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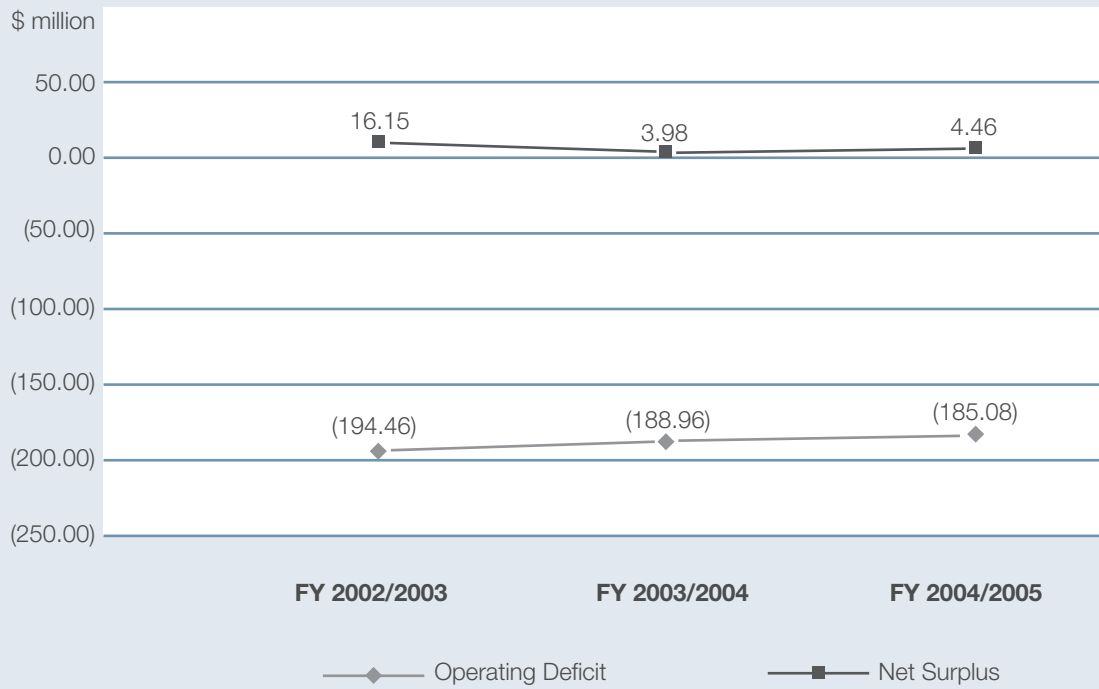
FINANCIAL REVIEW

THREE-YEAR FINANCIAL SUMMARY

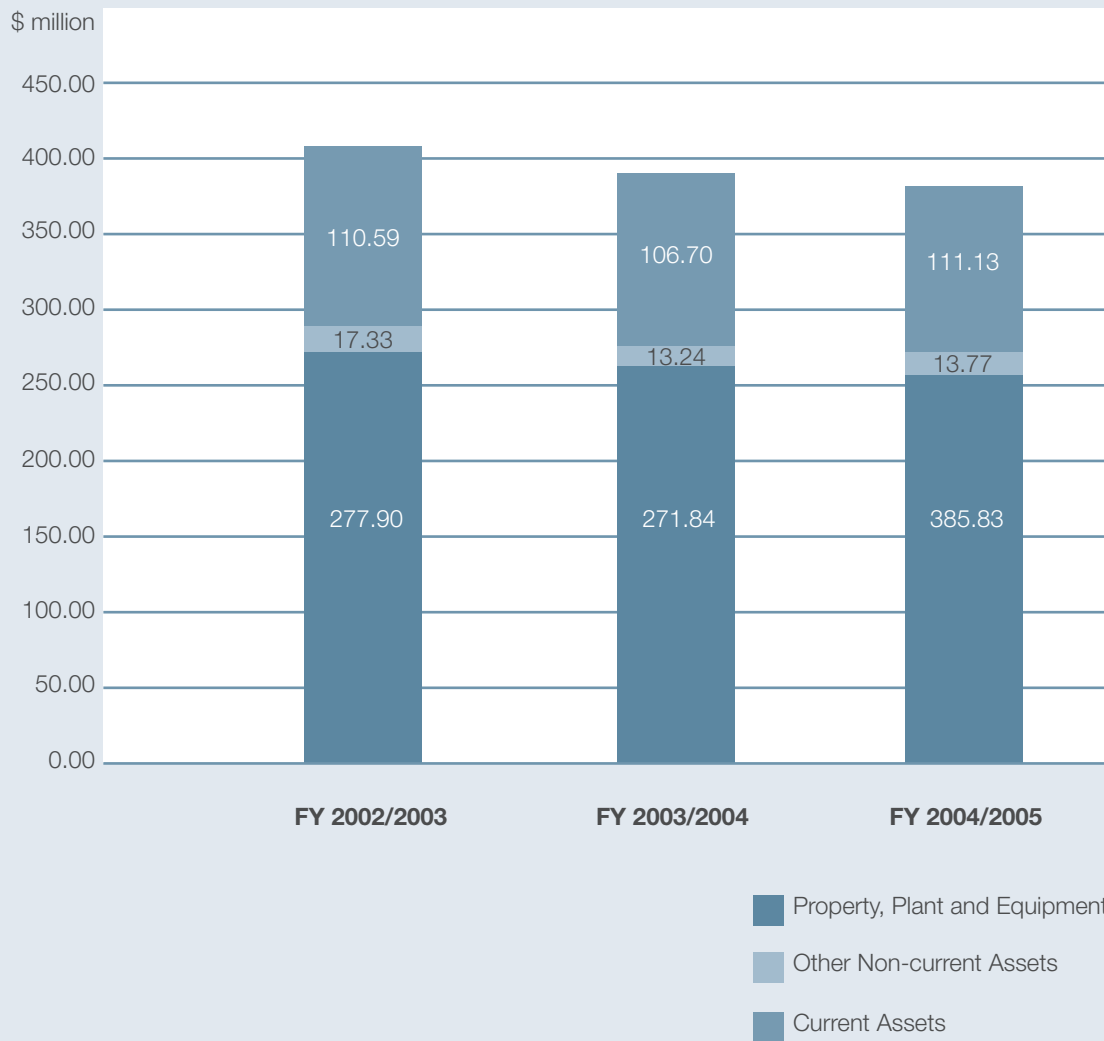
FINANCIAL RESULTS	FY 2002/2003 \$ million	FY 2003/2004 \$ million	FY 2004/2005 \$ million
Operating Income	37.74	37.44	42.31
Operating Expenditure	232.20	226.40	227.39
Operating Deficit	(194.46)	(188.96)	(185.08)
Non-operating Income	5.45	4.88	7.56
(Deficit) before Grants	(189.01)	(184.08)	(177.52)
Grants	205.16	188.06	181.98
Surplus for the Financial Year	16.15	3.98	4.46

FINANCIAL POSITION	FY 2002/2003 \$ million	FY 2003/2004 \$ million	FY 2004/2005 \$ million
Property, Plant and Equipment	277.90	271.84	260.93
Other Non-current Assets	17.32	13.24	13.77
Current Assets	110.59	106.70	111.13
	405.81	391.78	385.83
Accumulated Surplus	80.54	84.52	88.98
Other Funds	11.89	13.05	15.51
Current Liabilities	42.00	28.05	25.45
Non-Current Liabilities-Deferred Capital Grants	271.38	266.16	255.89
	405.81	391.78	385.83

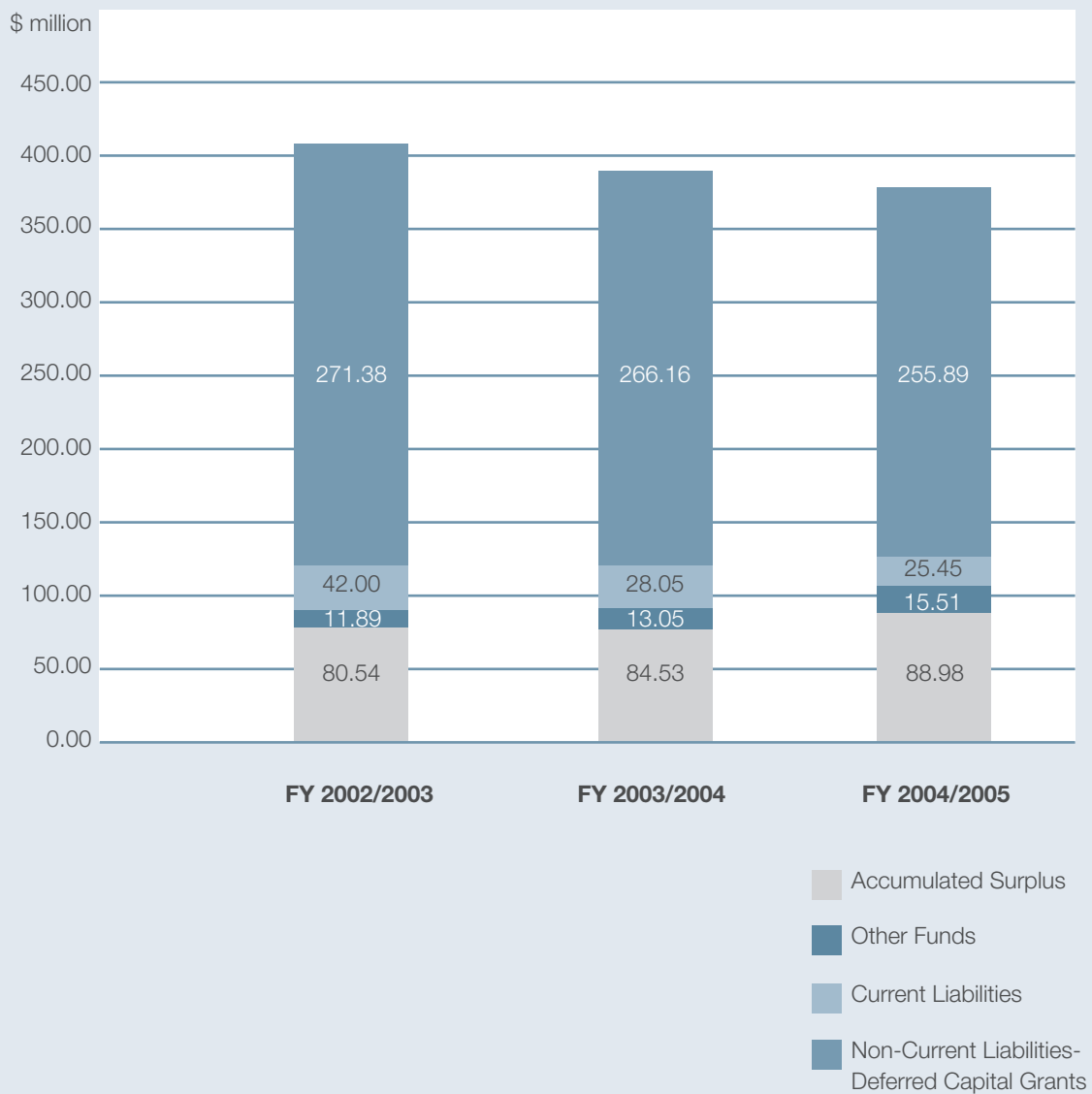
THREE-YEAR FINANCIAL RESULTS



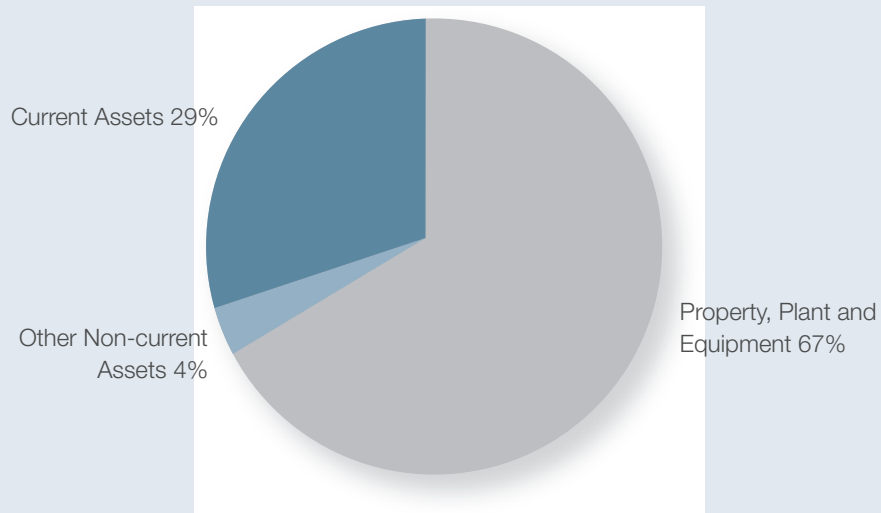
TOTAL ASSETS



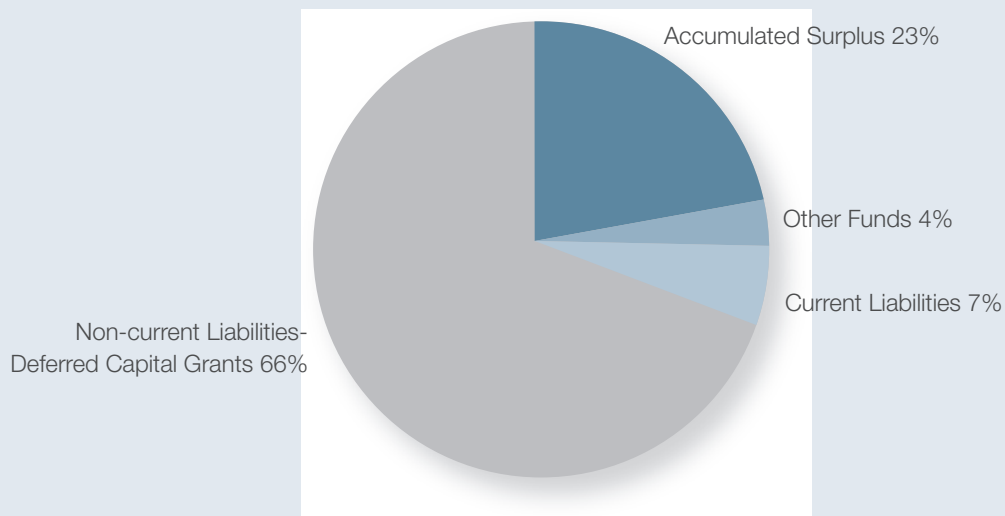
CAPITAL AND LIABILITIES



FY 2004/2005 TOTAL ASSETS



FY 2004/2005 CAPITAL AND LIABILITIES



AUDITORS' REPORT TO SINGAPORE POLYTECHNIC

(Established under the Singapore Polytechnic Act, Chapter 303)

We have audited the accompanying financial statements of Singapore Polytechnic ("the Polytechnic") for the financial year ended 31 March 2005 set out on pages 110 to 127. These financial statements are the responsibility of the management of the Polytechnic. 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 plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Polytechnic are properly drawn up in accordance with the provisions of the Singapore Polytechnic Act, Chapter 303 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2005, and the results, changes in accumulated surplus and cash flows of the Polytechnic for the financial 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 the audit, nothing has come to our notice that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Polytechnic during the financial year have not been made in accordance with the provision of the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore, 30 June 2005

INCOME AND EXPENDITURE STATEMENT

For the Financial Year ended 31 March 2005

	Notes	General Fund		Other Funds		Total		
		2004/2005 \$'000	2003/2004 \$'000	2004/2005 \$'000	2003/2004 \$'000	2004/2005 \$'000	2003/2004 \$'000	
OPERATING INCOME								
Course fees		26,925	29,400	14,567	7,190	41,492	36,590	
Other fees		779	850	43	-	822	850	
		27,704	30,250	14,610	7,190	42,314	37,440	
OPERATING EXPENDITURE								
Staff costs	3	137,013	134,360	4,739	2,726	141,752	137,086	
Teaching materials		6,331	5,848	307	207	6,638	6,055	
Repairs and maintenance		11,308	12,534	-	-	11,308	12,534	
Depreciation of property, plant and equipment	9	37,766	38,491	791	907	38,557	39,398	
Development expenses written-off		7,466	8,782	-	-	7,466	8,782	
Staff development and benefits		3,223	3,137	-	-	3,223	3,137	
Other expenditure		11,349	11,319	7,101	8,085	18,450	19,404	
		214,456	214,471	12,938	11,925	227,394	226,396	
OPERATING (DEFICIT)/SURPLUS		(186,752)	(184,221)	1,672	(4,735)	(185,080)	(188,956)	
NON-OPERATING INCOME/(EXPENSE)								
Donations		-	-	619	568	619	568	
Interest income - banks		471	170	841	507	1,312	677	
Rental income								
- operating leases		-	-	1,081	1,106	1,081	1,106	
Other income		1,908	1,012	2,639	2,766	4,547	3,778	
Allowance for doubtful receivables	13	-	-	-	(1,250)	-	(1,250)	
(DEFICIT)/SURPLUS BEFORE GRANTS		(184,373)	(183,039)	6,852	(1,038)	(177,521)	(184,077)	
GRANTS		4	181,977	188,226	-	(166)	181,977	188,060
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(2,396)	5,187	6,852	(1,204)	4,456	3,983	



Tan Kay Yong
Chairman
Board of Governors
30 June 2005



Low Wong Fook
Principal

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

Auditors' Report - Page 109

BALANCE SHEET

For the Financial Year ended 31 March 2005

	Notes	2004/2005 \$'000	2003/2004 \$'000
ACCUMULATED SURPLUS			
General Fund		41,340	43,736
Other Funds	6	47,641	40,789
		<u>88,981</u>	<u>84,525</u>
STAFF LOANS FUND	8(a)	1,737	2,117
STUDENT LOANS FUND	8(b)	4,580	4,559
ENDOWMENT FUND (CAPITAL)	6	9,196	6,370
		<u>104,494</u>	<u>97,571</u>
Represented by:			
NON-CURRENT ASSETS			
Property, plant and equipment	9	260,929	271,837
Investment in subsidiaries	10	1,100	100
Investments	11	7,925	7,925
Staff and student loans	12	4,748	5,219
Loans to Singapore Polytechnic Graduates' Guild	13	-	-
		<u>274,702</u>	<u>285,081</u>
CURRENT ASSETS			
Cash and cash equivalents	16	107,148	103,486
Staff and student loans repayable within one year	12	1,552	1,424
Trade and other receivables	14	2,426	1,789
		<u>111,126</u>	<u>106,699</u>
Less:			
CURRENT LIABILITIES			
Trade and other payables	15	21,670	28,016
Grant received in advance		3,774	34
		<u>25,444</u>	<u>28,050</u>
NET CURRENT ASSETS		85,682	78,649
NON-CURRENT LIABILITIES			
Deferred Capital Grants - Government	7	252,547	263,046
Deferred Capital Grants - Others	7	3,343	3,113
		<u>255,890</u>	<u>266,159</u>
		<u>104,494</u>	<u>97,571</u>



Tan Kay Yong

Chairman
Board of Governors
30 June 2005



Low Wong Fook

Principal

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

Auditors' Report - Page 109

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

For the Financial Year ended 31 March 2005

	Accumulated Surplus		Total \$'000
	General Fund \$'000	Other Funds \$'000	
Balance at 1 April 2004	43,736	40,789	84,525
Net (deficit)/surplus and total recognised (loss)/gain for the financial year	(2,396)	6,852	4,456
Balance at 31 March 2005	41,340	47,641	88,981
Balance at 1 April 2003	38,549	41,993	80,542
Net surplus/(deficit) and total recognised gain/(loss) for the financial year	5,187	(1,204)	3,983
Balance at 31 March 2004	43,736	40,789	84,525

CASH FLOW STATEMENT

For the Financial Year ended 31 March 2005

	Notes	2004/2005 \$'000	2003/2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit before grants		(177,521)	(184,077)
Adjustment for:			
Depreciation of property, plant and equipment		38,557	39,398
Interest income		(1,312)	(677)
Loss on disposal of property, plant and equipment		98	788
Provision for doubtful debt		-	1,250
Operating cash flow before working capital changes		(140,178)	(143,318)
CHANGE IN OPERATING ASSETS AND LIABILITIES			
Trade and other receivables		(475)	(119)
Trade and other payables		(6,995)	(5,080)
Cash used in operations		(147,648)	(148,517)
Net staff loans repaid		401	3,187
Net student loans disbursed		(58)	(434)
Assets donated by statutory boards /other non-government organisations	7	1,590	1,069
Contributions and donations received for the Endowment Fund (Capital)	6	2,826	4,283
Net operating grants (refunded to) /received from non-government organisations		(1,461)	1,038
Net cash outflow from operating activities		(144,350)	(139,374)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,150	623
Purchases of property, plant and equipment		(27,750)	(34,150)
Proceeds from disposals of property, plant and equipment		3	23
Investment in subsidiary		(1,000)	-
Net cash outflow from investing activities		(27,597)	(33,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Development grants received from Government		32,118	26,401
Operating grants received from Government		143,850	145,462
Net increase in fixed deposits with more than 3 months maturity		(2,217)	(1,265)
Net Staff Loans Fund returned to Government		(380)	(3,220)
Net Student Loans Funds grants received from Government		21	94
Net cash inflow from financing activities		173,392	167,472
Net increase/(decrease) in cash and cash equivalents		1,445	(5,406)
Cash and cash equivalents at the beginning of the financial year		102,221	107,627
Cash and cash equivalents at the end of the financial year	16	103,666	102,221

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

Auditors' Report – Page 109

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 March 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Polytechnic, established under the Singapore Polytechnic Act (Chapter 303), is domiciled in Singapore. Its 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 its subsidiaries are disclosed in Note 10 of the notes to the financial statements.

2. Significant accounting policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

(b) Revenue recognition

Operating revenue comprise of rendering of services, net of goods and services tax.

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

Rental income from operating leases are recognised on a straight-line basis over the lease term.

Interest income is recognised on a time proportion basis using the effective interest method.

Donations are recognised in the year of receipt.

(c) Grants

Development grants from government and contributions from other organisations utilised for the purchase of depreciable assets or to finance capital projects are taken to the Deferred Capital Grants account if the assets are capitalised, or taken to the Income and Expenditure Statement if the assets purchased are written off in the year of purchase.

Non-monetary contributions of assets including some leasehold land are taken to the Property, Plant and Equipment and the Deferred Capital Grants accounts at valuation.

Deferred Capital Grants are recognised in the Income and Expenditure Statement over the periods necessary to match the depreciation of the assets with the related grants. On disposal of the property, plant and equipment, the balance of the related grants is recognised in the Income and Expenditure Statement to match the net book value of property, plant and equipment written off.

NOTES TO THE FINANCIAL STATEMENTS (*cont'd*)

For the Financial Year ended 31 March 2005

2. Significant accounting policies (*cont'd*)

(c) *Grants (cont'd)*

Government grants to meet the current year's operating expenses are taken to the Income and Expenditure Statement for the 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.

(d) *Funds*

(i) *General Fund*

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

(ii) *Other Funds*

Income and expenditure relating to the 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.

(iii) *Staff and Student Loans Funds*

Interest income on staff and student loans is collected by the Polytechnic on behalf of the Government.

(iv) *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" in the Income and Expenditure Statement.

The assets and liabilities of the above funds are accounted for separately. For presentation purpose in the Balance Sheet, the assets and liabilities of the funds are pooled.

(e) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call and fixed deposits with banks.

(f) *Receivables*

Receivables are stated at cost less allowance for doubtful receivables based on a review of outstanding amounts at the balance sheet date. An allowance for doubtful receivables is made when there is objective evidence that the Polytechnic will not be able to collect amounts due according to original terms of receivables. Bad debts are written off when identified.

(g) *Investments*

Investments in subsidiaries are stated at cost less impairment losses in the Polytechnic's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

The results of subsidiaries operations are consolidated with the Polytechnic's financial statements if they are material.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

2. Significant accounting policies (cont'd)

(g) Investments (cont'd)

Quoted and unquoted non-current investments are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution is made where, in the opinion of the management, there is a decline other than temporary in the value of such investments: such reduction being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, including subsidiaries, the difference between the net disposal proceeds and its carrying amount is taken to the Income and Expenditure Statement.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (note 2(i)). Donated assets are recorded at valuation.

Leasehold land alienated to the Polytechnic at nominal value is taken into the accounting records at valuation as their cost base. The valuations were provided by the Chief Valuer, Inland Revenue Department in 1986 (\$52,660,000) and Colliers Jardin (S) Pte Ltd in 1994 for sports complex (\$740,000), on market value basis.

Depreciation, which commences when an asset is purchased or commissioned, is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

Buildings (campus and staff quarters)	- over the lease period (subject to maximum of 50 years)
Buildings improvements	- 5 years
Equipment and furniture	- 3 to 10 years
Motor vehicles	- 5 years

Leasehold land is depreciated over the period of lease ranging from 21 to 86 years.

No depreciation is provided for buildings under construction and building improvements in progress.

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

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount which is the higher of an asset's net selling price and value in use.

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

NOTES TO THE FINANCIAL STATEMENTS (*cont'd*)

For the Financial Year ended 31 March 2005

2. Significant accounting policies (*cont'd*)

(i) *Impairment of assets*

Assets including property, plant and equipment are revised for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use.

(j) *Operating leases*

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are taken to the Income and Expenditure Statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) *Provisions*

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

(l) *Employee benefits*

(1) Defined contribution plan

The Company pays fixed contributions into Central Provident Fund (the "Fund"), and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Company's contribution to the Fund are recognised in the financial year to which they relate.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(m) *Foreign currency translation*

(1) Measurement currency

Items included in the financial statements of the Polytechnic are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The financial statements are presented in Singapore Dollars, which is the measurement currency of the Polytechnic.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

2. Significant accounting policies (cont'd)

(m) Foreign currency translation (cont'd)

(2) Transactions and balances

Foreign currency transactions are translated into Singapore dollars using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in Income and Expenditure Statement.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to Income and Expenditure Statement.

3. Staff costs

	2004/2005	2003/2004
	\$'000	\$'000
Wages and salaries	126,781	120,531
Employer's contribution to Central Provident Fund	12,611	14,372
Other staff benefits	2,360	2,183
	<u>141,752</u>	<u>137,086</u>
Number of persons employed as at the end of the financial year:		
Full time	1,440	1,471
Part time	770	749
	<u>2,210</u>	<u>2,220</u>

The number of part time staff includes full time staff employed on part time contract for teaching of part time courses.

Included in staff costs is key management's remuneration. Key management's remuneration includes fees, salary, bonus, commission and emoluments (including benefit-in-kind) computed based on the cost included by the Polytechnic and where the Polytechnic did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	2004/2005	2003/2004
	\$'000	\$'000
Key management's remuneration	<u>4,680</u>	<u>4,458</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

4. Grants

	General Fund		Other Funds		Total	
	2004/2005 \$'000	2003/2004 \$'000	2004/2005 \$'000	2003/2004 \$'000	2004/2005 \$'000	2003/2004 \$'000
Operating grants received from /(refunded or refundable to)						
- Government (Note 5)	138,757	139,105	-	(166)	138,757	138,939
- Non-government	(2,110)	1,038	-	-	(2,110)	1,038
Deferred capital grants amortised						
- Government (Note 7)	36,504	37,954	-	-	36,504	37,954
- Non-government (Note 7)	1,360	1,347	-	-	1,360	1,347
Development grants utilised	7,466	8,782	-	-	7,466	8,782
	181,977	188,226	-	(166)	181,977	188,060

5. Operating grants - Government

	2004/2005 \$'000	2003/2004 \$'000
Grants received	151,442	152,546
Less :		
Grants utilised on fixed assets transferred to Deferred Capital Grants (Note 7)	(5,093)	(6,523)
Operating grants received for GST subsidies	(7,592)	(7,084)
Amount taken to Income and Expenditure Statement	138,757	138,939

Operating grants received from Government since 1 April 1980: \$2,290.0 million (2003/2004: \$2,138.6 million) which include the cumulative operating grants for GST subsidy of \$49.1 million (2003/2004: \$41.5 million).

6. Other funds

Other Funds comprise the following funds:

Name of Fund	Purpose
Endowment Fund (Capital)	Provides financial assistance to needy students, promotes excellence in teaching amongst the academic staff and provides 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

6. Other funds (cont'd)

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

	2004/2005 \$'000	2003/2004 \$'000
At beginning of financial year	6,370	2,087
Contributions from Miscellaneous Funds	2,372	4,076
Donations received	454	207
At end of financial year	9,196	6,370
Represented by:		
Investments - quoted bonds	1,800	1,800
Cash and cash equivalents	7,396	4,570
	9,196	6,370

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 (cont'd)

For the Financial Year ended 31 March 2005

	Endowment Fund		Student Welfare & Development Fund		Miscellaneous Funds		Total	
	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING INCOME								
Course fees	-	-	-	-	14,567	7,190	14,567	7,190
Other fee	-	-	-	-	43	-	43	-
	-	-	-	-	14,610	7,190	14,610	7,190
OPERATING EXPENDITURE								
Staff costs	-	-	5	2	4,734	2,724	4,739	2,726
Depreciation of property, plant and equipment	-	-	70	82	721	825	791	907
Teaching materials	-	-	-	-	307	207	307	207
Other expenditure *	667	670	535	688	5,899	6,727	7,101	8,085
	667	670	610	772	11,661	10,483	12,938	11,925
OPERATING (DEFICIT)/SURPLUS	(667)	(670)	(610)	(772)	2,949	(3,293)	1,672	(4,735)
NON-OPERATING INCOME/(EXPENSE)								
Donations	619	568	-	-	-	-	619	568
Interest income - banks	177	126	21	15	643	366	841	507
Rental income - operating leases	-	-	-	-	1,081	1,106	1,081	1,106
Other income	238	86	668	786	1,733	1,894	2,639	2,766
Allowance for doubtful receivables	-	-	-	-	-	(1,250)	-	(1,250)
SURPLUS/(DEFICIT) BEFORE GRANTS	367	110	79	29	6,406	(1,177)	6,852	(1,038)
GRANTS								
Operating grants refunded to Government	-	-	-	-	-	(166)	-	(166)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR	367	110	79	29	6,406	(1,343)	6,852	(1,204)
ACCUMULATED SURPLUS AT BEGINNING OF FINANCIAL YEAR	2,691	2,581	4,085	4,056	34,013	35,356	40,789	41,993
ACCUMULATED SURPLUS AT END OF FINANCIAL YEAR	3,058	2,691	4,164	4,085	40,419	34,013	47,641	40,789
Represented by:								
Property, plant and equipment	-	-	936	1,002	4,103	4,676	5,039	5,678
Staff and student loans	-	-	78	65	47	76	125	141
Investment in subsidiaries	-	-	-	-	1,100	100	1,100	100
Investment in long term bonds	500	500	-	-	5,625	5,625	6,125	6,125
Cash and cash equivalents	2,489	2,152	3,176	3,018	25,525	23,388	31,190	28,558
Receivables, deposits and prepayments	71	41	-	-	4,708	827	4,779	868
Payables, deposits and accruals	(2)	(2)	(26)	-	(689)	(679)	(717)	(681)
	3,058	2,691	4,164	4,085	40,419	34,013	47,641	40,789

* Included in other expenditure is an amount of \$2.372 million (2003/2004: \$4.076 million) which was contributed from Miscellaneous Funds to Endowment Fund (Capital).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

7. Deferred capital grants

	Government		Non-Government	
	2004/2005 \$'000	2003/2004 \$'000	2004/2005 \$'000	2003/2004 \$'000
At beginning of financial year	263,046	267,992	3,113	3,391
Add :				
Development grants used for purchases of property, plant and equipment	20,912	26,485	-	-
Operating grants used for purchases of property, plant and equipment (Note 5)	5,093	6,523	-	-
Assets donated by statutory boards/other non-government organisation	-	-	1,590	1,069
	289,051	301,000	4,703	4,460
Less :				
Amount taken to Income and Expenditure Statement (Note 4)	(36,504)	(37,954)	(1,360)	(1,347)
At end of financial year	252,547	263,046	3,343	3,113

Total development grants received from Government since 1 April 1980 is \$539.0 million (2003/2004: \$518.1 million).

8. Staff and student loans funds

(a) Staff Loans Fund

This fund comprises advances from the Government to provide housing loans to staff. No new loans have been granted during the financial year as the loan scheme has been withdrawn as staff benefits.

	2004/2005 \$'000	2003/2004 \$'000
At beginning of financial year	2,117	5,337
Amount returned to Government	(475)	(3,392)
Interest collected	95	172
At end of financial year	1,737	2,117
Represented by:		
Cash and cash equivalents	26	34
Staff and student loans	1,711	2,083
	1,737	2,117

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

8. Staff and student loans funds (cont'd)

(b) Student Loans Fund

This fund comprises advances from the Government to provide tuition fee loans to students. These loans are administered by a financial institution on behalf of the Polytechnic.

	2004/2005 \$'000	2003/2004 \$'000
At beginning of financial year	4,559	4,465
Amount returned to Government	(498)	(895)
Interest collected	104	41
Government Grant	415	948
At end of financial year	<u>4,580</u>	<u>4,559</u>
Represented by:		
Cash and cash equivalents	116	141
Staff and student loans	4,464	4,418
	<u>4,580</u>	<u>4,559</u>

9. Property, plant and equipment

	Leasehold Land \$'000	Buildings (Campus and Staff Quarters) \$'000	Construction in Progress \$'000	Building Improvements \$'000	Equipment & Furniture \$'000	Motor Vehicle \$'000	Total \$'000
COST							
At 1 April 2004	56,518	221,447	293	41,809	230,626	176	550,869
Additions	-	609	4,075	1,647	21,419	-	27,750
Disposals	-	-	-	-	(9,811)	-	(9,811)
At 31 March 2005	<u>56,518</u>	<u>222,056</u>	<u>4,368</u>	<u>43,456</u>	<u>242,234</u>	<u>176</u>	<u>568,808</u>
ACCUMULATED DEPRECIATION							
At 1 April 2004	13,306	74,924	-	34,659	156,023	120	279,032
Depreciation	809	4,649	-	3,046	30,018	35	38,557
Disposals	-	-	-	-	(9,710)	-	(9,710)
At 31 March 2005	<u>14,115</u>	<u>79,573</u>	<u>-</u>	<u>37,705</u>	<u>176,331</u>	<u>155</u>	<u>307,879</u>
Net book value							
At 31 March 2005	<u>42,403</u>	<u>142,483</u>	<u>4,368</u>	<u>5,751</u>	<u>65,903</u>	<u>21</u>	<u>260,929</u>
Net book value							
At 31 March 2004	<u>43,212</u>	<u>146,523</u>	<u>293</u>	<u>7,150</u>	<u>74,603</u>	<u>56</u>	<u>271,837</u>
Depreciation for 2003/2004	<u>811</u>	<u>4,624</u>	<u>-</u>	<u>4,439</u>	<u>29,489</u>	<u>35</u>	<u>39,398</u>

The Polytechnic has subleased 7,188.5 sq metres of its leasehold land to the Singapore Polytechnic Graduate's Guild at a nominal rent of \$12 per annum.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

10. Investment in subsidiaries

Name of companies	Principal activities	Country of incorporation	Equity holding		Net Assets	
			2004/ 2005 %	2003/ 2004 %	2004/ 2005 \$'000	2003/ 2004 \$'000
Innomart Pte Ltd	Investment holding company	Singapore	100	100	146	132
Singapore Polytechnic International Pte Ltd	Not commenced operation	Singapore	100	-	961	-

On 22 November 2004, the Polytechnic incorporated a wholly owned company, Singapore Polytechnic International Pte Ltd at share consideration of \$1 million.

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

11. Investments

	2004/2005 \$'000	2003/2004 \$'000
Quoted bonds at cost	7,925	7,925
Quoted bonds at market values	8,620	8,630

The bonds earn an interest rate of 4.17% to 4.81% (2003/2004: 4.17% to 4.81%) per annum. \$3 million of the bonds will mature in 2010 while the remaining bonds will mature in 2016.

The fair value of the investments approximates to its market value.

12. Staff and student loans

	2004/2005 \$'000	2003/2004 \$'000
Repayable after 12 months:		
Staff loans	1,384	1,691
Student loans	3,364	3,528
	4,748	5,219
Repayable within 12 months:		
Staff loans	375	469
Student loans	1,177	955
	1,552	1,424

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

12. Staff and student loans (cont'd)

Staff loans, which comprise housing, renovation and other loans, are repayable with interest at 4.25% to 6.25% (2003/2004: 5% to 6.25%) per annum by monthly instalments, over periods of up to 25 years for housing loans and up to 5 years for other loans.

Student loans which represent tuition fee loans granted to students are interest-free until their graduation. One year thereafter, loans are repayable by monthly installments, with interest based on the average prime rates of the three local banks or such other rates as may be determined by the Polytechnic. Students have up to 10 years after graduation to repay these tuition fee loans.

Staff and student loans that are disbursed from advances from the Government will eventually be returned to the Government.

13. Loan to Singapore Polytechnic Graduates' Guild ("SPGG")

	2004/2005 \$'000	2003/2004 \$'000
Loan	2,500	2,500
Interest receivable	246	246
	<u>2,746</u>	<u>2,746</u>
Allowance for interest receivable	(246)	(246)
Allowance for doubtful receivables	(2,500)	(2,500)
	<u>-</u>	<u>-</u>

Movements in allowance for doubtful receivables are as follows:

	2004/2005 \$'000	2003/2004 \$'000
At beginning of financial year	2,500	1,250
Allowance made during financial year	-	1,250
At end of financial year	<u>2,500</u>	<u>2,500</u>

The loan to SPGG has a mortgage in escrow over the SPGG's clubhouse subject to the security interest created by SPGG in favour of OCBC Bank Limited ("OCBC"). The loan and interest are repayable within a period of 10 years commencing from the date of first drawdown of the loan. First repayment will be due on the first day of each month following the last and final installment repayment to OCBC in respect of the loan granted by the latter to SPGG or such other dates thereafter as the Polytechnic may specify. 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 2005.

Interest is payable 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the Financial Year ended 31 March 2005

14. Trade and other receivables

	2004/2005 \$'000	2003/2004 \$'000
Deposits and prepayments	753	505
Trade receivables	1,673	1,284
	2,426	1,789

15. Trade and other payables

	2004/2005 \$'000	2003/2004 \$'000
Sundry creditors	2,119	1,354
Accruals	15,576	22,773
Deposits	1,089	1,231
GST Payable	2,886	2,658
	21,670	28,016

16. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2004/2005 \$'000	2003/2004 \$'000
Cash at bank and on hand	28,456	33,526
Fixed deposits with financial institutions	78,692	69,960
Cash and cash equivalents	107,148	103,486
Fixed deposits with more than 3 months maturity	(3,482)	(1,265)
Cash and cash equivalents per cash flow statement	103,666	102,221

The fixed deposits with financial institutions mature on varying dates within 8 months (2003/2004: 6 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 March 2005 was 1.62% (2003/2004: 0.68%) per annum.

17. Capital commitments

Capital expenditure approved by the Board of Governors but not provided for in the accounts:

	2004/2005 \$'000	2003/2004 \$'000
Amount approved and contracted for	10,493	11,439
Amount approved but not contracted for	11,710	21,174

The above capital commitments are funded by Government grants.

NOTES TO THE FINANCIAL STATEMENTS (*cont'd*)

For the Financial Year ended 31 March 2005

18. Financial risk management

(i) *Foreign exchange risk*

The Polytechnic's activities are not exposed to significant foreign exchange risk. All its financial assets and liabilities as at 31 March 2005 are denominated in Singapore Dollars.

(ii) *Interest rate risk*

The Polytechnic's income and operating cash flows are substantially independent of the changes in the market interest rate. The Polytechnic does not have any interest-bearing borrowings.

(iii) *Credit risk*

The Polytechnic has no significant concentration of credit risk. The Polytechnic has policies in place to ensure the collectability of its debts.

(iv) *Liquidity risk*

The Polytechnic maintains sufficient cash to handle liquidity risk.

19. Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair values: staff and student loans, cash and cash equivalents, trade and other receivables, and trade and other payables.

The fair value of investments is disclosed in Note 11 of the notes to the financial statements.

20. Authorisation of financial statements

These financial statements were authorised for issue by the Board of Governors of Singapore Polytechnic on 30 June 2005