,166
- Non-government	15	1,123	1,025
Development grants utilised	14	7,285	4,670
		193,059	182,015

## 18 Government Operating Grants

	Note	2008 \$'000	2007 \$'000
Operating grants received/receivable during the year		174,611	160,152
Payment for goods and services tax on tuition fees and tuition grants		(12,926)	(7,599)
		161,685	152,553
Operating grants utilised on property, plant and equipment transferred to deferred capital grants (government)	15	(5,733)	(9,651)
Operating grants taken to Income and Expenditure Statement	17	155,952	142,902

Operating grants received from Government since 1 April 1980: \$2,774.0 million (2007: \$2,599.4 million) which include the cumulative operating grants for GST subsidy of \$77.0 million (2007: \$64.1 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:

	2008 \$'000	2007 \$'000
Short-term employee benefits	5,435	4,960

## 20 Taxation

The Polytechnic is registered as a charitable institution and by virtue of Section 13M(2)(b) of the Income Tax Act, Chapter 134.

Before 1 January 2007, all registered charities are required to spend at least 80% of their annual receipts on charitable objects in Singapore with two (2) years in order to be free from paying income tax.

With effect from the Year of Assessment 2008 or financial year ended 31 March 2007, all registered charities will enjoy automatic income tax exemption without having the need to meet the 80% spending rule and there is no need to file income tax returns by virtue of Section 13(1)(zm) of the Income Tax Act, Chapter 134.

## 21 Capital Commitments

The Polytechnic has the following commitments as at 31 March:

	2008 \$'000	2007 \$'000
Approved and contracted for	19,136	16,243
Approved but not contracted for	12,336	7,020

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.

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

Surplus funds from the Polytechnic's operations are invested in fixed deposits and bonds. The Polytechnic's exposure to interest rate risk relates primarily to the fixed deposits and bonds. 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 Comparative Information and Changes in Accounting Policies**

### ***Comparative information***

In the previous years, the Polytechnic disclosed the tuition fee and student loans and staff housing loans and advances from the Ministry for student loans and staff loans at gross amounts as the assets and liabilities in the balance sheet respectively. During the financial year, pursuant to the directive from the Ministry clarifying that the

Polytechnic acts as an agent for administering the tuition fee and student loans scheme and staff housing loan scheme with the Ministry as the financier providing the advances for student and staff loans, the Polytechnic reclassified its assets and liabilities balances and reflected these amounts as the funds' net assets managed on behalf of the Ministry and funds managed on behalf of the Ministry respectively.

### **Change in accounting policy**

With the adoption of SB-FRS by the Polytechnic during the financial year, the Polytechnic has applied SB-FRS Guidance Note 1 - Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves which has affected the presentation of amounts held on behalf of third parties and agency funds held in trust of other Government bodies.

Accordingly, trust funds and trust funds' net assets have now been presented as a separate line items under the capital section on the face of the balance sheets and grouped under funds managed on behalf of others and net assets of funds managed on behalf of others respectively.

The adoption of SB-FRS Guidance Note 1 did not give rise to any adjustment in relation to the Polytechnic's opening accumulated surplus or current year's surplus. Certain comparatives, as explained above, have been reclassified to conform with the current year's presentation as follows:-

The effect on the balance sheet is as follows:

	As previously stated	
	2007 \$'000	As restated 2007 \$'000
<b>Current assets</b>		
Staff and student loans	1,665	64
Cash and cash equivalents	141,204	141,181
<b>Non-current assets</b>		
Staff and student loans	3,813	29
<b>Current liabilities</b>		
Government advances for staff and student loans	1,624	-
<b>Non-current liabilities</b>		
Government advances for staff and student loans	3,784	-
Funds managed on behalf of the Ministry	-	5,408
Funds' net assets managed on behalf of the Ministry	-	5,408

The effects on the cash flow statement are as follows:

	<b>As previously stated 2007 \$'000</b>	<b>As restated 2007 \$'000</b>
Cash flows from operating activities	(137,756)	(138,280)
Cash flows from investing activities	(12,664)	(13,944)
Cash flows from financing activities	180,774	182,698
Cash and cash equivalents at beginning of the year	110,102	109,959
Cash and cash equivalents at end of the year	140,456	140,433
Cash and cash balances held on behalf of the Ministry	-	23
	140,456	140,456

#### **24 New SB-FRS and Interpretations Not Yet Adopted**

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

- SB-FRS 108 Operating Segments
- INT SB-FRS 112 Service Concession Arrangements
- INT SB-FRS 113 Customer Loyalty Programmes
- INT SB-FRS 114 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The initial application of these standards (and its consequential amendments) and interpretations is 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.