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**NGEE ANN POLYTECHNIC
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

NGEE ANN POLYTECHNIC

FINANCIAL STATEMENTS

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NGEE ANN POLYTECHNIC

STATEMENT BY NGEE ANN POLYTECHNIC COUNCIL

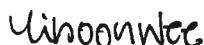
In the opinion of the Council,

- (i) the accompanying financial statements set out on pages 6 to 60 of Ngee Ann Polytechnic (the "Polytechnic") are drawn up so as to present fairly, in all material respects, the financial position of the Polytechnic as at March 31, 2017, and the financial performance, changes in funds and reserves and cash flows of the Polytechnic for the year then ended, in accordance with the provisions of the Ngee Ann Polytechnic Act (Cap. 207, 1985 Revised Edition) (the "Act"), the Singapore Charities Act, Chapter 37 and the Statutory Board Financial Reporting Standards;
- (ii) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Polytechnic during the year are, in all material respects, in accordance with the provisions of the Act;
- (iii) proper accounting and other records have been kept, including records of all assets of the Polytechnic whether purchased, donated or otherwise; and
- (iv) at the date of this statement, there are reasonable grounds to believe the Polytechnic will be able to pay its debts as and when they fall due.

On behalf of the Council



.....
Mr Tang Kin Fei
Chairman



.....
Mr Ti Boon Wee Clarence
Principal

Singapore

July 20, 2017

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF

NGEE ANN POLYTECHNIC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ngee Ann Polytechnic (the "Polytechnic"), which comprise the statement of financial position as at March 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in funds and reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 60.

In our opinion, the accompanying financial statements of the Polytechnic are properly drawn up in accordance with the provisions of the Ngee Ann Polytechnic Act (Cap. 207, 1985 Revised Edition) (the "Act"), the Singapore Charities Act, Chapter 37 (the "Charities Act") and Statutory Board Financial Reporting Standards ("SB-FRS") so as to present fairly, in all material respects, the financial position of the Polytechnic as at March 31, 2017 and of the financial performance, changes in funds and reserves and cash flows of the Polytechnic for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Polytechnic in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Statement by the Ngee Ann Polytechnic Council (the "Council") on page 1.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF NGEE ANN POLYTECHNIC

Responsibilities of Management and the Council for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act, the Charities Act and SB-FRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A statutory board is constituted based on its Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Polytechnic's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to wind up the Polytechnic or for the Polytechnic to cease operations.

The responsibilities of the Council include overseeing the Polytechnic's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Polytechnic's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Polytechnic's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Polytechnic to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF

NGEE ANN POLYTECHNIC

- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion:

- (a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Polytechnic during the year are, in all material respects, in accordance with the provisions of the Act; and
- (b) proper accounting and other records have been kept, including records of all assets of the Polytechnic whether purchased, donated or otherwise.

Basis for Opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Compliance Audit* section of our report. We are independent of the Polytechnic in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF NGEE ANN POLYTECHNIC

Auditor's Responsibilities for the Compliance Audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.



Public Accountants and
Chartered Accountants
Singapore

July 20, 2017

NGEE ANN POLYTECHNIC

STATEMENT OF FINANCIAL POSITION
March 31, 2017

	Note	2016/2017	2015/2016
		\$'000	\$'000
Unrestricted funds	5	392,281	387,764
Restricted fund – Ngee Ann Polytechnic Fund	32	251,806	237,028
Total funds of the Polytechnic		644,087	624,792
Trust funds	22	5,818	5,705
Represented by:			
Assets			
Non-current assets			
Property, plant and equipment	6	383,320	384,502
Intangible assets	7	5,575	8,872
Membership in Ngee Ann Alumni	8	–	7
Subsidiaries	9	475	475
Amounts due from subsidiaries	10	–	27
Loans to students and graduates	11	3,031	2,973
		392,401	396,856
Current assets			
Prepayments		549	923
Sundry receivables and deposits	12	17,261	16,422
Government grants receivables	13	6,471	21,795
Amounts due from subsidiaries	10	88	98
Loans to students and graduates	11	2,859	3,498
Investments	14	475,439	447,571
Derivative financial instruments	15	2,998	5,571
Fixed deposits	16	3,226	2,130
Cash and bank balances	17	171,380	159,934
		680,271	657,942

NGEE ANN POLYTECHNIC

STATEMENT OF FINANCIAL POSITION (Cont'd)
March 31, 2017

	Note	2016/2017	2015/2016
		\$'000	\$'000
Less: Liabilities			
Current liabilities			
Payables and accruals	18	69,280	54,044
Deferred income	19	3,932	4,757
Advances for student loans	20	2,344	2,776
Derivative financial instruments	15	1,325	908
		<hr/>	<hr/>
		76,881	62,485
Net current assets		<hr/>	<hr/>
		603,390	595,457
Non-current liabilities			
Payables and accruals	18	3,075	–
Deferred income	19	14,934	15,478
Advances for student loans	20	2,565	2,424
Deferred capital grants	21	331,130	349,619
		<hr/>	<hr/>
		351,704	367,521
Net assets of the Polytechnic		<hr/>	<hr/>
		644,087	624,792
Net assets of Trust Funds	22	<hr/>	<hr/>
		5,818	5,705

See accompanying notes to financial statements.

NGEE ANN POLYTECHNIC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended March 31, 2017

	Note	Unrestricted funds		Restricted funds		Total	
		2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income							
Student fees		54,421	55,611	–	–	54,421	55,611
Other income	23	19,652	20,092	3,349	3,187	23,001	23,279
		74,073	75,703	3,349	3,187	77,422	78,890
Less: Expenditure							
Staff costs	24	231,921	223,224	–	–	231,921	223,224
Depreciation of property, plant and equipment	6	42,719	36,754	37	64	42,756	36,818
Amortisation of intangible assets	7	3,726	3,736	–	–	3,726	3,736
Repairs and maintenance		16,698	15,796	–	–	16,698	15,796
Public utilities		4,467	5,966	–	–	4,467	5,966
Staff development and benefits		5,535	5,778	–	–	5,535	5,778
Teaching and library materials		4,871	5,647	–	–	4,871	5,647
Tools, furniture and equipment expensed off		4,119	5,628	–	–	4,119	5,628
Scholarships, bursaries and grants		1,758	1,821	4,515	4,712	6,273	6,533
Transport and communication		2,323	2,115	3	9	2,326	2,124
Student development, activities and welfare	25	17,611	16,734	2,255	2,158	19,866	18,892
Goods and services tax expense		1,257	2,664	58	75	1,315	2,739
Other expenditure	26	16,374	15,703	153	115	16,527	15,818
		353,379	341,566	7,021	7,133	360,400	348,699
Operating deficit		(279,306)	(265,863)	(3,672)	(3,946)	(282,978)	(269,809)
Non-operating income/(expense)							
Non-operating income	27	17,486	7,367	13,713	5,815	31,199	13,182
Non-operating expenses	28	(1,271)	(15,642)	(1,074)	(12,126)	(2,345)	(27,768)
		16,215	(8,275)	12,639	(6,311)	28,854	(14,586)
(Deficit)/Surplus before grants		(263,091)	(274,138)	8,967	(10,257)	(254,124)	(284,395)
Grants							
Operating grants from government	29	225,299	234,142	–	–	225,299	234,142
Deferred capital grants amortised	21	38,588	38,268	–	–	38,588	38,268
		263,887	272,410	–	–	263,887	272,410
Surplus/(Deficit) for the year, representing total comprehensive income for the year		796	(1,728)	8,967	(10,257)	9,763	(11,985)

See accompanying notes to financial statements.

NGEE ANN POLYTECHNIC

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

Year ended March 31, 2017

	Unrestricted Funds			Restricted Funds			
	Accumulated surplus	Endowment funds (Capital)	Subtotal	Accumulated surplus	Endowment funds (Capital)	Subtotal	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at April 1, 2015	380,173	3,462	383,635	47,048	196,869	243,917	627,552
Deficit for the year, representing total comprehensive income for the year	(1,728)	–	(1,728)	(10,257)	–	(10,257)	(11,985)
Transfer of net realised income from Ngee Ann Kongsı Endowment Fund to finance operations	4,786	–	4,786	(4,786)	–	(4,786)	–
MOE matching grant received/receivable	–	1,071	1,071	–	375	375	1,446
Donations received	–	–	–	–	7,779	7,779	7,779
Balance at March 31, 2016	383,231	4,533	387,764	32,005	205,023	237,028	624,792
Surplus for the year, representing total comprehensive income for the year	796	–	796	8,967	–	8,967	9,763
Transfer of net realised income from Ngee Ann Kongsı Endowment Fund to finance operations	2,452	–	2,452	(2,452)	–	(2,452)	–
MOE matching grant received/receivable	–	1,269	1,269	–	930	930	2,199
Donations received	–	–	–	–	7,333	7,333	7,333
Balance at March 31, 2017	386,479	5,802	392,281	38,520	213,286	251,806	644,087

See accompanying notes to financial statements.

NGEE ANN POLYTECHNIC

STATEMENT OF CASH FLOWS
Year ended March 31, 2017

	Note	2016/2017	2015/2016
		\$'000	\$'000
Cash flows from operating activities			
Operating deficit before grants		(254,124)	(284,395)
Adjustments for:			
Depreciation of property, plant and equipment		42,756	36,818
Amortisation of intangible assets		3,726	3,736
Amortisation of alumni membership		7	29
Allowance for doubtful debts		142	33
(Gain) Loss on disposal of property, plant and equipment		(24)	2,827
Loss on disposal of intangible assets		2	103
Write off – loans to students		17	20
Write off – advances for student loans		(17)	(20)
Interest income			
- fixed deposits		(1,031)	(1,111)
- investments		(9,000)	(8,328)
- student loans		(4)	(8)
Dividend income		(4,036)	(3,568)
Fair value (gain) loss on financial assets at fair value through profit or loss and derivatives		(13,286)	23,410
Operating cash flows before working capital changes		(234,872)	(230,454)
Receivables		21,049	(2,027)
Payables		13,591	13,744
Cash used in operations		(200,232)	(218,737)
Donations received for Endowment Funds		7,333	7,779
Interest received from student loans		4	8
Repayments of loans to students and graduates		564	374
Net cash used in operating activities		(192,331)	(210,576)
Cash flows from investing activities			
Purchase of investments		(457,344)	(420,483)
Proceeds from disposal of investments		447,923	372,202
Purchase of property, plant and equipment	A	(39,437)	(46,912)
Addition of intangible assets	B	(214)	(657)
Proceeds from disposal of property, plant and equipment		83	98
Amounts due from subsidiaries		37	(40)
Dividends received		3,897	3,577
Interest received			
- fixed deposits		1,188	955
- investments		9,003	8,170
Net cash used in investing activities		(34,864)	(83,090)

NGEE ANN POLYTECHNIC

STATEMENT OF CASH FLOWS (Cont'd)
Year ended March 31, 2017

	2016/2017	2015/2016
	\$'000	\$'000
Cash flows from financing activities		
Repayment of advances for student loans	(1,310)	(1,310)
Grants received for student loans	1,036	1,033
Operating and capital grants received	240,011	263,058
Net cash from financing activities	<u>239,737</u>	<u>262,781</u>
Net increase (decrease) in cash and cash equivalents	12,542	(30,885)
Cash and cash equivalents at beginning of year	162,064	192,949
Cash and cash equivalents at end of year	<u><u>174,606</u></u>	<u><u>162,064</u></u>
The cash and cash equivalents comprise:		
Fixed deposits (Note 16)	3,226	2,130
Cash and bank balances (Note 17)	171,380	159,934
Cash and cash equivalents at end of year	<u><u>174,606</u></u>	<u><u>162,064</u></u>

Notes to the statement of cash flows:

Note A

During the year, the Polytechnic accrued for the acquisition of property, plant and equipment with an aggregate cost of \$4,116,000 (FY 2015/2016: \$1,829,000). The cash outflow on acquisition of property, plant and equipment amounted to \$39,437,000 (FY 2015/2016: \$46,912,000).

Note B

During the year, the Polytechnic accrued for the acquisition of intangible assets with an aggregate cost of \$189,000 (FY 2015/2016: \$63,000). The cash outflow on acquisition of intangible assets amounted to \$214,000 (FY 2015/2016: \$657,000).

See accompanying notes to financial statements.

NGEE ANN POLYTECHNIC

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

1. GENERAL INFORMATION

The Polytechnic is established under the Ngee Ann Polytechnic Act, (Cap. 207, 1985 Revised Edition) (the "Act") of Singapore and is under the purview of the Ministry of Education (MOE). As a statutory board, the Polytechnic is subject to the directions of the Ministry of Education and is required to comply with policies and instructions issued from time to time by the supervising ministry and other government ministries and departments such as the Ministry of Finance (MOF).

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

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

The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

The number of employees as at March 31, 2017 was 1,806 (2015/2016: 1,816).

The financial statements of the Polytechnic for the year ended March 31, 2017 were authorised for issue by the Council on July 20, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 ***Basis of accounting***

The financial statements have been prepared in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards ("SB-FRS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore dollars which is also the functional currency of the Polytechnic. All financial information presented in Singapore dollars has been rounded to the nearest thousand unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Polytechnic takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SB-FRS 102, leasing transactions that are within the scope of SB-FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SB-FRS 2 or value in use in SB-FRS 36.

NGEE ANN POLYTECHNIC

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 ***Adoption of new and revised standards***

On April 1, 2016, the Polytechnic has adopted all the new and revised SB-FRSs and Interpretations to SB-FRS ("INT SB-FRSs") that are effective from that date and are relevant to its operations. The adoption of these new/revised SB-FRSs and INT SB-FRSs does not result in changes to the Polytechnic's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised SB-FRSs, INT SB-FRSs and amendments to SB-FRS that are relevant to the Polytechnic were issued but not effective:

- SB-FRS 109 *Financial Instruments* ¹
- SB-FRS 115 *Revenue from Contracts with Customers* ¹
- SB-FRS 116 *Leases* ²
- SB-FRS 1001 *Accounting and Disclosure for Non-Exchange Revenue* ¹

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if SB-FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

The Polytechnic anticipates that the adoption of the above SB-FRSs and amendments to SB-FRS in future periods will not have a material impact on the financial statements of the Polytechnic in the period of their initial adoption except for the following:

SB-FRS 109 *Financial Instruments*

SB-FRS 109 was issued in July 2015 to replace SB-FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements for SB-FRS 109 include:

- All recognised financial assets that are within the scope of SB-FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL"). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SB-FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SB-FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under SB-FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, SB-FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under SB-FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

Management anticipates that the application of SB-FRS 109 in the future may have a material impact on the amounts reported and disclosure made in the Polytechnic's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SB-FRS 109 until the Polytechnic performs a detailed review.

SB-FRS 115 Revenue from Contracts with Customers

In July 2015, SB-FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SB-FRS 115 will supersede the current revenue recognition guidance including SB-FRS 18 *Revenue*, SB-FRS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of SB-FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SB-FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SB-FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by SB-FRS 115.

In June 2016, amendments to SB-FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

Management anticipates that the application of SB-FRS 115 in the future may have a material impact on the amounts reported and disclosure made in the Polytechnic's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SB-FRS 115 until the Polytechnic performs a detailed review.

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SB-FRS 116 *Leases*

SB-FRS 116 was issued in June 2016 and it will supersede SB-FRS 17 *Leases* and its associated interpretative guidance. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor SB-FRS 17.

Management anticipates that the application of SB-FRS 116 in the future may have a material impact on the amounts reported and disclosure made in the Polytechnic's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SB-FRS 116 until the Polytechnic performs a detailed review.

SB-FRS 1001 *Accounting and Disclosure for Non-Exchange Revenue*

SB-FRS 1001 was issued in September 2015 to specify the financial reporting requirements for non-exchange revenue received by Statutory Boards. Revenues received by SBs arise from both exchange and non-exchange transactions. Where there is an exchange of approximately equal value, these are exchange transactions and are addressed in other SB-FRSs, INT SB-FRSs and SB-FRS Guidance Notes. When a SB receives resources and provide no or nominal consideration directly in return, these are clearly non-exchange revenue transactions and are addressed in this standard. Some examples of non-exchange revenue are taxes, levies, fines, penalties and donations.

Management anticipates that the application of SB-FRS 1001 in the future may have a material impact on the amounts reported and disclosure made in the Polytechnic's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SB-FRS 1001 until the Polytechnic performs a detailed review.

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2.3 Fund accounting

Unrestricted Funds

Funds that are expendable at the discretion of the Polytechnic are accounted for under unrestricted funds.

Restricted Funds

Funds that are set up for specific purposes which may be declared by the donor(s) or created through legal process or have specific restriction on the management's discretion regarding the treatment of the funds dissolution are accounted for under restricted funds.

The operating results of both the unrestricted funds and restricted funds maintained by the Polytechnic are included in the statement of profit or loss and other comprehensive income of the Polytechnic.

Donations from external sources to set up or augment the capital of the endowment funds are taken directly to these funds. Income and expenditure of endowment funds are taken directly to restricted funds.

Assets and liabilities of the unrestricted and restricted funds are pooled in the statement of financial position.

Trust Funds

Funds that are held by the Polytechnic as the appointed trustee are accounted for as trust funds. The income and expenditure relating to trust funds are accounted for directly in the funds. The net assets of the trust funds are disclosed as a separate item in the statement of financial position.

Allocation of income and expenses to funds

The money from various funds is co-mingled for investment purposes. Investment income and expenses are apportioned to the funds based on the investment units held by the fund at the end of each month.

2.4 *Property, plant and equipment*

(a) *Measurement*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and artwork are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Polytechnic and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Polytechnic recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Purchases of property, plant and equipment costing less than \$2,000 and building renovations below \$200,000 are charged to profit or loss in the year of purchase.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(b) *Depreciation*

Freehold land has an unlimited useful life and therefore are not depreciated. Assets under construction are not depreciated as these assets are not yet available for use.

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Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings on freehold land	50 years
Leasehold land and buildings	Lower of lease period or 30 years
Building improvements	5 years
Furniture, equipment and machinery	3 to 10 years

Depreciation is provided from the month of acquisition to the month before the disposal of assets.

2.5 ***Intangible assets***

Computer software including software development costs are capitalised on the basis of the cost incurred to acquire or develop the software for its intended use.

Computer software is stated at cost less accumulated amortisation and impairment loss, if any. These costs are amortised using the straight-line method over their estimated useful life of 5 years. Computer software costing less than \$2,000 is charged to profit or loss in the year of purchase.

2.6 ***Impairment of non-financial assets***

The Polytechnic assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Polytechnic makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Polytechnic bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Polytechnic's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Polytechnic estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Consolidation

The financial statements of the subsidiaries have not been consolidated with the Polytechnic's financial statements as the Polytechnic is of the view that they are not material to the Polytechnic's financial statements. The balances and transactions of the Polytechnic are not affected by the non-consolidation.

2.8 Subsidiaries

A subsidiary is an investee that is controlled by the Polytechnic. The Polytechnic controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Investments in the subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.9 Financial instruments

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

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(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Polytechnic becomes a party to the contractual provisions of the financial instrument. The Polytechnic determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships as defined by SB-FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Polytechnic neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Polytechnic recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Polytechnic retains substantially all the risks and rewards of ownership of a transferred financial asset, the Polytechnic continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Polytechnic commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Polytechnic becomes a party to the contractual provisions of the financial instrument. The Polytechnic determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Polytechnic has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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Derecognition

A financial liability is derecognised when its contractual obligation are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the Polytechnic has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.10 Impairment of financial assets

The Polytechnic assesses at each reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Polytechnic's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 *Provisions*

Provisions are recognised when the Polytechnic has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Polytechnic as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight- line basis over the lease term.

2.14 Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Polytechnic and the income can be reliably measured, regardless of when the payment is made. Income is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Polytechnic assesses its income arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before income is recognised:

Rendering of services

Income from tuition and other services are recognised in the period in which the services are rendered.

Contributions and donations

Contributions from Ngee Ann Kongsı and other donations are recognised when received.

Interest income

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

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Dividend income

Dividend income is recognised when the right to receive payment is established.

Rental income

Rental income from operating leases on property, plant and equipment is recognised on a straight-line basis over the lease term.

2.15 Employee benefits

Defined contribution plan

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 profit or loss in the period when the employees rendered their services.

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Key management personnel

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

2.16 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period. Transactions in foreign currencies are recorded on initial recognition in Singapore Dollars at exchange rates approximating those ruling at the transaction dates. Exchange differences arising from such transactions are recognised in profit or loss in the period in which they arise.

2.17 Income tax

All registered and exempt charities will enjoy automatic income tax exemption. There is, hence, no income tax payable by the Polytechnic.

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2.18 Grants

Grants are not recognised until there is reasonable assurance that the Polytechnic will comply with the conditions attaching to them and the grants will be received. Grants whose primary condition is that the Polytechnic should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Polytechnic with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.19 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The Polytechnic does not apply hedge accounting. Changes in the fair value of derivative instruments are recognised in profit or loss in the financial year in which the changes arise.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with SB-FRS requires the Polytechnic's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Polytechnic's accounting policies, the Polytechnic's management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

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Critical judgements in applying the entity's accounting policies

The Polytechnic's management is of the opinion that there are no applications of judgement expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The useful lives of these property, plant and equipment are estimated to be within 3 to 50 years. The carrying amount of the Polytechnic's property, plant and equipment as at March 31, 2017 was \$383,320,000 (2015/2016: \$384,502,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Fair value estimation on investments

As at March 31, 2017, the Polytechnic held quoted bonds that are not traded in an active market amounting to \$322,275,000 (2015/2016: \$317,769,000). The fair value was determined by the Polytechnic's investment custodian based on the evaluated prices provided by various pricing vendors who utilise observable market-based data in their proprietary pricing models.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2016/2017	2015/2016
	\$'000	\$'000
Financial assets		
Loans and receivables	200,677	206,877
Financial assets at fair value through profit or loss	<u>478,437</u>	<u>453,142</u>
Financial liabilities		
Financial liabilities carried at amortised cost	63,974	56,837
Financial liabilities at fair value through profit or loss	<u>1,325</u>	<u>908</u>

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- (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Polytechnic does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

- (c) Financial risk management policies and objectives

The Polytechnic's management monitors and manages the financial risks relating to the operations of the Polytechnic to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

The Polytechnic has written investment guidelines for fund managers.

The Polytechnic, other than for investments managed by its fund managers, does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

- (d) Financial risk factors

- (i) Currency risk management

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

The Polytechnic, other than for investments managed by its fund managers, does not engage in any hedging activities. The fund managers manage the foreign currency risk arising from anticipated transactions denominated in foreign currencies, primarily in United States Dollars.

- (ii) Interest rate risk management

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of 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.

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The Polytechnic's exposure to movements in market interest rates relates primarily to its floating interest rate investments, including investments with fund managers. A 100 basis point increase or decrease is used when reporting interest rate risk internally to the Polytechnic's management and represents the Polytechnic's management's assessment of the reasonably possible change in interest rates.

The carrying values of these assets as at the end of the reporting period are as follows:

	<u>2016/2017</u>	<u>2015/2016</u>
	\$'000	\$'000
Investments	13,573	26,247

With all other variables held constant, a 100 (2015/2016: 100) basis points increase/decrease in interest rates will result in a \$136,000 (2015/2016: \$262,000) increase/decrease in the Polytechnic's profit or loss for the year.

(iii) Price risk management

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 investments that are subject to price risks total \$153,164,000 (2015/2016: \$129,802,000) as disclosed in Note 14. 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 Polytechnic's management regularly monitors the potential loss in fair value, if any. The Polytechnic's investment strategies and policies are determined by its Investment Committee. 10% is the sensitivity rate used when reporting market risk internally to the Investment Committee and represents management's assessment of the reasonably possible change in market risk that the Polytechnic is exposed to.

With all other variables held constant, a 10% (2015/2016: 10%) increase/decrease of market values of all equities will result in \$15,316,000 (2015/2016: \$12,980,000) increase/decrease in the fair value of financial assets at fair value through profit and loss.

(iv) Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instrument should a counterparty default on its obligations.

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

Financial assets that are neither past due nor impaired

Receivables that are neither past due nor impaired are substantially students with a good collection track record with the Polytechnic.

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(v) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by the different levels of the fair value hierarchy:

2016/2017

	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Common stock	127,009	-	-	127,009
- Stapled securities	2,005	-	-	2,005
- Exchange traded funds	15,554	-	-	15,554
- Preferred stock	2,981	-	-	2,981
- Unit trust equities	3,710	-	-	3,710
- Mutual funds	1,721	-	-	1,721
- Others	184	-	-	184
- Corporate bonds	-	220,290	-	220,290
- Corporate convertible bonds	-	992	-	992
- Government agency bonds	-	40,963	-	40,963
- Government bonds	-	43,937	-	43,937
- Other fixed income	-	976	-	976
- Unit trust bonds	-	15,117	-	15,117
Total investments (Note 14)	153,164	322,275	-	475,439
Derivative financial instruments (Note 15)				
- Forward currency contracts	-	2,998	-	2,998
At March 31, 2017	153,164	325,273	-	478,437
Financial liabilities:				
Derivative financial instruments (Note 15)				
- Forward currency contracts	-	(1,325)	-	(1,325)
At March 31, 2017	-	(1,325)	-	(1,325)

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2015/2016

	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	Total
	(Level 1)	(Level 2)	(Level 3)	
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Common stock	111,595	-	-	111,595
- Stapled securities	1,202	-	-	1,202
- Exchange traded funds	7,173	-	-	7,173
- Preferred stock	2,065	-	-	2,065
- Unit trust equities	3,655	-	-	3,655
- Mutual funds	3,222	-	-	3,222
- Others	890	699	-	1,589
- Corporate bonds	-	213,792	-	213,792
- Corporate convertible bonds	-	2,931	-	2,931
- Government agency bonds	-	25,083	-	25,083
- Government bonds	-	47,801	-	47,801
- Other fixed income	-	941	-	941
- Unit trust bonds	-	14,709	-	14,709
- Funds – Corporate bonds	-	11,813	-	11,813
Total investments (Note 14)	129,802	317,769	-	447,571
Derivative financial instruments (Note 15)				
- Forward currency contracts	-	5,571	-	5,571
At March 31, 2016	129,802	323,340	-	453,142
Financial liabilities:				
Derivative financial instruments (Note 15)				
- Forward currency contracts	-	(908)	-	(908)
At March 31, 2016	-	(908)	-	(908)

NOTES TO FINANCIAL STATEMENTS

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Determination of fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of unquoted securities, if traded in active markets such as over-the-counter securities, are based on quoted market prices at the end of the reporting period. The fair values of other unquoted securities that are not traded in active markets are determined by the Polytechnic's investment custodian based on the evaluated prices provided by various pricing vendors who utilise observable market-based data in their proprietary pricing models. Derivative financial instruments are valued using widely accepted pricing models, with market observable inputs including volatilities, yield curves, foreign exchange spot and forward rates.

a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Sundry receivables and deposits, Amounts due from subsidiaries, Government grants receivables, Fixed deposits, Cash and bank balances, Payables and accruals and Advances for student loans

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Loans to students and Amounts due from subsidiaries (non-current)

The carrying amounts of these financial assets and liabilities are not materially different from the fair values determined using discounted estimated cash flows.

b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

There are no financial instruments that are not carried at fair value and whose carrying amounts do not approximate fair value.

NGEE ANN POLYTECHNIC**NOTES TO FINANCIAL STATEMENTS****March 31, 2017****(vi) Liquidity risk management**

Liquidity risk is the risk that the Polytechnic will encounter difficulty in meeting its financial obligations due to shortage of funds.

The Polytechnic maintains an adequate level of highly liquid assets in the form of cash and short-term bank deposits.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Polytechnic's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2016/2017			2015/2016		
	\$'000			\$'000		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Financial assets:						
Loans and receivables	197,646	3,031	200,677	203,877	3,000	206,877
Financial assets at fair value through profit or loss	478,437	–	478,437	453,142	–	453,142
Total undiscounted financial assets	676,083	3,031	679,114	657,019	3,000	660,019

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

	2016/2017			2015/2016		
	\$'000			\$'000		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Financial liabilities:						
Financial liabilities carried at amortised cost	67,985	5,640	73,625	56,820	2,424	59,244
Financial liabilities at fair value through profit or loss	1,325	–	1,325	908	–	908
Total undiscounted financial liabilities	69,310	5,640	74,950	57,728	2,424	60,152
Total net undiscounted financial assets (liabilities)	606,773	(2,609)	604,164	599,291	576	599,867

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

(vii) Amounts under fund management

The carrying amounts of funds under fund management by professional managers and held in trust by a custodian can be analysed as follows:

	Note	2016/2017	2015/2016
		\$'000	\$'000
Receivables from brokers	12	23	527
Investments	14	454,268	426,878
Derivative financial instruments, net	15	1,673	4,663
Fixed deposits	16	–	1,031
Cash and bank balances	17	62,282	49,516
Payables to brokers	18	(4,340)	(2,674)
		<hr/>	<hr/>
		513,906	479,941
		<hr/>	<hr/>

(e) Capital management policies and objectives

The Polytechnic's main objective when managing capital is to safeguard the Polytechnic's ability to continue as a going concern. The Polytechnic considers the future capital requirements, prevailing and projected operating cash flows, projected capital expenditure and projected strategic investment opportunities as part of its capital management process.

The capital structure of the Polytechnic comprises only accumulated surplus and endowment funds. The Polytechnic is not subject to externally imposed capital requirements. The Polytechnic's overall strategy remains unchanged from prior year.

5. UNRESTRICTED FUNDS

The unrestricted funds of \$392,281,000 (2015/2016: \$387,764,000) include \$34,230,000 (2015/2016: \$33,461,000) of Ngee Ann Polytechnic - Education Fund, \$1,498,000 (2015/2016: \$1,329,000) of sinking funds and \$29,015,000 (2015/2016: \$27,643,000) of scholarship and bursary funds.

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NOTES TO FINANCIAL STATEMENTS
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6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land and buildings	Building improvements	Furniture, equipment and machinery	Work-in- progress	Total	Trust property ⁽¹⁾
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:							
At April 1, 2015	40,700	377,000	157,609	136,631	56,149	768,089	560
Additions	-	1,341	1,755	8,179	34,133	45,408	-
Reclassification	-	35,335	28,770	2,868	(66,973)	-	-
Transfer to intangible assets (Note 7)	-	-	-	-	(385)	(385)	-
Disposals	-	(5,287)	(8,467)	(6,519)	-	(20,273)	-
At March 31, 2016	40,700	408,389	179,667	141,159	22,924	792,839	560
Additions	-	405	5,656	9,146	26,517	41,724	-
Reclassification	-	15	18,851	5,675	(24,541)	-	-
Transfer to intangible assets (Note 7)	-	-	-	-	(91)	(91)	-
Disposals	-	-	(3,798)	(11,022)	-	(14,820)	-
At March 31, 2017	40,700	408,809	200,376	144,958	24,809	819,652	560
Accumulated depreciation:							
At April 1, 2015	-	160,655	116,269	111,943	-	388,867	235
Depreciation for the year	-	7,743	18,690	10,385	-	36,818	11
Disposals	-	(2,451)	(8,433)	(6,464)	-	(17,348)	-
At March 31, 2016	-	165,947	126,526	115,864	-	408,337	246
Depreciation for the year	-	7,711	23,480	11,565	-	42,756	11
Disposals	-	-	(3,798)	(10,963)	-	(14,761)	-
At March 31, 2017	-	173,658	146,208	116,466	-	436,332	257
Carrying amount:							
At March 31, 2017	40,700	235,151	54,168	28,492	24,809	383,320	303
At March 31, 2016	40,700	242,442	53,141	25,295	22,924	384,502	314

⁽¹⁾ Trust property consists of one leasehold apartment (999 year lease from 1 January 1965) held under trust funds (see Note 22).

NGEE ANN POLYTECHNIC

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

In previous years, a plot of freehold land was donated by Ngee Ann Kongsi to the Polytechnic which in turn surrendered the land to the Government of Singapore. In return, a fresh statutory land grant was issued by the Government to Ngee Ann Polytechnic on January 26, 1984. This freehold land was valued at \$24,700,000 by an independent valuer on an open-market basis as at July 25, 1987.

Another plot of freehold land was also donated by Ngee Ann Kongsi to the Polytechnic in prior year. This freehold land was valued at \$16,000,000 by an independent valuer on an open-market basis as at March 24, 2014.

7. INTANGIBLE ASSETS

	2016/2017	2015/2016
	\$'000	\$'000
<u>Computer software</u>		
Cost:		
At April 1	35,791	37,094
Additions	340	708
Transfer from property, plant and equipment (Note 6)	91	385
Disposals	(12,966)	(2,396)
At March 31	23,256	35,791
Accumulated amortisation:		
At April 1	26,919	25,476
Amortisation for the year	3,726	3,736
Disposals	(12,964)	(2,293)
At March 31	17,681	26,919
Carrying amount:		
At March 31	5,575	8,872

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

8. MEMBERSHIP IN Ngee ANN ALUMNI

The Ngee Ann Alumni (NAA) is a non-profit society registered with the Registry of Societies. The objective of the NAA is to promote the interest of the Ngee Ann Polytechnic and the members of the alumni.

Ngee Ann Polytechnic purchased 80 10-year term honorary memberships with no voting rights in NAA in February 2006.

The carrying amount of the Polytechnic's membership in the NAA are as follows:

	2016/2017	2015/2016
	\$'000	\$'000
Cost:		
At April 1	264	264
Additions	-	-
At March 31	264	264
Accumulated amortisation:		
At April 1	257	228
Amortisation for the year	7	29
At March 31	264	257
Carrying amount:		
At March 31	-	7

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NOTES TO FINANCIAL STATEMENTS
March 31, 2017

9. SUBSIDIARIES

	2016/2017	2015/2016
	\$'000	\$'000
Unquoted equity shares, at cost	475	475

Name of subsidiary	Principal activities	Country of incorporation/ place of business	Proportion of ownership interest and voting power held	
			2016/2017	2015/2016
			%	%
Held by the Polytechnic				
NP Enterprise (S) Pte Ltd	To invest in spin-off projects from research work of the Polytechnic's staff and students	Singapore	100	100
Held through NP Enterprise (S) Pte Ltd				
Ngee Ann International Pte Ltd	To facilitate the setting up of overseas education centres	Singapore	100	100
NP Global Consulting Pte Ltd (formerly NPE Services (S) Pte Ltd)	Provision of business and management consultancy services	Singapore	100	100
Social Lab Ltd [^]	Manage and operate social enterprises with the aim of raising awareness among the general public, especially students, on the physically handicapped segments of the Singapore population	Singapore	100	100

[^] Incorporated as a company limited by guarantee.

The financial statements of the subsidiaries have not been consolidated with the Polytechnic's financial statements as the Polytechnic is of the view that the subsidiaries' financial statements are not material to the Polytechnic's financial statements. The balances and transactions of the Polytechnic are not affected by the non-consolidation.

The Polytechnic is the sole member of the School of Science and Technology, Singapore, ("SST") a company limited by guarantee. The principal activities of SST is to provide a holistic and balanced secondary school education with a focus on applied learning, innovation and entrepreneurship in science and technology. Upon the winding up or dissolution of SST, all its assets and liabilities shall not be paid or distributed among its members, but shall be dealt in accordance with Articles of Association of SST and the Charities Act (Chapter 37), and shall be given or transferred to other institutions registered under Charities Act (Chapter 37). As the Polytechnic does not have the ability to exercise control over SST and does not have rights to variable returns from its involvement with SST, SST is not accounted for as a subsidiary of the Polytechnic.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

10. AMOUNTS DUE FROM SUBSIDIARIES

	2016/2017	2015/2016
	\$'000	\$'000
Non-current		
Amounts due from subsidiaries (non-trade) ¹	-	27
Current		
Amounts due from subsidiaries (non-trade) ²	88	98

¹ The amounts due from subsidiaries represent advances given. These amounts are unsecured, interest-free and are not expected to be repaid within one year.

² The amounts due from subsidiaries represent payments made on behalf. These amounts are unsecured, interest-free and are repayable on demand.

11. LOANS TO STUDENTS AND GRADUATES

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

	2016/2017	2015/2016
	\$'000	\$'000
Tuition fee loans	4,724	5,038
Overseas student programs loans	120	190
Study loans	239	308
Computer loans	807	935
	5,890	6,471
Represented by:		
Amounts receivable within one year	2,859	3,498
Amounts receivable after one year	3,031	2,973
	5,890	6,471

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

Tuition fee loans, overseas student programs loans, study loans and computer loans are unsecured, interest-free during the course of study and are repayable by monthly instalments over periods ranging from 2 to 10 years after the borrowers' graduation. Interest is charged based on the average of the prevailing prime rates of the 3 local banks. The interest rate for these loans at the end of the reporting period is 4.75% (2015/2016: 4.75%) per annum.

12. SUNDRY RECEIVABLES AND DEPOSITS

	2016/2017	2015/2016
	\$'000	\$'000
Accrued dividends	416	277
Accrued interest	2,805	2,966
Sundry receivables	3,000	3,389
Student receivables	34	103
Non-student receivables	929	1,515
Grant receivables	10,229	7,679
Receivables from brokers (Note 4(d))	23	527
Allowance for doubtful debts (Non-student receivables)	(175)	(34)
	<u>17,261</u>	<u>16,422</u>

Grant receivables relate to amounts granted to the Polytechnic from government agencies, other than MOE, on a reimbursement basis to fund the Polytechnic's activities. Such grant income is set off against expenses in the statement of profit or loss and other comprehensive income.

Receivables that are past due but not impaired

The Polytechnic has sundry receivables comprising student and non-student receivables that are past due at the end of the reporting period but not impaired as management has assessed that there has not been a significant change in credit quality and the amounts are still considered recoverable. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

- (i) Analysis of receivables from students and non-students

Student receivables:

	2016/2015	2015/2016
	\$'000	\$'000
Past due but not impaired (ii)	34	103
<u>Non-student receivables:</u>		
Past due but not impaired (ii)	929	1,515
Impaired receivables (iii)	175	34
Total	1,104	1,549
Less: Allowance for impairment	(175)	(34)
	929	1,515

- (ii) The aging analysis of receivables from students and non-students past due but not impaired is as follows:

	2016/2017	2015/2016
	\$'000	\$'000
<u>For non-student receivables</u>		
Past due 1 to 30 days	476	962
Past due 31 to 60 days	125	107
Past due 61 to 90 days	18	14
Past due over 90 days	310	432
	929	1,515
<u>For student receivables</u>		
Past due 1 semester*	34	103

* Semesters at the Polytechnic consist of 182 days.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

(iii) Allowance for doubtful debts:

	2016/2017	2015/2016
	\$'000	\$'000
At April 1	34	3
Amounts written off during the year	(1)	(2)
Increase in allowance recognised in profit or loss	142	33
At March 31	175	34

13. GOVERNMENT GRANTS RECEIVABLES

These are grants from the government to finance the operations of the Polytechnic.

	2016/2017	2015/2016
	\$'000	\$'000
Balance at April 1	21,795	29,636
Grants received from Government	(228,827)	(252,613)
Development grants utilised and transferred to deferred capital grants (Note 21)	-	21,246
Grants utilised and taken to profit or loss (Note 29)	211,623	223,404
Reclassification to government grants received in advance (Note 18)	2,375	-
Others	(495)	122
Balance at March 31	6,471	21,795

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NOTES TO FINANCIAL STATEMENTS
March 31, 2017

14. INVESTMENTS

	2016/2017	2015/2016
	\$'000	\$'000
Financial assets at fair value through profit or loss	475,439	447,571
Managed by fund managers (Note 4(d))	454,268	426,878
Managed internally	21,171	20,693
	475,439	447,571

Investments are mainly denominated in Singapore dollars. Investments held in foreign currencies are as follows:

	2016/2017	2015/2016
	\$'000	\$'000
AUD	12,741	11,596
CAD	1,579	2,992
CHF	2,639	1,323
CNH	–	2,704
DKK	5,605	1,024
EUR	15,060	9,149
GBP	5,417	1,891
HKD	21,299	18,624
IDR	1,123	2,693
JPY	16,735	12,416
KRW	6,935	5,068
NZD	88	1,041
PHP	475	1,292
SEK	418	3,332
THB	823	1,224
TWD	4,894	3,050
USD	188,823	137,129

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

(a) ***Financial assets at fair value through profit or loss***

	2016/2017	2015/2016
	\$'000	\$'000
Bonds		
Investments managed by fund managers		
- Corporate bonds	214,236	207,808
- Corporate convertible bonds	992	2,931
- Government agency bonds	40,963	25,083
- Government bonds	43,937	47,801
- Other fixed income	976	941
- Funds – Corporate bonds	–	11,813
- Others	–	699
	301,104	297,076
Investments managed internally		
- Corporate bonds	6,054	5,984
- Unit trust bonds	15,117	14,709
	21,171	20,693
Total for Bonds	322,275	317,769

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NOTES TO FINANCIAL STATEMENTS

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	2016/2017	2015/2016
	\$'000	\$'000
Quoted equity investments		
Investments managed by fund managers		
- Common stock	127,009	111,595
- Stapled securities	2,005	1,202
- Exchange traded funds	15,554	7,173
- Preferred stock	2,981	2,065
- Unit trust equities	3,710	3,655
- Mutual funds	1,721	3,222
- Others	184	890
	153,164	129,802
Total financial assets at fair value through profit or loss	475,439	447,571

- (i) The bonds bear interest rates ranging from 0.00% to 7.75% (2015/2016: 0.00% to 7.75%) per annum. The maturity dates of bonds range from April 3, 2017 to December 31, 2049 (2015/2016: April 1, 2016 to December 31, 2049).
- (ii) Investments managed by fund managers are administered by 6 (2015/2016: 8) 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 January 2018 to January 2020 (2015/2016: January 2017 to January 2019).

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ notional amount	Assets	Liabilities
	\$'000	\$'000	\$'000
March 31, 2017			
Forward currency contracts	316,786	2,998	(1,325)
March 31, 2016			
Forward currency contracts	294,224	5,571	(908)

The forward currency contracts are used in the currency hedging programs which aim to reduce the foreign currency risks of the investment portfolio. The Polytechnic does not apply hedge accounting.

16. FIXED DEPOSITS

	2016/2017	2015/2016
	\$'000	\$'000
Managed by fund managers (Note 4(d))	–	1,031
Managed internally	3,226	1,099
	3,226	2,130

Included in fixed deposits managed internally is an amount of \$29,000 (2015/2016: \$29,000) set aside to fund the normal operating expenditure of the Polytechnic.

The fixed deposits managed by fund managers form part of the funds placed with fund managers and are the remaining balance of the total funds not invested by the fund managers in the other asset classes permitted under the investment guidelines.

In 2015/2016, the fixed deposits bear interest rates ranging from 0.03% to 3.80%. In 2016/2017, the fixed deposit bears interest rate at 0.05%. The maturity dates range from April 3, 2017 to April 28, 2017 (2015/ 2016: April 1, 2016 to July 29, 2016).

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

17. CASH AND BANK BALANCES

	2016/2017	2015/2016
	\$'000	\$'000
Cash managed by fund managers (Note 4(d))	62,282	49,516
Cash with Accountant-General's Department	109,098	110,418
Cash and bank balances	171,380	159,934

On November 2, 2009, the Accountant-General's Department ("AGD") issued a circular 4/2009 to set out the arrangements to centrally manage the cash of all Statutory Boards and Ministries under the Centralised Liquidity Management (CLM) scheme. This scheme involves placing funds directly with AGD and would allow for better credit risk management by the government. Under this scheme, the Polytechnic's cash at bank in excess of a certain limit are transferred to the AGD. Cash placed with AGD is interest-bearing. Interest is computed on the basis as set out in the Accountant-General's Department Circular No. 4/2009. The interest rate for cash placed with AGD at the reporting date is 1.37% (2015/2016: 1%) per annum.

18. PAYABLES AND ACCRUALS

	2016/2017	2015/2016
	\$'000	\$'000
Accrued expenses	24,710	23,954
Accrued capital expenditure	5,918	1,892
CPF payable	12,569	12,203
Refundable deposits	530	576
Accrual for unconsumed leave	8,973	8,724
Sundry payables	2,025	1,614
Payables to brokers (Note 4(d))	4,340	2,674
Government grants received in advance	13,290	2,407
	72,355	54,044

Represented by:

	2016/2017	2015/2016
	\$'000	\$'000
Amounts payable within one year	69,280	54,044
Amounts payable after one year	3,075	-
	72,355	54,044

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

Government grants received in advance	2016/2017	2015/2016
	\$'000	\$'000
Balance at April 1	2,407	2,630
Reclassification from Government grant receivables (Note 13)	2,375	-
Grants received from Government	804	1,036
Development grants transferred from deferred capital grants (Note 21)	5,503	-
Development grants utilised and transferred to deferred capital grants (Note 21)	(12,460)	-
Grants utilised and taken to profit or loss (Note 29) ^(a)	(1,837)	(1,259)
Reversal of MOE grants accrued in prior year	16,848	-
Others	(350)	-
Balance as at March 31	11,290	2,407

^(a) This represents property, plant and equipment expensed off and project staff expenses funded by MOE

19. DEFERRED INCOME

	2016/2017	2015/2016
	\$'000	\$'000
Student fees received in advance	3,360	4,185
Service fees received in advance (Note 23)	15,506	16,050
	18,866	20,235
Represented by:	2016/2017	2015/2016
	\$'000	\$'000
Amounts payable within one year	3,932	4,757
Amounts payable after one year	14,934	15,478
	18,866	20,235

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NOTES TO FINANCIAL STATEMENTS
March 31, 2017

20. ADVANCES FOR STUDENT LOANS

	2016/2017	2015/2016
	\$'000	\$'000
Balance at April 1	5,200	5,497
Funds received from MOE	1,036	1,033
Funds refunded to MOE	(1,310)	(1,310)
Written-off	(17)	(20)
Balance at March 31	<u>4,909</u>	<u>5,200</u>
Represented by:		
Cash and cash equivalents	92	12
Tuition fee loans	4,724	5,038
Overseas student programs loans	60	95
Study loans	33	55
	<u>4,909</u>	<u>5,200</u>
Amounts payable within one year	2,344	2,776
Amounts payable after one year	2,565	2,424
	<u>4,909</u>	<u>5,200</u>

The advances from MOE are for the purpose of extending loans to students mainly to assist them in paying their tuition fees. They are unsecured and repayable following the collection of the underlying loans (including interest as described in Note 11) by the Polytechnic from the students.

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NOTES TO FINANCIAL STATEMENTS
March 31, 2017

21. DEFERRED CAPITAL GRANTS

	Government		Non-Government		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at April 1	341,849	344,281	7,770	8,592	349,619	352,873
Grants recognised as deferred income:						
Grants received from MOE	23,816	24,260	-	-	23,816	24,260
Donated Assets	-	(54)	213	54	213	-
Transfer from operating grants receivables (Note 13)	-	20,982	-	-	-	20,982
Transfer from government grants received in advance (Note 18)	12,460	264	-	-	12,460	264
Transfer to government grants received in advance (Note 18)	(5,503)	-	-	-	(5,503)	-
Transfer from other grants	-	-	952	246	952	246
	372,622	389,733	8,935	8,892	381,557	398,625
Grants taken to profit or loss:						
Purchase of non-capitalised assets using IT and F&E grants (Note 29)	(11,839)	(10,738)	-	-	(11,839)	(10,738)
Amortisation of deferred capital grants	(37,329)	(37,146)	(1,259)	(1,122)	(38,588)	(38,268)
	(49,168)	(47,884)	(1,259)	(1,122)	(50,427)	(49,006)
Balance at March 31	323,454	341,849	7,676	7,770	331,130	349,619
Represented by:						
Grants utilised	281,809	296,038	7,676	7,770	289,485	303,808
Grants unutilised	41,645	45,811	-	-	41,645	45,811
	323,454	341,849	7,676	7,770	331,130	349,619

In 2006/2007, the Ministry of Education (MOE) revised the funding framework for Information Technology (IT) and Furniture and Equipment (F&E) grants. Under the revised framework, the grants are now given outright to the Polytechnic for its discretion to spend on the purchase of IT and F&E assets. Surpluses (if any) can be retained by the Polytechnic for its future purchases of IT and F&E assets.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2017

22. TRUST FUNDS

The Liu Yin Soon Scholarship Trust Fund (Registration No.: 0657) was registered as a charity under the Charities Act (Cap. 37) on May 27, 1989. The trustee of the fund is Ngee Ann Polytechnic. The objective of the fund is to award scholarships to students of the Polytechnic, who in the view of the trustee of the fund, have excelled in their performance.

There are no fund-raising activities for Liu Yin Soon Scholarship Trust Fund during the year.

The capital sum in the Liu Yin Soon Scholarship Trust Fund was from the sale proceeds of two pieces of bequeathed properties.

The Ngee Ann Polytechnic Students' Union Trust Fund comprises monies held in trust by the Polytechnic for the students' union.

	Liu Yin Soon Scholarship		Ngee Ann Polytechnic Students' Union Trust		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trust Funds (capital)						
Balance at April 1	2,280	2,280	2,587	2,187	4,867	4,467
Received during the year	-	-	-	400	-	400
Balance at March 31	2,280	2,280	2,587	2,587	4,867	4,867
Accumulated surplus						
Balance at April 1	619	752	219	342	838	1,094
Surplus/(Deficit) for the year	44	(133)	69	(123)	113	(256)
Balance at March 31	663	619	288	219	951	838
Total funds as at March 31	2,943	2,899	2,875	2,806	5,818	5,705
Income						
Interest income	45	45	48	41	93	86
Dividend income	20	19	22	18	42	37
Other income	85	34	91	-	176	34
	150	98	161	59	311	157
Less: Expenditure						
Disbursement of scholarship awards	78	78	80	70	158	148
Depreciation	11	11	-	-	11	11
Other expenditure	17	142	12	112	29	254
	106	231	92	182	198	413
Surplus/(Deficit) for the year	44	(133)	69	(123)	113	(256)

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	Liu Yin Soon Scholarship		Ngee Ann Polytechnic Students' Union Trust		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Represented by:						
Leasehold property (Note 6)	560	560	–	–	560	560
Less: Accumulated depreciation	(257)	(246)	–	–	(257)	(246)
Net carrying amount	303	314	–	–	303	314
Sundry receivables and deposits	12	18	13	36	25	54
Investments	2,323	2,306	2,528	2,436	4,851	4,742
Fixed deposits	16	11	17	11	33	22
Cash and bank balances	311	270	335	344	646	614
Payables	(22)	(20)	(18)	(21)	(40)	(41)
Net assets as at March 31	2,943	2,899	2,875	2,806	5,818	5,705

23. OTHER INCOME

Included in other income are:

	Unrestricted Funds		Restricted Funds		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental income	3,223	3,366	–	–	3,223	3,366
Service fee income	572	572	–	–	572	572
Donations, grants and sponsorships	13,199	12,247	3,330	3,167	16,529	15,414

24. STAFF COSTS

	2016/2017	2015/2016
	\$'000	\$'000
Key management personnel		
- Salaries and related costs	9,022	9,005
- CPF contributions	672	598
	9,694	9,603
Other than key management personnel		
- Salaries and related costs	195,852	190,650
- CPF contributions and SDF levy	26,375	22,971
	222,227	213,621
	231,921	223,224

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25. 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.

26. OTHER EXPENDITURE

Included in other expenditure are:

	Unrestricted Funds		Restricted Funds		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consultancy fees	220	239	–	–	220	239
Gebiz fees	303	253	–	–	303	253
Guard services	1,275	1,240	–	–	1,275	1,240
Professional and management expenses	3,045	2,482	–	–	3,045	2,482
Printing and stationery	604	747	1	1	605	748
Rental of staff apartments	784	775	–	–	784	775

27. NON-OPERATING INCOME

Included in non-operating income are:

	Unrestricted Funds		Restricted Funds		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income	5,904	5,474	4,131	3,973	10,035	9,447
Dividend income	2,188	1,861	1,848	1,707	4,036	3,568
Gain on foreign exchange	2,040	32	1,782	135	3,822	167
Gain on disposal of property, plant and equipment and intangible assets	22	–	–	–	22	–
Fair value gain on financial assets at fair value through profit or loss and derivatives	7,334	–	5,952	–	13,286	–

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28. NON-OPERATING EXPENSES

Included in non-operating expenses are:

	Unrestricted Funds		Restricted Funds		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fund management expenses	827	445	700	396	1,527	841
Loss on disposal of property, plant and equipment and intangible assets	-	2,755	-	175	-	2,930
Fair value loss on financial assets at fair value through profit or loss and derivatives	-	12,132	-	11,278	-	23,410

29. OPERATING GRANTS FROM GOVERNMENT

	2016/2017	2015/2016
	\$'000	\$'000
Operating grants (Notes 13 and Note 18)	213,460	223,404
Transferred from deferred capital grants (Note 21)	11,839	10,738
	225,299	234,142

30. RELATED PARTY TRANSACTIONS

Some of the Polytechnic's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Other than disclosed elsewhere in the financial statements, the Polytechnic entered into the following significant transactions with its parent Ministry, MOE, and other related parties during the financial year:

	2016/2017	2015/2016
	\$'000	\$'000
MOE		
Operating grants	247,250	241,254
Development grants	19,984	30,553
Information technology and furniture and equipment grants	23,816	24,260
Other grants	3,340	2,849
Matching grants	2,135	1,364
	296,525	320,270
Other ministries and Statutory boards		
Grants	9,660	8,071

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	2016/2017	2015/2016
	\$'000	\$'000
Subsidiaries		
Admission and workshop fee income	123	88
Administrative support and trainers fee income	245	202
Consultancy fee income	-	102
Rental income	149	91

	2016/2017	2015/2016
	\$'000	\$'000
School of Science and Technology, Singapore		
Admission and workshop fee income	12	10

31. COMMITMENTS

(a) Capital commitment

	2016/2017	2015/2016
	\$'000	\$'000
Amount approved and contracted for	16,087	29,167
Amount approved but not contracted for	45,235	60,554

(b) Operating lease commitment (non-cancellable)

Where the Polytechnic is the lessor

At the reporting date, the Polytechnic had the following rental receivable under non-cancellable operating leases for leasing its premises to third parties.

	2016/2017	2015/2016
	\$'000	\$'000
Rental income due:		
Within one year	2,380	3,158
More than one year but less than five years	4,525	4,996
More than five years	9,941	10,393

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32. RESTRICTED FUND - NGEE ANN POLYTECHNIC FUND

The Ministry of Education has an Education Central Fund, which has been designated as an Institution of Public Character (IPC). NP Fund was established on 1 Apr 2003 as a member of this Education Central Fund. Under this membership, the Fund is allowed to issue tax-deductible receipts to donors. Donations received by the Polytechnic are channelled to the Fund.

The Fund has several sub-funds and the total fund balance comprised mainly accumulated surpluses of the sub-funds and the capital of endowment funds. A separate set of audited financial statements is prepared for the Fund.

The Fund is managed by a Management Committee which is also the Council Committee of the Polytechnic. Under the rules and regulations of the Fund, the Fund shall not be dissolved unless so decided by the Polytechnic's Council and the Commissioner of Charities is notified. In the event that the Fund is dissolved, the balance in the Fund shall be donated to another fund for the advancement of education in a Polytechnic which has IPC status or in the absence of such a fund, to the Education Fund of the Ministry of Education.

33. NGEE ANN KONGSI'S CONTRIBUTION

- (a) 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".

On July 17, 2007 the Ngee Ann Kongsi (Incorporation) (Amendment) Act 2007 was passed in Parliament to reduce the donations to be made by the Corporation to the Polytechnic from 75% of all monies received by the Corporation to 25% of the Corporation's net income. This arrangement was effective from FY 2008/2009.

During the financial year, the Polytechnic received \$8,713,000 (2015/2016: \$9,529,000) from Ngee Ann Kongsi, of which \$2,000,000 (2015/2016: \$2,000,000) was taken to the Ngee Ann Kongsi Education Fund and the balance to the Ngee Ann Kongsi Endowment Fund.

- (b) In accordance with the agreed arrangements with MOE, when the funds management agreement with the Polytechnic's fund manager expires, the gain or loss would be taken as realised. During the financial year, \$2,452,000 (2015/2016: \$4,786,000), representing 75% of the realised income of the Ngee Ann Kongsi Endowment Fund, was transferred to unrestricted fund to finance the operations of the Polytechnic. This amount reduces the operating grant received from the government correspondingly for the current financial year.
- (c) As disclosed in Note 6 to the financial statements, Ngee Ann Kongsi had also donated freehold land to the Polytechnic.

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34. IPC REGULATIONS

The fund has complied with the requirement that the total fund-raising and sponsorship expenses have not exceeded 30% of the total gross receipts from the fund raising and sponsorships for the financial year.

The donation monies received are used in accordance with the objective of the fund.

To promote greater disclosure and accountability to the public, the Governance Evaluation Checklist of all IPCs will be published on the Charity Portal (www.charities.gov.sg) from April 1, 2009. In line with the requirement, the Polytechnic's checklist can be found on the above website.

35. TAXATION

All registered and exempt charities will enjoy automatic income tax exemption. There is, hence, no income tax payable by the Polytechnic.