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# report of the **AUDITORS**

Appointed Under Section 16(1) Of The Temasek Polytechnic Act, Chapter 323a

We have audited the financial statements of Temasek Polytechnic (the "Polytechnic") for the year ended 31 March 2006 as set out on pages 59 to 80. These financial statements are the responsibility of the Board of Governors 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 Board of Governors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We draw your attention to Note 2.1 to the financial statements. The Polytechnic has not disclosed related party transactions and outstanding balances with other statutory boards as it was granted relief by the Finance Circular Minute No M4/2005 issued by the Ministry of Finance, from such disclosure. The non-disclosure is a non-compliance with Singapore Financial Reporting Standard 24 *Related Party Disclosures*.

In our opinion:

- (a) except for the non-disclosure of related party transactions and outstanding balances with other statutory boards, the financial statements of Temasek Polytechnic are properly drawn up in accordance with the provisions of the Temasek Polytechnic Act, Cap 323A (the "Act") and Singapore Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Polytechnic as at 31 March 2006 and 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 including records of all assets of the Polytechnic whether purchased, donated or otherwise, have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came 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 have not been carried out in accordance with the provisions of the Act during the year.



**KPMG**

*Certified Public Accountants*

Singapore  
26 June 2006

statement of **INCOME AND EXPENDITURE**

Year Ended 31 March 2006

	Note	General Fund		Restricted Funds		Total	
		2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000
<b>Operating Income</b>							
<b>Education and General</b>							
Student fees		28,966	26,487	1,584	–	30,550	26,487
Other income		1,245	1,549	344	342	1,589	1,891
Donations		2	15	324	300	326	315
Courses, projects, seminars and talks		309	254	3,434	3,091	3,743	3,345
Student projects		802	751	–	–	802	751
Model projects		41	40	–	–	41	40
		<u>31,365</u>	<u>29,096</u>	<u>5,686</u>	<u>3,733</u>	<u>37,051</u>	<u>32,829</u>
<b>Operating Expenses</b>							
<b>Education and General</b>							
Salaries, CPF and other related costs	3	103,766	106,797	848	–	104,614	106,797
Depreciation	9	28,729	34,375	627	33	29,356	34,408
Repairs, maintenance and utilities		13,124	12,913	382	–	13,506	12,913
Property, plant and equipment expensed off		3,793	3,405	8	12	3,801	3,417
Teaching materials and consumable supplies		2,302	1,974	73	58	2,375	2,032
Library books and materials		1,650	1,900	–	–	1,650	1,900
Staff benefits		1,671	1,573	4	–	1,675	1,573
Student welfare		1,563	1,481	70	1	1,633	1,482
Miscellaneous		1,470	1,336	641	544	2,111	1,880
Travelling and communication		1,188	1,141	81	–	1,269	1,141
Publicity and promotions		1,215	982	37	–	1,252	982
Rental		545	671	5	–	550	671
Consultancy fees		501	546	–	–	501	546
Office supplies, stationery and periodicals		385	370	10	–	395	370
Computer software		107	134	–	–	107	134
Audit fee		46	42	5	–	51	42
Courses, projects, seminars and talks		188	227	1,654	1,958	1,842	2,185
Student projects		802	751	–	–	802	751
Model projects		41	40	–	–	41	40
		<u>163,086</u>	<u>170,658</u>	<u>4,445</u>	<u>2,606</u>	<u>167,531</u>	<u>173,264</u>

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

Statement Of Income And Expenditure (Cont'd)  
Year Ended 31 March 2006

	Note	General Fund		Restricted Funds		Total	
		2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000
Operating (Deficit)/ Surplus	4	(131,721)	(141,562)	1,241	1,127	(130,480)	(140,435)
Non-Operating Income							
Interest income	5	1,793	929	236	110	2,029	1,039
(Deficit)/Surplus before grants		(129,928)	(140,633)	1,477	1,237	(128,451)	(139,396)
Grants							
Deferred capital grants amortised:							
Government	17	27,950	33,118	-	-	27,950	33,118
Others	18	788	1,307	-	-	788	1,307
Operating grants:							
Government	6	126,515	122,413	-	-	126,515	122,413
		155,253	156,838	-	-	155,253	156,838
Surplus for the financial year		25,325	16,205	1,477	1,237	26,802	17,442

Liew Mun Leong  
Chairman  
Board of Governors

Boo Kheng Hua  
Principal & CEO

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

Temasek Polytechnic  
**BALANCE** sheet

As at 31 March 2006

	Note	2005/06 \$'000	2004/05 \$'000
<b>Accumulated surplus</b>			
General Fund	7	120,173	94,848
Restricted Funds	7	16,992	15,515
Fair Value Reserve		3,045	–
		140,210	110,363
<b>Temasek Polytechnic Endowment Fund</b>	8	1,508	1,408
		141,718	111,771
<b>Non-current assets</b>			
Property, plant and equipment	9	425,306	436,698
Loans to staff and students	10	4,330	4,435
Subsidiary	11	–	–
Investments	12	33,820	2,250
		463,456	443,383
<b>Current assets</b>			
Investments	12	1,996	–
Deposits, prepayments and other receivables	13	3,224	2,017
Loans to staff and students	10	980	1,007
Cash and cash equivalents	14	119,269	128,018
		125,469	131,042
<b>Total assets</b>		588,925	574,425
<b>Current liabilities</b>			
Government grants received in advance		2,059	4,010
Trade and other payables	15	16,363	16,888
Government advances for staff loan	16	69	66
		18,491	20,964
<b>Non-current liabilities</b>			
Government advances for staff and student loans	16	5,689	5,962
Deferred capital grants - Government	17	421,970	434,075
Deferred capital grants - Others	18	1,057	1,653
		428,716	441,690
<b>Total liabilities</b>		447,207	462,654

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

statement of changes in **ACCUMULATED SURPLUS**

Year Ended 31 March 2006

	Accumulated Surplus			Total \$'000
	General Fund \$'000	Restricted Funds \$'000	Fair Value Reserve \$'000	
At 1 April 2004	78,643	14,278	–	92,921
Surplus for the year	16,205	1,237	–	17,442
Total recognised gains during the year	16,205	1,237	–	17,442
At 31 March 2005	94,848	15,515	–	110,363
At 1 April 2005, as previously reported	94,848	15,515	–	110,363
Effects of adopting FRS 39 (note 23)	–	–	39	39
At 1 April 2005, restated	94,848	15,515	39	110,402
Change in fair value of available-for-sale investments	–	–	3,006	3,006
Surplus for the year	25,325	1,477	–	26,802
Total recognised gains during the year	25,325	1,477	3,006	29,808
At 31 March 2006	120,173	16,992	3,045	140,210

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

Temasek Polytechnic

# statement of **CASH FLOWS**

Year Ended 31 March 2006

	Note	2005/06 \$'000	2004/05 \$'000
<b>Operating activities</b>			
Operating deficit before grants		(128,451)	(139,396)
Adjustments for:			
Depreciation of property, plant and equipment	9	29,356	34,408
Gain on disposal of property, plant and equipment		(84)	(102)
Provision for unutilised staff leave		(749)	228
Interest income		(2,029)	(1,039)
<b>Operating deficit before working capital changes</b>		<b>(101,957)</b>	<b>(105,901)</b>
Changes in working capital:			
Deposits, prepayments and other receivables		(706)	(787)
Trade and other payables		983	(3,267)
<b>Cash flows from operating activities</b>		<b>(101,680)</b>	<b>(109,955)</b>
<b>Investing activities</b>			
Interest received		1,600	944
Purchase of property, plant and equipment		(18,151)	(13,014)
Proceeds from sale of property, plant and equipment		82	69
Investments		(30,000)	-
<b>Cash flows from investing activities</b>		<b>(46,469)</b>	<b>(12,001)</b>
<b>Financing activities</b>			
Development grants received from Government		13,989	8,927
Development grants refunded to other Statutory Boards		(153)	(552)
Operating grants received from Government		126,509	122,366
Repayment of staff/student loans, net		132	411
Refund of staff loan to government		(270)	(976)
Donations received for Temasek Polytechnic Endowment Fund		100	100
Grants (refunded)/received (to)/from other organisations		(907)	676
<b>Cash flows from financing activities</b>		<b>139,400</b>	<b>130,952</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,749)</b>	<b>8,996</b>
Cash and cash equivalents at beginning of year		128,018	119,022
<b>Cash and cash equivalents at end of year</b>	14	<b>119,269</b>	<b>128,018</b>

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Governors on 26 June 2006.

## 1 Domicile and Activities

Temasek Polytechnic (the Polytechnic) was established in 1990 under the Temasek Polytechnic Act (Chapter 323A). It is domiciled in the Republic of Singapore and its campus is situated at 21 Tampines Avenue 1, Singapore 529757.

The principal activities of the Polytechnic are to provide instruction, training and research in technology, science, commerce, arts and other subjects of learning.

## 2 Summary of Significant Accounting Policies

### 2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance (CCDG) and the applicable requirements of Temasek Polytechnic Act, Chapter 323A.

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

FRS 1	<i>(revised) Presentation of Financial Statements</i>
FRS 8	<i>(revised) Accounting Policies, Changes in Accounting Estimates and Errors</i>
FRS 10	<i>(revised) Events After the Balance Sheet Date</i>
FRS 16	<i>(revised) Property, Plant and Equipment</i>
FRS 17	<i>(revised) Leases</i>
FRS 21	<i>(revised) The Effects of Changes in Foreign Exchange Rates</i>
FRS 24	<i>(revised) Related Party Disclosures</i>
FRS 27	<i>(revised) Consolidated and Separate Financial Statements</i>
FRS 32	<i>(revised) Financial Instruments: Disclosure and Presentation</i>
FRS 36	<i>(revised) Impairment of Assets</i>
FRS 39	<i>Financial Instruments: Recognition and Measurement</i>

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

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

The effects of adopting the new/revised FRSs in 2006 are set out in note 23.

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

## 2 Summary of Significant Accounting Policies (cont'd)

### 2.1 Basis of preparation (cont'd)

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

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

### 2.2 Functional currency

The functional currency of the Polytechnic is the Singapore dollar. As student fees, grants and purchases are denominated primarily in Singapore dollar, the Board of Governors are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Polytechnic.

### 2.3 Recognition of income

Tuition and other fees for an academic year are recognised over the period of service in a financial year.

Revenue for self-financing courses/projects are recognised based on percentage of completion, determined on a straight-line basis over the period of the courses/projects.

Interest income is recognised on an accrual basis.

Donations are recognised upon receipt.

### 2.4 Grants

Government grants and contribution from other organisations utilised for the purchase of depreciable assets and donated assets at valuation are taken to the Deferred Capital Grant Account. The deferred capital grants are recognised in the Statement of Income and Expenditure over the periods necessary to match the depreciation of the assets purchased with the related grants.

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

Government grants are accounted for on an accrual basis.

## 2 Summary of Significant Accounting Policies (cont'd)

### 2.5 Funds

#### **General Fund**

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

#### **Restricted Funds**

Income and expenditure relating to funds set up for contributions received and expenditure incurred for specific purposes are accounted for through the Restricted Funds in the Statement of Income and Expenditure.

The assets and liabilities of these funds are accounted for separately. However, for presentation purposes, they are pooled together with the other assets and liabilities of the Polytechnic in the Balance Sheet.

### 2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Donated assets are recorded at valuation as their cost base. Depreciation is provided on a straight-line basis so as to write off items of the property, plant and equipment over their estimated useful lives as follows:

Leasehold land	Over lease term of 99 years
Leasehold building	50 years
Building improvements	5 years
Furniture, fittings and equipment	5 years
Computer hardware and software	3 to 5 years
Workshop equipment and machinery	5 to 10 years
Vehicles	5 years
Plant and machinery	10 years

Property, plant and equipment costing less than \$2,000 are charged to the Statement of Income and Expenditure in the year of purchase.

Capital work-in-progress relating to leasehold improvements are stated at cost. No depreciation is charged on capital work-in-progress. Upon completion of the capital work-in-progress, the property, plant and equipment are transferred to the respective property, plant and equipment categories and are depreciated accordingly.

### 2.7 Subsidiaries

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

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

## 2 Summary of Significant Accounting Policies (cont'd)

### 2.8 Impairment

The carrying amounts of the Polytechnic's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the Statement of Income and Expenditure unless it reverses a previous revaluation, credited to Fair Value Reserve, in which case it is charged to accumulated surplus.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in Fair Value Reserve and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in Fair Value Reserve is recognised in the Statement of Income and Expenditure even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the Statement of Income and Expenditure is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Income and Expenditure.

#### **Calculation of recoverable amount**

The recoverable amount of the Polytechnic's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### **Reversals of impairment**

An impairment loss in respect of receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of an investment in an equity instrument or funds managed by fund managers classified as available-for-sale is not reversed through the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2 Summary of Significant Accounting Policies (cont'd)

### 2.9 Investments

The Polytechnic has designated its investments in debt securities and funds managed by fund managers as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in Fair Value Reserve.

The exceptions are impairment losses which are recognised in the Statement of Income and Expenditure. When these investments are derecognised, the cumulative gain or loss previously recognised directly in Fair Value Reserve is recognised in the Statement of Income and Expenditure. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Statement of Income and Expenditure.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price or fair value estimates provided by the fund managers at the balance sheet date.

Financial instruments classified as available-for-sale investments are recognised by the Polytechnic on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

### 2.10 Receivables

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

### 2.11 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise fixed deposits, cash on hand and bank balances.

### 2.12 Operating leases

Where the Polytechnic has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Income and Expenditure on a straight-line basis over the term of the lease.

### 2.13 Provisions

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

### 2.14 Payables

Trade and other payables are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, trade and other payables and interest-bearing liabilities are stated at amortised cost using the effective interest method.

### 2.15 Employee benefits

#### *Defined contribution plans*

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the Statement of Income and Expenditure as incurred.

#### *Short-term employee benefits*

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

## 2 Summary of Significant Accounting Policies (cont'd)

### 2.16 Key management personnel

Key management personnel of the Polytechnic are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The Principal, Deputy Principals and Directors are considered as key management personnel of the Polytechnic.

## 3 Staff Costs

	2005/06 \$'000	2004/05 \$'000
Salaries and wages	93,991	95,162
Contribution to defined contribution plan	10,623	11,635
	104,614	106,797

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 incurred 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:

	2005/06 \$'000	2004/05 \$'000
Short-term benefits	3,465	3,479

## 4 Operating (Deficit)/Surplus

	2005/06 \$'000	2004/05 \$'000
The following items have been included in arriving at operating (deficit)/surplus:		
Exchange gain	13	11
Operating leases	202	264
	215	275

## 5 Interest Income

	2005/06 \$'000	2004/05 \$'000
Interest income:		
Bonds	75	75
Fixed deposits	1,885	957
Current accounts	69	7
	2,029	1,039

## 6 Operating Grants – Government

	Note	2005/06 \$'000	2004/05 \$'000
Operating grants received during the year		132,317	126,516
Less:			
Operating grants utilised on property, plant and equipment transferred to deferred capital grants			
- Government	17	5,793	4,075
Operating grants utilised on co-funded property, plant and equipment transferred to deferred capital grants			
- Others	18	9	28
		5,802	4,103
		<u>126,515</u>	<u>122,413</u>
Operating grants received since establishment of the Polytechnic		<u>1,215,089</u>	<u>1,088,574</u>
Cumulative operating grants received for GST subsidy		<u>53,402</u>	<u>45,978</u>

## 7 Accumulated Surplus

### General Fund

Of the accumulated surplus of \$120.2 million (2005: \$94.8 million) in the General Fund, approximately \$0.66 million (2005: \$5.87 million) has been committed for future expenditures.

### Restricted Funds

Restricted Funds comprise the following funds:

Name of Fund	Purpose
Bursary, Scholarship and Awards Fund	Providing financial assistance to needy students, scholarships to students and book prizes and medals to students and graduates who excel academically and in extra-curricular activities.
Staff Apartment Fund	Maintaining and upgrading of the Polytechnic's staff apartments.
Temasek Polytechnic Endowment Fund	Providing financial support for: <ul style="list-style-type: none"> <li>(a) staff development;</li> <li>(b) student development, focusing on international exchange;</li> <li>(c) promotion of innovation;</li> <li>(d) bringing relevant world-class expertise to the Polytechnic;</li> <li>(e) scholarships to outstanding students; and</li> <li>(f) bursaries to deserving needy students.</li> </ul>
Miscellaneous Fund - Self-financing Project Fund	Conducting pre-employment education for the hospitality and tourism workforce in Singapore, short and continuing education courses; upgrading Polytechnic's teaching facilities; and providing welfare and wellness activities for the Polytechnic's students and staff.

## 7 Accumulated Surplus (cont'd)

Breakdown of the income and expenditure of the funds which are pooled under "Restricted Funds" in the Statement of Income and Expenditure is as follows:

	Bursary, Scholarship and Awards Fund		Staff Apartment Fund		Temasek Polytechnic Endowment Fund		Miscellaneous Fund		Total	
	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000
<b>Restricted Funds</b>										
<b>Operating Income</b>										
Student fees	-	-	-	-	-	-	1,584	-	1,584	-
Other income	-	-	296	342	-	-	48	-	344	342
Donations										
- tax deductible	264	191	-	-	-	-	-	-	264	191
- non tax deductible	60	109	-	-	-	-	-	-	60	109
Courses, projects, seminars and talks	-	-	-	-	-	-	3,434	3,091	3,434	3,091
	324	300	296	342	-	-	5,066	3,091	5,686	3,733
<b>Operating Expenditure</b>										
Salaries, CPF and other related costs	-	-	-	-	-	-	848	-	848	-
Staff benefits	-	-	-	-	-	-	4	-	4	-
Depreciation	-	-	1	4	-	-	626	29	627	33
Property, plant and equipment expensed off	-	-	1	7	-	-	7	5	8	12
Office supplies, stationery and periodicals	-	-	-	-	-	-	10	-	10	-
Publicity and promotion	-	-	-	-	-	-	37	-	37	-
Rental	-	-	-	-	-	-	5	-	5	-
Repairs and maintenance	-	-	-	-	-	-	382	-	382	-
Teaching materials and consumable supplies	-	-	-	-	-	-	73	58	73	58
Student welfare	-	-	-	-	-	-	70	1	70	1
Travelling and communication	-	-	-	-	-	-	81	-	81	-
Audit fee	-	-	-	-	-	-	5	-	5	-
Miscellaneous	296	250	296	292	-	-	49	2	641	544
Courses, projects, seminars and talks	-	-	-	-	-	-	1,654	1,958	1,654	1,958
	296	250	298	303	-	-	3,851	2,053	4,445	2,606

## 7 Accumulated Surplus (cont'd)

Breakdown of the income and expenditure of the funds which are pooled under "Restricted Funds" in the Statement of Income and Expenditure is as follows:

	Bursary, Scholarship and Awards Fund		Staff Apartment Fund		Temasek Polytechnic Endowment Fund		Miscellaneous Fund		Total	
	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000
<b>Restricted Funds</b>										
Operating (deficit)/surplus	28	50	(2)	39	–	–	1,215	1,038	1,241	1,127
<b>Non-Operating Income</b>										
Interest	2	–	–	–	36	21	198	89	236	110
<b>(Deficit)/Surplus for the year</b>	30	50	(2)	39	36	21	1,413	1,127	1,477	1,237
<b>Accumulated Surplus at 1 April</b>	282	232	2,903	2,864	67	46	12,263	11,136	15,515	14,278
<b>Accumulated Surplus at 31 March</b>	312	282	2,901	2,903	103	67	13,676	12,263	16,992	15,515
<i>Represented by:</i>										
Property, plant and equipment	–	–	2	3	–	–	2,266	956	2,268	959
Deposits, prepayments and other receivables	–	–	1	3	14	5	1,087	523	1,102	531
Cash and cash equivalents	312	282	2,908	2,912	89	62	11,722	11,791	15,031	15,047
Trade and other payables	–	–	(10)	(15)	–	–	(1,399)	(1,007)	(1,409)	(1,022)
	312	282	2,901	2,903	103	67	13,676	12,263	16,992	15,515

## 8 Temasek Polytechnic Endowment Fund

Donations and contributions made to the Temasek Polytechnic Endowment Fund are retained as principal capital to be kept intact to earn income.

Income and expenditure of the fund are taken to "Restricted Funds" in the Statement of Income and Expenditure (Note 7).

	<b>2005/06 \$'000</b>	<b>2004/05 \$'000</b>
At 1 April	1,408	1,308
Donations received	100	100
At 31 March	1,508	1,408
<i>Represented by:</i>		
Cash and bank balances	168	68
Fixed deposits	1,090	1,090
Investment in bonds	250	250
	1,508	1,408

## 9 Property, Plant and Equipment

	Leasehold land and building \$'000	Building improve- ments \$'000	Furniture, fittings and equipment \$'000	Computer hardware \$'000	Workshop equipment and machinery \$'000	Vehicles \$'000	Computer software \$'000	Plant and machinery \$'000	Capital work-in- progress \$'000	Total \$'000
<b>Cost</b>										
At 1 April 2004	475,440	19,563	53,292	72,727	32,637	227	24,881	78,499	738	758,004
Reclassification	-	-	-	(73)	-	-	73	-	-	-
Additions	229	46	764	4,265	1,653	-	1,633	429	5,161	14,180
Transfers	-	569	149	5	-	-	247	28	(998)	-
Disposals	-	(12)	(1,332)	(4,600)	(211)	(78)	(1,940)	-	-	(8,173)
At 31 March 2005	475,669	20,166	52,873	72,324	34,079	149	24,894	78,956	4,901	764,011
At 1 April 2005	475,669	20,166	52,873	72,324	34,079	149	24,894	78,956	4,901	764,011
Reclassification	-	-	-	-	-	-	-	-	-	-
Additions	9	329	1,424	5,563	1,511	-	923	13	8,203	17,975
Transfers	4,450	539	1,335	983	602	-	101	3,900	(11,910)	-
Disposals	-	(100)	(771)	(4,582)	(203)	-	(846)	-	-	(6,502)
At 31 March 2006	480,128	20,934	54,861	74,288	35,989	149	25,072	82,869	1,194	775,484
<b>Accumulated depreciation</b>										
At 1 April 2004	71,444	12,613	47,584	65,193	24,296	196	19,973	59,729	-	301,028
Depreciation charge for the year	8,888	2,895	2,430	5,916	3,267	14	3,134	7,864	-	34,408
Disposals	-	(11)	(1,291)	(4,600)	(205)	(66)	(1,950)	-	-	(8,123)
At 31 March 2005	80,332	15,497	48,723	66,509	27,358	144	21,157	67,593	-	327,313
At 1 April 2005	80,332	15,497	48,723	66,509	27,358	144	21,157	67,593	-	327,313
Depreciation charge for the year	8,948	2,538	2,108	4,235	3,038	4	2,001	6,484	-	29,356
Disposals	-	(100)	(768)	(4,582)	(195)	-	(846)	-	-	(6,491)
At 31 March 2006	89,280	17,935	50,063	66,162	30,201	148	22,312	74,077	-	350,178
<b>Carrying amount</b>										
At 1 April 2004	403,996	6,950	5,708	7,534	8,341	31	4,908	18,770	738	456,976
At 31 March 2005	395,337	4,669	4,150	5,815	6,721	5	3,737	11,363	4,901	436,698
At 1 April 2005	395,337	4,669	4,150	5,815	6,721	5	3,737	11,363	4,901	436,698
At 31 March 2006	390,848	2,999	4,798	8,126	5,788	1	2,760	8,792	1,194	425,306

## 10 Loans to Staff and Students

(a) **Staff Loans**

Housing loans are repayable with interest at 5% per annum by monthly instalments over periods up to 30 years.

(b) **Tuition Fee/Study Loans**

Tuition fee loans are granted to students interest-free until the year of their graduation. Thereafter, loans are repayable by monthly instalments with interest based on the average prime rates of the 3 local big banks or such other rate as may be determined by the Polytechnic.

Study loans are granted to students interest-free. Such loans are repayable by monthly instalments within 2 years from the 7th month immediately following the month of the borrowers' graduation.

	2005/06 \$'000	2004/05 \$'000
Due after 12 months		
Staff loans	194	467
Tuition fee loans	4,136	3,968
	4,330	4,435
Due within 12 months		
Staff loans	69	66
Tuition fee loans	910	940
Study loans	1	1
	980	1,007

Staff loans and tuition fee/study loans are disbursed from advances from the Government and repayment of the loans will eventually be returned to Government.

- (c) The Polytechnic bears no credit risk on loans extended to staff and students since the loans were fully funded by government grants.

## 11 Subsidiary

Details of the subsidiary, incorporated and conducting business in the Republic of Singapore, are as follows:

Name of subsidiary	Percentage held by the Polytechnic	
	2005/06 %	2004/05 %
TP Innovation Holdings Pte Ltd	100	100

At the balance sheet date, the Polytechnic had given an undertaking to provide continuing financial support to the subsidiary.

The assets, liabilities and results of the subsidiary have not been consolidated as they are not considered to be material to the Polytechnic's financial statements.

## 12 Investments

	2005/06 \$'000	2004/05 \$'000
Available-for-sale:		
Debt securities, carried at fair value	2,251	–
Debt securities, carried at cost	–	2,250
	<u>2,251</u>	<u>2,250</u>
Funds managed by fund managers, carried at fair value	33,565	–
	<u>35,816</u>	<u>2,250</u>
	<u>2,251</u>	<u>2,289</u>

The debt securities bear interest rates ranging from 3.215% to 4.17% (2005: 3.215% to 4.17%) per annum as at the balance sheet date. Interest is receivable on a semi-annual basis. The maturity dates of bonds range from 18 September 2006 to 10 May 2016.

	2005/06 \$'000	2004/05 \$'000
Funds managed by fund managers comprise of:		
At fair value:		
Debt securities	6,658	–
Equity securities	11,855	–
Other financial assets	1,992	–
Unit trust	13,060	–
	<u>33,565</u>	<u>–</u>

The funds placed with professional fund managers are on a discretionary basis.

With the adoption of FRS 39, the Polytechnic states debt securities and funds managed by fund managers at fair value. The difference between the fair value and the carrying amounts of these investments at 1 April 2005 was taken to the opening balance of the Fair Value Reserve at that date.

## 13 Deposits, Prepayments and Other Receivables

	2005/06 \$'000	2004/05 \$'000
Deposits and prepayments	714	891
Sundry debtors	2,510	1,126
	<u>3,224</u>	<u>2,017</u>

## 14 Cash and Cash Equivalents

	2005/06 \$'000	2004/05 \$'000
Fixed deposits with financial institutions	114,656	118,884
Cash and bank balances	4,613	9,134
	<u>119,269</u>	<u>128,018</u>

The fixed deposits bear interest rates of 2.3125% to 3.375% (2005: 0.5625% to 1.79%) per annum as at the balance sheet date. Interest rates are replicable at intervals of one to eight months.

## 15 Trade and Other Payables

	2005/06 \$'000	2004/05 \$'000
Trade creditors	5,041	5,740
Sundry creditors	4,018	4,201
Accruals	5,660	4,825
Amount due to subsidiary	64	124
Deferred income for course in progress	1,578	1,050
Other grants received in advance	2	948
	16,363	16,888

Amount due to subsidiary is unsecured, interest-free and repayable on demand.

## 16 Government advances for Staff and Student Loan

### (a) Staff Loan

This comprises advances from Government, provides housing loans to staff. The housing loans are managed by a financial institution on behalf of the Polytechnic.

### (b) Tuition Fee Loan/Study Loan

Tuition fee loan comprises advances from Government, provides tuition fee loans to students. The tuition fee loans are administered by a financial institution.

Study loan comprises advances from Government, provides loans to needy students.

Repayment of the loans will eventually be returned to Government. Accordingly, the carrying amounts of staff and student loans approximate their fair values.

	Staff Loan		Tuition Fee Loan		Study Loan		Total	
	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000	2005/06 \$'000	2004/05 \$'000
At 1 April	533	1,509	5,488	5,488	7	7	6,028	7,004
Amount refunded to Government	(270)	(976)	–	–	–	–	(270)	(976)
At 31 March	263	533	5,488	5,488	7	7	5,758	6,028
<i>Represented by:</i>								
Outstanding loans								
Staff loans	263	533	–	–	–	–	263	533
Tuition fee loans	–	–	5,046	4,908	–	–	5,046	4,908
Study loans	–	–	–	–	1	1	1	1
Bank balance	–	–	442	580	6	6	448	586
	263	533	5,488	5,488	7	7	5,758	6,028

On 11 October 2001, the Ministry of Education issued a circular stating that with effective from financial year ended 2002/2003, all new staff housing loans should be obtained directly from financial institutions or from the Polytechnic itself instead of from the Government. Existing housing loans will continue to be borne by the Government until they are fully repaid. Repayment of these loans as well as unutilised funds would have to be returned to the Government.

## 17 Deferred Capital Grants - Government

	Note	2005/06 \$'000	2004/05 \$'000
At 1 April		434,075	454,123
Development grants utilised on property, plant and equipment		10,052	8,995
Operating grants utilised on property, plant and equipment	6	5,793	4,075
		449,920	467,193
Amortisation of deferred capital grants		(27,950)	(33,118)
At 31 March		421,970	434,075
Capital grants received and utilised since establishment of the Polytechnic		822,136	806,291

## 18 Deferred Capital Grants - Others

	Note	2005/06 \$'000	2004/05 \$'000
At 1 April		1,653	2,791
Grants utilised on property, plant and equipment		183	141
Operating grants utilised on co-funded property, plant and equipment	6	9	28
		1,845	2,960
Amortisation of deferred capital grants		(788)	(1,307)
At 31 March		1,057	1,653
Capital grants received and utilised since establishment of the Polytechnic		14,183	13,991

## 19 Taxation

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

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

## 20 The Temasek Polytechnic General Education Fund

In November 2002, the Board of Governors of the Polytechnic approved the setting up of the Temasek Polytechnic General Education Fund. The fund was subsequently granted the membership by the Ministry of Education under the Education Central Fund for a period of five years with effect from 1 April 2003. The membership is subject to renewal upon expiry.

Under this membership, the Polytechnic is allowed to issue tax-deductible receipts to donors for donations contributed towards Bursary, Scholarship and Awards Fund, Temasek Polytechnic Endowment Fund and other education related activities which qualify for tax deduction. The Polytechnic has set up a Management Committee to administer the receipts and disbursement of the tax-deductible donations given by the donors.

## 20 The Temasek Polytechnic General Education Fund (cont'd)

The statement of the tax-deductible donations received for the Bursary, Scholarship and Awards Fund and Temasek Polytechnic Endowment Fund and the disbursements in the financial year is given below:

	2005/06 \$'000	2004/05 \$'000
Tax-deductible donations received:		
Endowment Fund	100	100
Bursaries, scholarships and awards	264	191
General donations	–	12
Other income	8	3
	372	306
Disbursements:		
Bursaries, scholarships and awards	(232)	(241)
General donations	(1)	(9)
	(233)	(250)
Excess of donations and income over disbursements	139	56

The disbursements were made from donations received in current and prior years.

## 21 Commitments

The future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005/06 \$'000	2004/05 \$'000
Not later than one financial year	207	124
Later than one financial year but not later than five financial years	245	87
	452	211

## 22 Appropriation of Accumulated Surplus

The Polytechnic received a memo from Ministry of Education dated 3 July 2002 which confirmed that Ministry of Finance ("MOF") had no objection for the Polytechnic to retain the unutilised surplus generated prior to financial year 2000/2001 as working capital.

For the surplus generated from financial year 2000/2001 onwards, the Polytechnic is allowed to retain all in accordance with MOF's circular dated 4 December 2000.

## 23 Changes in Accounting Policies

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

The adoption of FRS 39 *Financial Instruments: Recognition and Measurement* resulted in the Polytechnic classifying its debt securities and funds managed by fund managers as available for sale and measuring them at fair value. In addition, receivables and payables are stated at amortised cost using the effective interest rate method, less applicable allowance for doubtful receivables. This change has been accounted for by increasing the opening balance at 1 April 2005 of the Fair Value Reserve by \$39,000. Comparatives have not been restated.

In the prior year, debt securities were stated at cost less allowance for diminution in value which, in the opinion of the Management, was other than temporary. Receivables and payables were stated at cost, less applicable allowance for doubtful receivables.

## 24 Financial Instruments

Risk management is integral to the whole activities of the Polytechnic. The Polytechnic has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Polytechnic continually monitors the Polytechnic's risk management process to ensure that an appropriate balance between risk and control is achieved.

### ***Credit risk***

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

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

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

### ***Liquidity risk***

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

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

The Polytechnic's exposure to changes in interest rates relates primarily to interest-earning financial assets.

Surplus funds from the Polytechnic's operations are invested in bank deposits and debt securities. The Polytechnic's exposure to interest rate risk relates primarily to the fixed deposits and bonds.

### ***Foreign currency risk***

The Polytechnic incurs minimal foreign currency risk on sales and purchases as these are predominantly denominated in Singapore dollars.

### ***Fair values***

The carrying amount of financial asset and liabilities as at balance sheet date are assumed to approximate their fair values.

## 25 FRS not yet Adopted

Certain new accounting standards and interpretations have been issued and are mandatory for accounting periods beginning on or after 1 January 2006. The Polytechnic has assessed those standards and interpretations issued as of the balance sheet date. The initial application of these standards and interpretations is not expected to have any material impact on the Polytechnic's financial statements. The Polytechnic has not considered the impact of accounting standards issued after the balance sheet date.

## 26 Comparative Information

Certain items in the comparative figures have been reclassified to conform with the current year's presentation.