

Financial statements

For the year ended 31 March 2006

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Polytechnic information

Registered Office

535 Clementi Road
Singapore 599489

Council

Mr Tan Hup Foi - Chairman
Mr Wee Tew Lim - Deputy Chairman
Professor Cheong Hee Kiat (up to 31 March 2006)
Mr Chia Mia Chang
Mr Goh Kim Hock
Mr Lee Sew lam Richard
Ms Lim Huay Chih
Professor Andrew Nee
BG Neo Kian Hong (up to 31 March 2006)
Mr Ong Beng Lee
Mr Seng Han Thong
Mr Soh Siew Cheong (up to 31 March 2006)
Mr Suhaimi Salleh
Mr Teo Chiang Long (up to 31 March 2006)
BG Gary Ang Aik Hwang (from 1 April 2006)
Mr Michael Chia Hock Chye (from 1 April 2006)
Professor Khoo Li Pheng (from 1 April 2006)
Mrs Deborah Ong (from 1 April 2006)
Mr Kenneth Tan Chih-Sien (from 1 April 2006)
Professor Tan Ser Kiat (from 1 April 2006)
Mr Teo Miang Yeow (from 1 April 2006)
Mr Tok Kian You (from 1 April 2006)

Principal

Mr Chia Mia Chiang

Auditors

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

Statement by Ngee Ann Polytechnic Council

In the opinion of the council members, the accompanying balance sheet, income and expenditure statement, statement of changes in accumulated surplus and the cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2006 and of the results, changes in accumulated surplus and cash flows of the Polytechnic for the financial year ended on that date.

On behalf of the Council



MR TAN HUP FOI
Chairman



MR CHIA MIA CHIANG
Principal

29 June 2006

Auditors' report to the members of Ngee Ann Polytechnic Council

We have audited the accompanying financial statements of Ngee Ann Polytechnic ("the Polytechnic") for the year ended 31 March 2006. 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 financial statements of the Polytechnic are properly drawn up in accordance with the provisions of the Ngee Ann Polytechnic Act, Cap.207 (the Act) and accounting standards as specified by the Ministry of Finance so as to give a true and fair view of the state of affairs of the Polytechnic as at 31 March 2006 and the income and expenditure, changes in accumulated surplus 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.

During the course of our audit, nothing has come to our attention that caused us to believe that during the year:

- (i) the receipt, expenditure and investment of monies; and
- (ii) the acquisition and disposal of assets by the Polytechnic;

have not been carried out in accordance with provisions of the Act; nor that

- (iii) the donations and other receipts of the Polytechnic were not used for approved projects and the purposes intended.



Foo Kon Tan Grant Thornton
Certified Public Accountants
Singapore

29 June 2006

Balance sheet

	Note	31 March 2006 \$'000	31 March 2005 \$'000
Accumulated surplus			
- General fund	4	56,627	42,106
- Restricted funds	5	58,599	56,092
		115,226	98,198
Fair value reserve		6,138	-
Endowment funds	6	119,811	102,367
Staff and student loans fund	7	8,433	17,066
		128,244	119,433
Trust Funds	8	3,131	3,090
		252,739	220,721
Represented by:			
Assets			
Non-Current			
Fixed assets	9	307,057	325,902
Subsidiaries	10	512	469
Loans to staff and students	11	5,590	6,485
Investments	13	163,026	135,905
		476,185	468,761
Current			
Sundry receivables, prepayments and deposits	14	2,280	2,843
Loans to staff and students	11	1,181	1,349
Loan to Ngee Ann Alumni	12	250	250
Fixed deposits	15	78,358	52,658
Cash and bank balances		7,828	24,068
		89,897	81,168
Less:			
Liabilities			
Current			
Payables	16	15,387	14,901
Grants received in advance		195	236
		15,582	15,137
Net Current Assets		74,315	66,031
Net assets of Trust Funds	8	3,131	3,090
Non-Current			
Deferred capital grants	17	(300,892)	(317,161)
		252,739	220,721

Income and expenditure statement

	Note	General Fund		Restricted Funds		Total	
		Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
		31 March 2006 \$'000	31 March 2005 \$'000	31 March 2006 \$'000	31 March 2005 \$'000	31 March 2006 \$'000	31 March 2005 \$'000
Income							
Student fees		28,527	27,050	5,691	6,104	34,218	33,154
Other income	18	2,611	2,675	12,053	12,505	14,664	15,180
		31,138	29,725	17,744	18,609	48,882	48,334
Less:							
Expenditure							
Salaries and related costs	19	114,941	115,428	2,338	2,071	117,279	117,499
CPF contributions and SDF levy	19	10,733	12,052	102	108	10,835	12,160
Depreciation		32,657	34,673	2,180	2,313	34,837	36,986
Repairs and maintenance		10,757	10,753	450	639	11,207	11,392
Public utilities		3,982	3,967	73	67	4,055	4,034
Staff development and benefits		2,745	2,786	51	40	2,796	2,826
Teaching and experimental Materials		1,390	1,250	584	527	1,974	1,777
Tools, furniture and equipment expensed off		2,961	3,201	209	163	3,170	3,364
Printing and stationery		518	536	123	87	641	623
Library books and audio- visual materials		1,050	1,163	-	-	1,050	1,163
Loss on disposal of fixed assets		236	21	-	7	236	28
Advertising		274	213	132	63	406	276
Scholarships, bursaries and grants		362	347	670	549	1,032	896
Transport and communication		990	1,027	176	163	1,166	1,190
Student development, activities and welfare	20	1,092	868	2,911	2,247	4,003	3,115
Other expenditure	21	6,071	5,287	3,142	2,912	9,213	8,199
		190,759	193,572	13,141	11,956	203,900	205,528
Operating (deficit)/surplus before grants		(159,621)	(163,847)	4,603	6,653	(155,018)	(157,194)
Grants							
Operating grants from Government	22	143,867	139,443	-	-	143,867	139,443
Deferred capital grants Amortised	17	30,028	31,915	2,180	2,320	32,208	34,235
		173,895	171,358	2,180	2,320	176,075	173,678
Surplus for the year		14,274	7,511	6,783	8,973	21,057	16,484

Statement of changes in accumulated surplus

	Note	General Fund		Restricted Funds		Total	
		2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Balance at 1 April							
As previously reported		42,106	34,405	56,092	48,691	98,198	83,096
Adjustments	25	-	(12)	-	-	-	(12)
As restated		42,106	34,393	56,092	48,691	98,198	83,084
Surplus for the year		14,274	7,511	6,783	8,973	21,057	16,484
Transfer to/(from) funds		247	202	(1,874)	(1,128)	(1,627)	(926)
Transfer to fair value reserve		-	-	(1,950)	-	(1,950)	-
Transfer to seed capital							
- awards fund		-	-	-	(16)	-	(16)
Transfer to deferred							
capital grants	17	-	-	(452)	(428)	(452)	(428)
Balance at 31 March		56,627	42,106	58,599	56,092	115,226	98,198

Cash flow statement

	Year ended 31 March 2006 \$'000	Year ended 31 March 2005 \$'000
Cash Flows from Operating Activities		
Operating deficit before grants	(155,018)	(157,194)
Adjustments for:		
Transfer from restricted funds	(1,627)	(926)
Transfer to fair value reserve	(1,950)	-
Allowance for impairment loss of investment in a subsidiary	-	323
Depreciation of fixed assets	34,837	36,986
Loss/(gain) on disposal of		
- fixed assets	236	28
- investments	(2,227)	(2,830)
Dividend income	(848)	(1,256)
Adjustments to deferred capital grants	-	(85)
Interest income		
- staff and students loans	(6)	(5)
- current accounts	(97)	(17)
- fixed deposits	(1,002)	(381)
- investments	(4,977)	(3,667)
- others	-	(4)
Operating deficit before working capital changes	(132,679)	(129,028)
Decrease in receivables	563	2,506
Increase/(decrease) in payables	486	(5,512)
Cash used in operations	(131,630)	(132,034)
Interest received		
- staff and students loans	6	5
- current accounts	97	17
- others	-	4
Donations received for Endowment funds	10,444	14,242
Staff and student loans repayment received	1,063	500
Net cash used in operating activities	(120,020)	(117,266)
Cash flows from Investing Activities		
Purchase of investments	(26,337)	(34,500)
Purchase of fixed assets	(16,411)	(20,368)
Interest received		
- fixed deposits	1,002	381
- investments	4,977	3,667
Dividend received	848	1,256
Proceeds from sale of		
- fixed assets	196	77
- investments	7,581	5,131
Net cash used in investing activities	(28,144)	(44,356)

Cash flow statement (cont'd)

	Year ended 31 March 2006 \$'000	Year ended 31 March 2005 \$'000
Cash Flows from Financing Activities		
Advances made to a subsidiary	(43)	(317)
Operating grants received	139,024	134,936
Development grants received	20,276	22,829
Staff and student loans fund returned	(1,633)	(3,900)
Net cash generated from financing activities	157,624	153,548
Net increase/(decrease) in cash and cash equivalents	9,460	(8,074)
Cash and cash equivalents at beginning of year	76,726	84,800
Cash and cash equivalents at end of year	86,186	76,726
The cash and cash equivalents comprise:		
- Fixed deposits (Note 15)	78,358	52,658
- Cash and bank balances	7,828	24,068
	86,186	76,726

Notes to the financial statements

1 General information

The financial statements of the Polytechnic for the year ended 31 March 2006 were authorised for issue by the Council on the date of the Statement by Ngee Ann Polytechnic Council.

The Polytechnic is established under the Ngee Ann Polytechnic Act, Chapter 207 and domiciled in the Republic of Singapore.

The Polytechnic is located at 535 Clementi Road, Singapore 599489.

The number of employees as at 31 March 2006 was 1,442 (2004/2005 - 1,476).

2(a) Basis of preparation

Basis of preparation

The financial statements are prepared in accordance with the provisions of the Ngee Ann Polytechnic Act, Cap.207 (the Act) and accounting standards as specified by the Ministry of Finance.

As specified by the Ministry of Finance, Statutory Boards are to comply with all the Singapore Financial Reporting Standards ("FRS"), except for disclosure of related party transactions as required by FRS24 – Related Party Disclosures.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, 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 revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

2(b) Change in accounting policies

With effect from 1 January 2005, the following new and revised FRS issued by the CCDG, which are relevant to the Polytechnic as a single entity, were adopted:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 32 (revised 2004)	Financial Instruments: Disclosures and Presentation
FRS 36 (revised 2004)	Impairment of Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement

The adoption of the above FRS did not result in substantial changes to the Polytechnic's accounting policies except as follows:

2(b) Change in accounting policies (cont'd)

A. Adoption of FRS 32 and FRS 39

The specific transitional provisions contained within FRS 32 and FRS 39 required the simultaneous adoption of both standards.

In accordance with the transitional provisions of FRS 32, all revised disclosure and presentation rules regarding financial instruments have been applied retrospectively.

In accordance with the transitional provisions of FRS 39, the adoption of the revised rules regarding accounting for financial instruments did not result in restating any comparatives.

(i) Held-to-maturity investments

In the prior years, the Polytechnic's investments in bonds were stated at cost less provision for diminution in value that was other than temporary, which was charged to the income and expenditure statement when it arose. Any reversal of the provision was also included in the income and expenditure statement.

On adopting FRS 39, certain investments in bonds are now classified in the "held-to-maturity investments" category and are initially recognised at fair value plus transaction costs and subsequently accounted for at amortised cost using the effective interest method, less accumulated impairment loss (see policy on financial assets - held-to-maturity investments).

This change did not materially affect the financial statements for the year ended 31 March 2006.

(ii) Available-for-sale financial assets

On adopting FRS 39, certain investments in bonds and equities are classified as "available-for-sale financial assets" and are initially recognised at fair value and subsequently recognised at fair values at the balance sheet date with all gains and losses other than impairment loss taken to the fair value reserve. Impairment losses are taken to the income and expenditure statement in the period it arises. On disposal, gains and losses previously taken to the fair value reserve are included in the income and expenditure statement (see policy on financial assets - available-for-sale financial assets).

(iii) Payables

In the prior years, the Polytechnic's other payables were stated at cost. These financial liabilities are not held for trading and have not been designated as fair value through profit or loss at inception on adoption of FRS 39.

In accordance with FRS 39, they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method (see policy on financial liabilities - payables).

This change did not materially affect the financial statements for the year ended 31 March 2006.

(iv) Impairment and uncollectibility of financial assets

On adopting FRS 39, the Polytechnic is now required to assess at the balance sheet date if there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment of trade receivables is established when there is objective evidence that the Polytechnic will not be able to collect all amounts due according to the original terms of receivables (see policy on financial assets - receivables).

This change did not materially affect the financial statements for the year ended 31 March 2006.

2(b) Change in accounting policies (cont'd)

(v) Fair values of financial assets and liabilities

Fair value estimation is now carried out in accordance with guidance set out in FRS 39 (see policy on financial assets - fair value).

This change did not materially affect the financial statements for the year ended 31 March 2006.

2(c) FRS issued in 2005 but not effective yet

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

FRS 40	Investment Property
FRS 106	Exploration for and Evaluation of Mineral Resources
FRS 107	Financial Instruments: Disclosures
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies

Some of these Standards and Interpretations are not applicable to the Polytechnic. For those applicable, the management anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Polytechnic.

2(d) Summary of significant accounting policies

Fund accounting

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.

Restricted Funds

Income and expenditure relating to the funds set up for specific purposes are accounted for in the Restricted Funds column in the income and expenditure statement.

Endowment Funds

The principal sums of the Endowment Funds and Awards Fund, consisting of donations received are kept intact and presented separately in the balance sheet. The funds' income and expenditure are taken to their operating accounts, which appear under restricted funds in the income and expenditure statement.

Staff and Student Loans Funds

Interest income from staff and tuition fee loans is accounted for in each financial year and returned to the Government.

Pooling of assets and liabilities

The assets and liabilities of the above five funds are accounted for separately. For presentation purposes in the balance sheet, however, the assets and liabilities of the funds are pooled.

2(d) Summary of significant accounting policies (cont'd)

Trust Funds

Income and expenditure relating to the trust funds are accounted for directly in the funds. The net assets of the trust funds are disclosed as a separate item in the balance sheet.

Consolidation

The results of the Polytechnic's subsidiaries have not been consolidated, as they are not material to the Polytechnic's financial statements. Information on its subsidiaries is given in Note 10.

Fixed assets and depreciation

Fixed assets are stated at cost and/or valuation less accumulated depreciation and impairment losses, if any.

Purchases of fixed assets costing less than \$2,000 and building renovations below \$200,000 are charged to the income and expenditure statement in the year of purchase.

Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold land and buildings	Lease period or 50 years, whichever is the lower
Motor vehicles	5 years
Furniture, equipment and machinery	3 to 10 years
Building improvements	5 years

No depreciation is provided on freehold land and work-in-progress.

The cost of fixed assets includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of fixed assets if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets, if any.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before the disposal respectively. Fully depreciated fixed assets are retained in the books of accounts until they are no longer in use.

Subsidiaries

A subsidiary is defined as a company in which the investee has a long-term equity interest of more than 50% and over whose financial and operating policy decisions it controls.

Shares in the subsidiaries are stated at cost less impairment losses on an individual subsidiary basis.

2(d) Summary of significant accounting policies (cont'd)

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets, less those recognised using hedge accounting, are recognised on their trade date - the date on which the Polytechnic commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Polytechnic has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in the income and expenditure statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income and expenditure statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Polytechnic provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income and expenditure statement.

Receivables are provided against when objective evidence is received that the Polytechnic will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2(d) Summary of significant accounting policies (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in the fair value reserve, net of any effects arising from income taxes, until the financial assets are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in the fair value reserve is included in the income and expenditure statement for the period.

When a decline in the fair value of an available-for sale financial asset has been recognised directly in the fair value reserve and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in the fair value reserve shall be removed from the fair value reserve and recognised in the income and expenditure statement even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from fair value reserve and recognised in the income and expenditure statement shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure statement.

Impairment losses recognised in the income and expenditure statement for equity investments classified as available-for-sale are not subsequently reversed through the income and expenditure statement. Impairment losses recognised in the income and expenditure statement for debt instruments classified as available-for-sale are subsequently reversed in the income and expenditure statement if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Available-for-sale financial assets include investments in the balance sheet.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active, the Polytechnic establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Cash and bank balances

Cash and bank balances comprise cash on hand, bank balances and fixed deposits.

2(d) Summary of significant accounting policies (cont'd)

Financial liabilities

The Polytechnic's financial liabilities include other payables.

Financial liabilities are recognised when the Polytechnic becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the income and expenditure statement.

Payables are initially carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Polytechnic. Subsequently, payables are measured at amortised cost, using the effective interest method.

Provisions

Provisions are recognised when the Polytechnic have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Employee benefits

Statutory obligations

The Polytechnic contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Polytechnic's contributions to CPF are charged to the income and expenditure statement in the period to which the contributions relate.

Employee leave entitlements

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

Impairment of assets

Management is of the view that an annual assessment of impairment of the value of its major assets is not necessary as this process of projected recovery of the assets is not logical in view of the objectives of the Polytechnic.

Income recognition

Contributions from Ngee Ann Kongsi and other donations are recognised when received. All other income are recognised on accrual basis.

Functional 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 the Polytechnic ("the functional currency"). The financial statements of the Polytechnic are presented in Singapore dollars, which is also the functional currency of the Polytechnic.

2(d) Summary of significant accounting policies (cont'd)

Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income and expenditure statement in the period in which they arise.

Currency translation differences on non-monetary items, such as equity investments classified as available-for-sale financial assets, are included in the fair value reserve.

Grants

Grants from the Government and contributions from other organisations and persons in the form of depreciable assets for the establishment of the Polytechnic or utilised for the purchase of depreciable assets are taken to the Deferred Capital Grants Account. The deferred grants are recognised in the income and expenditure statement over the periods necessary to match the depreciation and the net book value of disposals and write-offs of the assets purchased with the related grants.

Government grants and contributions from other organisations to meet the current year's operating expenses are recognised as income in the same year.

Both capital and operating grants are accounted for on the accrual basis.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management objectives and policies are provided in Note 26.

3 Principal activities

The principal activity of the Polytechnic is the provision of relevant diploma courses to meet the growing needs of industry and commerce in Singapore.

The principal activities of the subsidiaries are stated in Note 10.

4 General Fund

Of the \$56,627,000 (2004/2005 - \$42,106,000) in the accumulated surplus of the general fund approximating \$6,172,000 (2004/2005 - \$8,741,000) has been utilised for the purchase of fixed assets.

Ngee Ann Polytechnic
Financial statements for the year ended 31 March 2006

5 Restricted Funds

	Note	Bursary and scholarship \$'000	Education \$'000	Sinking \$'000	Tote \$'000	Project \$'000	Endowment \$'000	Miscellaneous \$'000	2005/2006 \$'000	2004/2005 \$'000
Income										
Student fees		-	5,671	-	-	18	-	2	5,691	6,104
Other income		425	4,468	751	244	342	5,623	200	12,053	12,505
Deferred capital grant amortised		-	447	417	1,019	103	-	194	2,180	2,320
		425	10,586	1,168	1,263	463	5,623	396	19,924	20,929
Expenditure										
Salaries and										
CPF contributions		-	2,274	-	-	157	-	9	2,440	2,179
Depreciation		-	447	417	1,019	103	-	194	2,180	2,313
Other expenditure		296	6,372	562	244	203	786	58	8,521	7,464
		296	9,093	979	1,263	463	786	261	13,141	11,956
Surplus for the year		129	1,493	189	-	-	4,837	135	6,783	8,973
Accumulated surplus										
at beginning of year		221	40,451	6,734	-	-	8,211	475	56,092	48,691
Transfer from/(to) general fund		-	-	-	-	-	(1,626)	(248)	(1,874)	(1,128)
Transfer between restricted funds		131	416	-	-	-	(541)	(6)	-	-
Transfer to fair value reserve		-	(195)(98)	-	-	(1,657)	-	(1,950)	-	-
Transfer to seed capital - awards fund		-	-	-	-	-	-	-	-	(16)
Transfer to deferred capital grants	17	-	(452)	-	-	-	-	-	(452)	(428)
Accumulated surplus at end of year		481	41,713	6,825	-	-	9,224	356	58,599	56,092

5 Restricted Funds (cont'd)

The objectives of the funds making up Restricted Funds are as follows:

Bursary and Scholarship Fund

To provide bursaries and scholarships to needy and deserving students of the Polytechnic.

Education Fund

To support the operation and development of the Polytechnic and the establishment of the Polytechnic as an institution of excellence in diploma level education.

Sinking Fund

To maintain the Polytechnic's staff quarters and other residential properties.

Tote Fund

To fund students' projects and research and development by staff. Funded by the Tote Board.

Projects Fund

To fund special projects and programmes of the Polytechnic. Funded by Infocomm Development Authority of Singapore and Agency for Science, Technology and Research, National Youth Council and Arts Grant.

Endowment Funds

(i) ***Ngee Ann Polytechnic Endowment Fund***

To provide financial assistance to needy students and award scholarships and prizes to outstanding students.

(ii) ***Ngee Ann Kongsı Endowment Fund***

To defray Ngee Ann Polytechnic's recurrent expenditure using 75% of the income from this fund.

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5 Restricted Funds (cont'd)

Endowment Funds (cont'd)

- (iii) Ted de Ponti Endowment Fund
K.C. Lee Endowment Fund
Shaw Foundation Endowment
Lien Ying Chow Endowment Fund
Choo & Lim Endowment Fund
Scholarships, Bursaries and Financial Assistance Endowment Fund

To provide bursaries and scholarships to needy and deserving students.

(iv) **Awards Fund**

To create an annual medal award for the Department of Building student who excels in the final year with donation from the Singapore Institute of Building Limited; and to award book prizes with donation from Batey Ads Pte Ltd.

Donations and contributions which are specifically designated to be kept intact to earn income are taken directly to the Funds (seed capital).

Other donations, contributions and income and expenditure are taken to the funds' operating accounts which appear under restricted funds in the income and expenditure statement.

6 Endowment Funds

	Ngee Ann Polytechnic		Ngee Ann Kongsi*		Ted de Ponti		K.C. Lee		Shaw Foundation	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital										
Balance at beginning of year	2,814	2,814	97,460	83,318	502	502	500	500	575	475
Donations received	-	-	10,094	14,142	-	-	-	-	100	100
Transfer from Computer Loan Fund	-	-	-	-	-	-	-	-	-	-
Transfer from/(to) restricted funds	-	-	-	-	-	-	-	-	-	-
Transfer from accumulated surplus	-	-	-	-	-	-	-	-	-	-
Balance at end of year	2,814	2,814	107,554	97,460	502	502	500	500	675	575

* See Note 24.

The income and expenditure of the above funds are taken to Restricted Fund in the income and expenditure statement. The seed capital of these funds together with the accumulated surplus taken to the income and expenditure statement is represented in the next statement.

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6 Endowment Funds (cont'd)

	Ngee Ann Polytechnic		Ngee Ann Kongsi		Ted de Ponti		K.C. Lee		Shaw Foundation	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital	2,814	2,814	107,554	97,460	502	502	500	500	675	575
Add:										
- Fair value reserve	87	-	3,797	-	17	-	19	-	23	-
- Accumulated surplus										
Balance at beginning of year	148	137	7,884	4,140	34	35	96	74	26	27
Surplus/(deficit) for the year	(30)	11	4,767	4,977	(5)	(1)	(17)	22	(3)	(1)
Transfer to fair value reserve	-	-	(1,657)	-	-	-	-	-	-	-
Transfer to general fund	-	-	(1,626)	(926)	-	-	-	-	-	-
Transfer to restricted fund	-	-	(541)	(307)	-	-	-	-	-	-
Transfer to seed capital	-	-	-	-	-	-	-	-	-	-
Balance at end of year	118	148	8,827	7,884	29	34	79	96	23	26
	3,019	2,962	120,178	105,344	548	536	598	596	721	601
Represented by:										
Receivables	16	47	708	628	3	7	3	10	4	8
Investments	2,301	2,849	100,857	89,444	460	511	502	557	604	415
Fixed deposits	380	62	16,635	13,159	76	10	83	27	100	176
Cash and bank balances	336	4	2,586	2,634	12	8	13	2	16	2
Payables	(14)	-	(608)	(521)	(3)	-	(3)	-	(3)	-
	3,019	2,962	120,178	105,344	548	536	598	596	721	601

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6 Endowment Funds (cont'd)

	Lien Ying Chow		Awards Fund		Choo & Lim		Scholarships, Bursaries & Financial Assistance		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital										
Balance at beginning of year	500	500	16	-	-	-	-	-	102,367	88,109
Donations received	-	-	-	-	250	-	-	-	10,444	14,242
Transfer from Computer Loan Fund	-	-	-	-	-	-	7,000	-	7,000	-
Transfer from/(to) restricted funds	-	-	-	-	250	-	(250)	-	-	-
Transfer from accumulated surplus	-	-	-	16	-	-	-	-	-	16
Balance at end of year	500	500	16	16	500	-	6,750	-	119,811	102,367

The income and expenditure of the above funds are taken to Restricted Fund in the income and expenditure statement. The seed capital of these funds together with the accumulated surplus taken to the income and expenditure statement is represented in the next statement.

6 Endowment Funds (cont'd)

	Lien Ying Chow		Awards Fund		Choo & Lim		Scholarships, Bursaries & Financial Assistance		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital	500	500	16	16	500	-	6,750	-	119,811	102,367
Add:										
- Fair value reserve	17	-	-	-	16	-	225	-	4,201	-
- Accumulated surplus										
Balance at beginning of year	22	35	1	17	-	-	-	-	8,211	4,465
Surplus/(deficit) for the year	1	(13)	-	-	8	-	116	-	4,837	4,995
Transfer to fair value reserve	-	-	-	-	-	-	-	-	(1,657)	-
Transfer to general fund	-	-	-	-	-	-	-	-	(1,626)	(926)
Transfer to restricted fund	-	-	-	-	-	-	-	-	(541)	(307)
Transfer to seed capital	-	-	-	(16)	-	-	-	-	-	(16)
Balance at end of year	23	22	1	1	8	-	116	-	9,224	8,211
	540	522	17	17	524	-	7,091	-	133,236	110,578
Represented by:										
Receivables	3	5	-	-	3	-	42	-	782	705
Investments	452	318	-	-	439	-	5,964	-	111,579	94,094
Fixed deposits	75	190	-	-	72	-	984	-	18,405	13,624
Cash and bank balances	12	9	17	17	13	-	136	-	3,141	2,676
Payables	(2)	-	-	-	(3)	-	(35)	-	(671)	(521)
	540	522	17	17	524	-	7,091	-	133,236	110,578

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7 Staff and student loans fund

	Staff loans fund		Tuition fee loan and study loan funds		Computer loan fund		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital								
Balance at beginning of year	2,104	6,004	4,962	4,962	10,000	10,000	17,066	20,966
Government advances (returned)/ received	(1,079)	(3,900)	(554)	-	-	-	(1,633)	(3,900)
Transfer to restricted funds	-	-	-	-	(7,000)	-	(7,000)	-
Balance at end of year	1,025	2,104	4,408	4,962	3,000	10,000	8,433	17,066

The income and expenditure of the above funds are taken to General Fund in the income and expenditure statement. The seed capital of these funds together with the accumulated surplus taken to the income and expenditure statement is represented as follows:

	Staff loans fund		Tuition fee loan and study loan funds		Computer loan fund		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Seed capital	1,025	2,104	4,408	4,962	3,000	10,000	8,433	17,066
Add:								
- Fair value reserve	-	-	-	-	127	-	127	-
- Accumulated surplus								
Balance at beginning of year	-	-	-	-	1,157	833	1,157	833
Surplus for the year	-	-	-	-	299	324	299	324
Balance at end of year	-	-	-	-	1,456	1,157	1,456	1,157
	1,025	2,104	4,408	4,962	4,583	11,157	10,016	18,223
Represented by:								
Loans and receivables	988	2,044	4,122	4,409	455	76	5,565	6,529
Fixed deposits	-	-	-	-	558	1,522	558	1,522
Cash and bank balances	45	105	352	608	208	24	605	737
Investments	-	-	-	-	3,384	9,535	3,384	9,535
Payables	(8)	(45)	(66)	(55)	(22)	-	(96)	(100)
	1,025	2,104	4,408	4,962	4,583	11,157	10,016	18,223

7 Staff and student loans fund (cont'd)

Staff loans fund

This fund was set up from advances from the Government to provide housing loans to employees. With effect from financial year 2002/2003, no new housing loans are dispersed as the Government had stopped funding for such purposes. Interest income from Government funded revolving funds will be returned to the Ministry of Education.

Tuition fee loan fund and study loan fund

The tuition fee loan fund was set up from advances from the Government to provide tuition fee loans to students. The loans are managed and administered by a financial institution. The study loans funds comprise the PSC study loan fund and the Rotary Club study loan fund, which provide study loans to needy students. Net income from Government funded revolving funds will be returned to the Ministry of Education. Income and expenditure from Rotary Club study loan fund are taken to the funds' operating accounts which appear under general fund in the income and expenditure statement.

Computer loan fund

The Fund was set up from accumulated surplus to provide loans to needy students to purchase notebooks. Income and expenditure from Computer Loan Fund are taken to the funds' operating accounts which appear under general fund in the income and expenditure statement.

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8 Trust Funds

	Liu Yin Soon Scholarship Trust Fund		Ngee Ann Polytechnic Students' Union Trust Fund		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Trust funds						
Balance at beginning of year	-	-	1,000	500	1,000	500
Amount received during the year	-	-	-	500	-	500
Balance at end of year	-	-	1,000	1,000	1,000	1,000
Fair value reserve	41	-	-	-	41	-
Accumulated surplus at beginning of year	2,068	2,141	22	-	2,090	2,141
Income						
Interest income	36	55	28	22	64	77
Dividend income	6	-	-	-	6	-
Other income	16	-	-	-	16	-
	58	55	28	22	86	77
Less:						
Expenditure						
Disbursement of scholarship awards	48	100	-	-	48	100
Depreciation	21	21	-	-	21	21
Other expenditure	17	7	-	-	17	7
	86	128	-	-	86	128
(Deficit)/surplus for the year	(28)	(73)	28	22	-	(51)
Accumulated surplus at end of year	2,040	2,068	50	22	2,090	2,090
	2,081	2,068	1,050	1,022	3,131	3,090
Represented by:						
Freehold properties	1,050	1,050	-	-	1,050	1,050
Less: Accumulated depreciation	(252)	(231)	-	-	(252)	(231)
	798	819	-	-	798	819
Receivables	8	8	10	10	18	18
Investments	1,079	1,207	497	497	1,576	1,704
Fixed deposits	178	30	510	502	688	532
Cash and bank balances	25	4	33	13	58	17
Payables	(7)	-	-	-	(7)	-
	2,081	2,068	1,050	1,022	3,131	3,090

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9 Fixed assets

	Freehold land, at valuation \$'000	Leasehold land and buildings \$'000	Furniture, equipment and machinery \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000	Trust properties+ \$'000
Cost*							
At 1 April 2004	24,700	397,275	229,048	16	22,254	673,293	1,050
Additions	-	9,109	9,689	-	1,664	20,462	-
Reclassification	-	21,925	278	-	(22,203)	-	-
Disposals	-	(134)	(17,044)	-	-	(17,178)	-
At 31 March 2005	24,700	428,175	221,971	16	1,715	676,577	1,050
Additions	-	4,811	10,544	-	1,070	16,425	-
Reclassification	-	94	429	-	(523)	-	-
Disposals	-	(483)	(12,405)	-	-	(12,888)	-
At 31 March 2006	24,700	432,597	220,539	16	2,262	680,114	1,050
Accumulated depreciation							
At 1 April 2004	-	160,335	170,411	16	-	330,762	210
Charge for the year	-	16,330	20,656	-	-	36,986	21
Disposals	-	(75)	(16,998)	-	-	(17,073)	-
At 31 March 2005	-	176,590	174,069	16	-	350,675	231
Charge for the year	-	16,143	18,694	-	-	34,837	21
Disposals	-	(119)	(12,336)	-	-	(12,455)	-
At 31 March 2006	-	192,614	180,427	16	-	373,057	252
Net book value							
At 31 March 2006	24,700	239,983	40,112	-	2,262	307,057	798
At 31 March 2005	24,700	251,585	47,902	-	1,715	325,902	819

* At cost, unless otherwise stated.

+ Trust properties are buildings (freehold) held under trust funds (see Note 8).

The freehold land which was donated by Ngee Ann Kongsi to the Polytechnic was valued by an independent valuer on an open-market basis on 25 July 1987.

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10 Subsidiaries

	2005/2006 \$'000	2004/2005 \$'000
Unquoted equity shares, at cost	475	475
Allowance for impairment losses	(323)	(323)
	152	152
Amount owing by a subsidiary (non-trade)	360	317
	512	469

The amount owing by a subsidiary, non-trade, represents advances made, is unsecured, interest-free and is not expected to be repaid within one year.

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2005/2006 \$'000	2004/2005 \$'000	2005/2006	2004/2005	
^ NP Enterprise (S) Pte. Ltd. (formerly known as NTEC Holding Pte Ltd)	Singapore	475	475	100%	100%	To invest in spin-off projects from research work of the Polytechnic's staff
<u>Held by NP Enterprise (S) Pte. Ltd.</u>						
^ OEC International (China) Pte. Ltd.	Singapore	+	-	100%	-	Investment holding

^ Audited by Lee Seng Chan & Co.

+ Interest held through subsidiary, NP Enterprise (S) Pte. Ltd.

11 Loans to staff and students

The Polytechnic's total outstanding loans to employees and students are as follows:

	2005/2006 \$'000	2004/2005 \$'000
Amount receivable within one year	1,181	1,349
Amount receivable after one year	5,590	6,485
	6,771	7,834

Loans to employees relate to housing loans which were made in accordance with the regulations of the Polytechnic. The loans are repayable over periods of 5 to 25 years and are reprised monthly at an interest charge of 5% (2004/2005 - 5%) per annum.

Loans to students comprise interest-free study loans and Government-funded tuition fee loans. The Government-funded tuition fee loans are repayable over a maximum period of 10 years with interest charges pegged at the average of the prime rates of 3 local banks.

12 Loan to Ngee Ann Alumni

The loan to Ngee Ann Alumni is unsecured, interest-free and due for repayment on 23 March 2007.

13 Investments (non-current)

	2005/2006 \$'000	2004/2005 \$'000
Available-for-sale financial assets (Note 13.1)		
- Bonds	117,786	112,841
- Quoted equity investments	32,646	14,242
At cost	150,432	127,083
Effect of adopting FRS 39 - adjusted prospectively	4,170	-
Net fair value gain transferred to fair value reserve	1,968	-
	156,570	127,083
Held-to-maturity investments (Note 13.2)		
- Bonds	6,456	8,822
	163,026	135,905

13 Investments (non-current) (cont'd)

13.1 Available-for-sale financial assets

	2005/2006 \$'000	2004/2005 \$'000
At cost:		
Bonds		
Investments managed by fund managers		
- Corporate bonds	37,315	34,306
- Government agency bonds	6,136	8,576
- Government bonds	5,031	3,877
- Unit trust bonds	24,519	18,802
- Others	694	201
	73,695	65,762
Investments managed internally		
- Corporate bonds	37,797	38,086
- Government agency bonds	6,294	7,997
- Government bonds	-	996
	44,091	47,079
	117,786	112,841
Quoted equity investments		
Investments managed by fund managers		
- Common stock	30,440	13,519
- Preferred stock	222	223
- Unit trust equities	348	-
	31,010	13,742
Investments managed internally		
- Common stock	1,189	500
- Preferred stock	447	-
	1,636	500
	32,646	14,242
	150,432	127,083

13 Investments (non-current) (cont'd)

13.1 Available-for-sale financial assets (cont'd)

	2005/2006 \$'000	2004/2005 \$'000
At fair value:		
Bonds		
Investments managed by fund managers (Note a)		
- Corporate bonds	36,633	32,557
- Government agency bonds	6,083	8,194
- Government bonds	4,762	3,815
- Unit trust bonds	26,942	20,722
- Others	692	199
	75,112	65,487
Investments managed internally (Note b)		
- Corporate bonds	37,868	48,004
- Government agency bonds	6,137	7,678
- Government bonds	-	942
	44,005	56,624
	119,117	122,111
Quoted equity investments		
Investments managed by fund managers		
- Common stock	34,978	15,060
- Preferred stock	223	224
- Unit trust equities	389	-
	35,590	15,284
Investments managed internally		
- Common stock	1,421	635
- Preferred stock	442	-
	1,863	635
	37,453	15,919
	156,570	138,030

a. The bonds bear interest rates ranging from 1.6% to 8% (2004/2005 - 1.845% to 5.18%). The maturity dates of bonds range from 13 May 2006 to 1 September 2020 (2004/2005 - 26 May 2005 to 30 September 2016).

b. The bonds bear interest rates ranging from 1.725% to 5% (2004/2005 - 1.725% to 5%). The maturity dates of bonds range from 9 September 2007 to 19 June 2023 (2004/2005 - 9 September 2007 to 19 June 2023).

c. Investments managed by fund managers form part of the Polytechnic funds which are administered by 4 (2004/2005 - 5) asset management companies ("fund managers"). The fund managers are given discretionary powers within certain guidelines to invest the funds. The terms of the fund management agreements will expire between August 2006 and September 2007 (2004/2005 - August 2006 and September 2007).

13 Investments (non-current) (cont'd)

13.2 Held-to-maturity investments

	2005/2006 \$'000	2004/2005 \$'000
Bonds		
Investments managed internally		
- Corporate bonds	6,456	8,822

The bonds bear interest rates ranging from 1.97% to 3.875% (2004/2005 - 1.555% to 4.9%). The maturity dates of bonds range from 28 April 2006 to 31 May 2010 (2004/2005 - 29 April 2005 to 7 July 2006).

14 Sundry receivables, prepayments and deposits

	2005/2006 \$'000	2004/2005 \$'000
Accrued interest	936	974
Goods and services tax receivable	8	335
Prepayments	347	660
Sundry receivables	989	876
	2,280	2,845
Less: Allowance for doubtful debts	-	(2)
	2,280	2,843

15 Fixed deposits

	2005/2006 \$'000	2004/2005 \$'000
Fixed deposits	78,358	52,658

The fixed deposits bear interest rates ranging from 0.50% to 3.25% (2004/2005 - 0.5% to 1.8125%). The maturity dates range from 3 April 2006 to 6 September 2006 (2004/2005 - 1 April 2005 to 5 September 2005).

16 Payables

	2005/2006 \$'000	2004/2005 \$'000
Payment received for goods and services tax recoverable	20	362
Accrued expenses	2,349	2,308
CPF payable	3,496	3,606
Payments received in advance	683	1,779
Student fees received in advance	2,860	28
Refundable deposits	131	129
Accrued costs for expansion projects	-	542
Accrual for unconsumed leave	3,864	3,864
Sundry payables	1,984	2,283
	15,387	14,901

17 Deferred capital grants

	Government		Non-Government		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Balance at beginning of year	295,190	309,809	21,971	23,112	317,161	332,921
Grants received	14,951	17,404	640	634	15,591	18,038
Transfer from accumulated surplus	-	-	452	428	452	428
Adjustments	(117)	(85)	-	-	(117)	(85)
Reclassifications	-	(23)	-	23	-	-
Donated assets	-	-	13	94	13	94
Amount taken to income and expenditure statement	(30,028)	(31,915)	(2,180)	(2,320)	(32,208)	(34,235)
Balance at end of year	279,996	295,190	20,896	21,971	300,892	317,161
Total capital grants received from Government since establishment					781,231	766,280

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18 Other income

Included in other income are:

	General Fund		Restricted Funds		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Interest income						
- current accounts	80	17	17	-	97	17
- fixed deposits	953	281	49	100	1,002	381
- investments	283	319	4,694	3,348	4,977	3,667
- staff and student loans	-	5	6	-	6	5
- others	-	4	-	-	-	4
Rental income	436	687	455	371	891	1,058
Dividend income	55	-	793	1,256	848	1,256
Donations, grants & sponsorships	277	595	3,153	2,842	3,430	3,437
Gain on disposal of investments	171	-	2,056	3,027	2,227	3,027

19 Employee benefits

	Total	
	2005/2006 \$'000	2004/2005 \$'000
Key management personnel		
- Salaries and related costs	4,944	5,136
- CPF contributions	228	280
	5,172	5,416
Other than key management personnel		
- Salaries and related costs	112,335	112,363
- CPF contributions and SDF levy	10,607	11,880
	122,942	124,243
	128,114	129,659

20 Student development, activities and welfare

This item includes the cost of overseas trips for students who took part in the Polytechnic's overseas student development programmes.

21 Other expenditure

Included in other expenditure are:

	General Fund		Restricted Funds		Total	
	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000	2005/2006 \$'000	2004/2005 \$'000
Consultancy fees	297	160	52	23	349	183
Consultancy fees paid to staff	-	2	160	399	160	401
Fees paid to training partners	1,721	1,487	-	-	1,721	1,487
Gebiz fees	187	107	1	1	188	108
Goods and services tax expense	1,205	1,088	139	117	1,344	1,205
Guard and escort services	323	255	2	-	325	255
Newspaper and periodicals	257	289	-	-	257	289
Impairment loss of investment in a subsidiary	-	-	-	323	-	323

22 Operating grants from Government

	2005/2006 \$'000	2004/2005 \$'000
Operating grants received during the year	139,019	134,936
CET funding	5	-
Amount transferred to deferred capital grant	(861)	-
Capital grant taken to income and expenditure statement	5,704	4,507
	143,867	139,443
Total operating grants received since establishment	2,221,148	2,077,281

During the year, the Polytechnic received a grant of \$7,573,000 (2004/2005 - \$7,335,000) from the Ministry of Education to settle the outstanding goods and service tax payable to the Inland Revenue Authority of Singapore. This amount is not included in the operating grants received from the government as disclosed above.

23 Capital commitments

	2005/2006 \$'000	2004/2005 \$'000
Amount approved and contracted for	10,320	2,497
Amount approved but not contracted for	2,200	854

The capital commitments are funded from government grants.

24 Ngee Ann Kongsi's contribution

Under section 20A of the Ngee Ann Kongsi (Incorporation) Ordinance, Chapter 370, the Kongsi's "Committee of Management shall set apart 75% of all monies received by the Corporation by way of income from any source and of all monies arising from the sale or disposition or from the acquisition of any property belonging to the Corporation and shall contribute the same to the Ngee Ann Polytechnic constituted under the Ngee Ann Polytechnic Act".

During the financial year, the Polytechnic received \$12,094,000 (2004/2005 - \$16,142,000) from the Ngee Ann Kongsi. \$2,000,000 (2004/2005 - \$2,000,000) was taken to the Ngee Ann Kongsi Education Fund and the balance to the Ngee Ann Kongsi Endowment Fund.

25 Prior year adjustments

The prior year adjustments arise from interest earned from seed capital of staff loans fund previously recognised as income in the income and expenditure statement now reversed out as a payable to the Ministry of Education as the interest income will be returned to the Ministry.

26 Financial risk management objectives and policies

The Polytechnic does not have any written financial risk management objectives and guidelines.

The Polytechnic does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

26.1 Market risk

26.1.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Polytechnic does not engage in any hedging activities to manage its foreign currency risk arising from anticipated transactions and financing arrangements denominated in foreign currencies, primarily the United States dollar.

Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities. As at the balance sheet date, the Polytechnic's foreign currency exposures are insignificant.

26.1.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Surplus funds arising from the Polytechnic's operations are placed with reputable banks, investment in bonds, quoted equity investments and investment with fund managers. The Polytechnic's earnings are affected by changes in interest rates due to the impact those changes have on its interest income from bank deposits and interest bearing non-equity investments.

26 Financial risk management objectives and policies (cont'd)

26.1.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Polytechnic has substantial investments of \$163,026,000 (2004/2005 - \$135,905,000) as disclosed in Note 13. The market risk associated with these investments is the potential loss in fair value resulting from the decrease in market prices of these investments. The management regularly monitors the recoverability of these investments and believes that it has adequately provided for any exposure to potential loss in market value, if any.

The Polytechnic's investment strategies and policies are determined by its Investment Committee.

26.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Polytechnic has no significant concentration of credit risk. Cash and investments are placed with reputable banks and fund managers.

26.3 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk arises in the general funding of the Polytechnic's operating activities. The Polytechnic obtains grants from the Ministry of Education and donations from external parties. The Polytechnic places its cash deposits with reputable financial institutions which are readily available to fund its operating activities and meet financial obligations as and when they are due.

27 Financial instruments

Fair values

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Information on the fair value of investments is disclosed in Note 13.

No disclosure of fair value is made for loans to staff and students as it is not practicable to determine their values. In addition, the management is of the opinion that the information does not provide the readers with any additional value.

28 Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation:

Investments in real estate investment trusts and variable rate notes of \$2,250,000 as reported in the financial year 2004/2005 has been reclassified from current assets to non-current assets to conform with current year's presentation.