

FINANCIAL --- **REVIEW**

STATEMENT BY BOARD OF GOVERNORS

In our opinion, the financial statements set out on pages 66 to 111 are drawn up so as to present fairly, in all material respects, the state of affairs of Institute of Technical Education (the "Institute") and its subsidiaries (collectively the "Group") as at 31 March 2007 and of the income and expenditure, and changes in funds and reserves of the Group and of the Institute, and cash flows of the Group for the year ended on that date in accordance with the provisions of the Institute of Technical Education Act, Chapter 141A (the "Act") and Singapore Financial Reporting Standards.

ON BEHALF OF THE BOARD



MR BRUCE POH GEOK HUAT
Director and Chief Executive Officer
11 July 2007



MR BOB TAN BENG HAI
Chairman
11 July 2007

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE BOARD

INSTITUTE OF TECHNICAL EDUCATION

We have audited the accompanying financial statements of Institute of Technical Education (the "Institute") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Institute as at 31 March 2007, the income and expenditure statement, statement of changes in funds and reserves of the Group and the Institute and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 111.

BOARD OF GOVERNORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Governors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Institute of Technical Education Act, Chapter 141A (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (cont'd)

TO THE MEMBERS OF THE BOARD

INSTITUTE OF TECHNICAL EDUCATION

OPINION

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

In our opinion:

- (a) except for the non-disclosure of related party transactions and outstanding balances with other state-owned entities as highlighted in the preceding paragraph, the consolidated financial statements of the Group and the balance sheet, income and expenditure statement and statement of changes in funds and reserves of the Institute are properly drawn up in accordance with the provisions of the Institute of Technical Education Act, Chapter 141A (the "Act") and Singapore Financial Reporting Standards to present fairly, in all material respects, the state of affairs of the Group and of the Institute as at 31 March 2007, and the income and expenditure, changes in funds and reserves of the Group and of the Institute and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Institute, have been properly kept in accordance with the provisions of the Act, including records of all assets of the Institute whether purchased, donated or otherwise.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Institute during the financial year have not been in accordance with the provision of the Act.



KPMG
Certified Public Accountants
Singapore
11 July 2007

BALANCE SHEETS

AS AT 31 MARCH 2007

	NOTE	GROUP		INSTITUTE	
		2007 \$'000	(restated) 2006 \$'000	2007 \$'000	(restated) 2006 \$'000
CAPITAL ACCOUNT	3	5,950	5,950	5,950	5,950
ACCUMULATED SURPLUS	4	131,230	99,299	126,650	96,876
		137,180	105,249	132,600	102,826
NON CURRENT ASSETS					
Property, plant, and equipment	5	419,592	444,594	419,009	444,548
Prepaid leases	6	84,352	88,446	84,352	88,446
Intangible assets	7	3,382	3,315	3,382	3,315
Subsidiaries	8	-	-	*	*
Other financial assets	9	8,951	-	8,951	-
		516,277	536,355	515,694	536,309
CURRENT ASSETS					
Trade and other receivables	10	1,905	1,327	1,641	911
Other financial assets	9	-	3,319	-	3,319
Development grants receivable	11	1,492	-	1,492	-
Cash and cash equivalents	12	166,320	124,906	157,966	122,093
		169,717	129,552	161,099	126,323

* Amount less than \$1,000.

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS (cont'd)

AS AT 31 MARCH 2007

	NOTE	GROUP		INSTITUTE	
		2007	(restated) 2006	2007	(restated) 2006
		\$'000	\$'000	\$'000	\$'000
CURRENT LIABILITIES					
Trade and other payables	13	16,474	23,307	16,094	22,998
Deferred income		3,108	2,713	2,612	2,462
Development grants received in advance	11	1,060	1,933	-	1,933
Other grants received in advance		5,038	-	3,147	-
Current tax payable		283	285	-	-
		25,963	28,238	21,853	27,393
NET CURRENT ASSETS		143,754	101,314	139,246	98,930
NON CURRENT LIABILITIES					
Deferred capital grants	14	522,841	532,413	522,340	532,413
Deferred tax liability		10	7	-	-
		522,851	532,420	522,340	532,413
TRUST FUNDS' NET ASSETS	15	7,003	7,885	7,003	7,885
TRUST FUNDS	15	(7,003)	(7,885)	(7,003)	(7,885)
		-	-	-	-
		137,180	105,249	132,600	102,826

The accompanying notes form an integral part of these financial statements

INCOME AND EXPENDITURE STATEMENTS

YEAR ENDED 31 MARCH 2007

	NOTE
GROUP	
INCOME	
Course fees	
Examination fees	
Donations	
Liquidated damages	
Interest income	16
Other income	
Other grants	
OPERATING EXPENDITURE	
Expenditure of manpower	17
Depreciation of property, plant and equipment	5
Prepaid lease expenses charged to income and expenditure	6
Amortisation of intangible assets	7
Property, plant and equipment and intangible assets written off	
Development expenditure	11
Repair and maintenance	
Public utilities	
Grants-in-aid	18
Supplies and materials	
Other expenditure	19
(DEFICIT)/SURPLUS BEFORE GRANTS FROM MINISTRIES	
GRANTS FROM MINISTRIES	
Operating grants	21
Development grants	11
Deferred capital grants amortised	14
SURPLUS AFTER GRANTS FROM MINISTRIES	
Income tax	22
NET SURPLUS FOR THE YEAR	

The accompanying notes form an integral part of these financial statements

GENERAL FUND		OTHER FUNDS		TOTAL	
2007 \$'000	2006 \$'000	2007 \$'000	(restated) 2006 \$'000	2007 \$'000	(restated) 2006 \$'000
9,003	9,090	4,329	3,941	13,332	13,031
556	574	2,596	2,753	3,152	3,327
16	-	129	6	145	6
31	62	1	2	32	64
2,421	1,497	483	218	2,904	1,715
1,205	815	2,309	2,014	3,514	2,829
-	-	253	-	253	-
13,232	12,038	10,100	8,934	23,332	20,972
178,709	168,528	2,890	2,829	181,599	171,357
36,930	35,364	248	328	37,178	35,692
4,094	4,092	-	-	4,094	4,092
2,070	1,454	12	-	2,082	1,454
130	931	14	18	144	949
7,369	18,409	-	-	7,369	18,409
6,832	7,377	231	183	7,063	7,560
6,508	6,332	279	203	6,787	6,535
2,763	2,714	55	15	2,818	2,729
5,099	4,141	1,351	1,039	6,450	5,180
10,242	8,009	3,733	3,400	13,975	11,409
260,746	257,351	8,813	8,015	269,559	265,366
(247,514)	(245,313)	1,287	919	(246,227)	(244,394)
225,282	204,803	2,522	2,243	227,804	207,046
7,369	18,409	-	-	7,369	18,409
43,223	41,790	-	346	43,223	42,136
28,360	19,689	3,809	3,508	32,169	23,197
-	-	238	296	238	296
28,360	19,689	3,571	3,212	31,931	22,901

INCOME AND EXPENDITURE STATEMENTS

YEAR ENDED 31 MARCH 2007

	NOTE
INSTITUTE	
INCOME	
Course fees	
Examination fees	
Donations	
Liquidated damages	
Interest income	16
Other income	
Other grants	
OPERATING EXPENDITURE	
Expenditure of manpower	17
Depreciation of property, plant and equipment	5
Prepaid lease expenses charged to income and expenditure	6
Amortisation of intangible assets	7
Property, plant and equipment and intangible assets written off	
Development expenditure	11
Repair and maintenance	
Public utilities	
Grants-in-aid	18
Supplies and materials	
Other expenditure	19
DEFICIT BEFORE GRANTS FROM MINISTRIES	
GRANTS FROM MINISTRIES	
Operating grants	21
Development grants	11
Deferred capital grants amortised	14
SURPLUS AFTER GRANTS FROM MINISTRIES	
Income tax	22
NET SURPLUS FOR THE YEAR	

The accompanying notes form an integral part of these financial statements

GENERAL FUND		OTHER FUNDS		TOTAL	
2007 \$'000	2006 \$'000	2007 \$'000	(restated) 2006 \$'000	2007 \$'000	(restated) 2006 \$'000
8,990	9,090	1,637	1,642	10,627	10,732
556	574	1,212	1,311	1,768	1,885
16	-	81	6	97	6
31	62	1	2	32	64
2,399	1,497	422	206	2,821	1,703
1,216	815	2,098	1,820	3,314	2,635
-	-	219	-	219	-
13,208	12,038	5,670	4,987	18,878	17,025
177,477	168,528	1,048	1,371	178,525	169,899
36,864	35,364	232	319	37,096	35,683
4,094	4,092	-	-	4,094	4,092
2,070	1,454	12	-	2,082	1,454
348	931	14	18	362	949
6,534	18,409	-	-	6,534	18,409
6,786	7,377	226	183	7,012	7,560
6,463	6,332	279	203	6,742	6,535
2,763	2,714	176	15	2,939	2,729
4,936	4,141	737	648	5,673	4,789
9,951	8,009	3,280	2,786	13,231	10,795
258,286	257,351	6,004	5,543	264,290	262,894
(245,078)	(245,313)	(334)	(556)	(245,412)	(245,869)
222,792	204,803	2,485	2,243	225,277	207,046
6,534	18,409	-	-	6,534	18,409
43,375	41,790	-	346	43,375	42,136
27,623	19,689	2,151	2,033	29,774	21,722
-	-	-	-	-	-
27,623	19,689	2,151	2,033	29,774	21,722

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

YEAR ENDED 31 MARCH 2007

	CAPITAL ACCOUNT \$'000	ACCUMULATED SURPLUS \$'000	TOTAL \$'000
GROUP			
At 1 April 2005, as previously stated	6,296	83,256	89,552
Prior year adjustment (Note 23)	-	(6,425)	(6,425)
At 1 April 2005, restated	6,296	76,831	83,127
Disposal of vested land	(346)	-	(346)
Transfer to Education Fund (Note 15)	-	(433)	(433)
Net gains recognised directly in equity	5,950	76,398	82,348
Surplus for the year, representing total recognised income and expenditure for the year	-	22,901	22,901
At 31 March 2006	5,950	99,299	105,249
At 1 April 2006, as previously stated	5,950	101,884	107,834
Prior year adjustment (Note 23)	-	(2,585)	(2,585)
At 1 April 2006, restated	5,950	99,299	105,249
Surplus for the year, representing total recognised income and expenditure for the year	-	31,931	31,931
At 31 March 2007	5,950	131,230	137,180

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

YEAR ENDED 31 MARCH 2007

	← ACCUMULATED → SURPLUS			TOTAL \$'000
	CAPITAL ACCOUNT \$'000	GENERAL FUND \$'000	OTHER FUNDS \$'000	
INSTITUTE				
At 1 April 2005, as previously stated	6,296	58,213	23,799	88,308
Prior year adjustment (Note 23)	-	-	(6,425)	(6,425)
At 1 April 2005, restated	6,296	58,213	17,374	81,883
Disposal of vested land	(346)	-	-	(346)
Transfer to Education Fund (Note 15)	-	-	(433)	(433)
Net gains recognised directly in equity	5,950	58,213	16,941	81,104
Surplus for the year, representing total recognised income and expenditure for the year	-	19,689	2,033	21,722
At 31 March 2006	5,950	77,902	18,974	102,826
At 1 April 2006, as previously stated	5,950	77,902	21,559	105,411
Prior year adjustment (Note 23)	-	-	(2,585)	(2,585)
At 1 April 2006, restated	5,950	77,902	18,974	102,826
Surplus for the year, representing total recognised income and expenditure for the year	-	27,623	2,151	29,774
At 31 March 2007	5,950	105,525	21,125	132,600

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2007

	NOTE	GROUP	
		2007 \$'000	(restated) 2006 \$'000
OPERATING ACTIVITIES			
Deficit before grants and income tax		(246,227)	(244,394)
Adjustments for:			
Depreciation of property, plant and equipment		37,178	35,692
Amortisation of intangible assets		2,082	1,454
Prepaid lease expenses charged to income and expenditure		4,094	4,092
Property, plant and equipment written off		144	938
Intangible assets written off		-	11
Appreciation in value of funds with a fund manager		(751)	(43)
Gain on disposal of property, plant and equipment		(100)	(15)
Interest income		(2,904)	(1,715)
Deficit before working capital changes		(206,484)	(203,980)
Trade and other payables and deferred income		(6,438)	(7,920)
Trade and other receivables		(578)	788
Cash used in operations		(213,500)	(211,112)
Income tax paid		(237)	(272)
CASH FLOWS FROM OPERATING ACTIVITIES		(213,737)	(211,384)

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS (cont'd)

YEAR ENDED 31 MARCH 2007

	NOTE	GROUP	
		2007 \$'000	(restated) 2006 \$'000
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(12,320)	(20,007)
Acquisition of intangible assets		(2,149)	(582)
Proceeds from sale of property, plant and equipment		100	15
Proceeds from liquidation of funds with a fund manager		3,319	-
Investment in funds with a fund manager		(8,200)	-
Interest on fixed deposits		2,904	1,765
CASH FLOWS FROM INVESTING ACTIVITIES		(16,346)	(18,809)
FINANCING ACTIVITIES			
Development grants received from Government	11	15,098	38,145
Operating grants received from Government	21	251,754	208,203
Other grants received in advance		5,038	-
Development grants refunded to Government	11	(393)	-
Transfer to Education Fund		-	(433)
CASH FLOWS FROM FINANCING ACTIVITIES		271,497	245,915
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,414	15,722
Cash and cash equivalents at beginning of the year		124,906	109,184
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	166,320	124,906

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Governors on 11 July 2007.

1 DOMICILE AND ACTIVITIES

Institute of Technical Education (the "Institute") established on 1 April 1992 under the Institute of Technical Education Act (Chapter 141A), is domiciled in Singapore. The Institute's registered office and place of business is located at 10 Dover Drive, Singapore 138683.

The Institute is principally engaged in the development, promotion and provision of technical training programmes for school leavers, and continuing education and training programmes for upgrading and retraining the existing workforce in Singapore. The activities of the subsidiaries are set out in Note 8.

The consolidated financial statements relate to the Institute and its subsidiaries (referred to as the "Group").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the applicable requirements of the Institute of Technical Education Act, Chapter 141A.

The Group and the Institute have not disclosed related party transactions and outstanding balances with other state-owned entities as it was granted relief by the Finance Circular Minute No M4/2005 issued by the Ministry of Finance ("MOF"), from such disclosure. The non-disclosure is a non-compliance with Singapore Financial Reporting Standard 24 Related Party Disclosures.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Institute's functional currency.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Institute

Investments in subsidiaries are stated in the Institute's balance sheet at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2.3 Foreign currencies

Transactions in foreign currencies are translated at respective functional currencies of Group entities at exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

2.4 Funds

Assets and liabilities of general fund and other funds are pooled in the Balance Sheet.

General Fund

Income and expenditure relating to the main activities of the Institute are accounted for in this fund.

Other Funds

Other funds comprise specific funds set up to account for the contributions received for specific purposes as detailed in Note 4 to the financial statements.

Income and expenditure relating to specific funds are accounted for in the "Other Funds" column in the Income and Expenditure Statements.

Trust Funds

Income and expenditure relating to trust funds are accounted for directly in the funds as detailed in Note 15 to the financial statements. The net assets of the trust funds are disclosed as separate item in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2.5 Grants

Grants from ministries and statutory boards and contributions from other organisations for the purchase of depreciable assets or to finance research or capital projects are taken to the grants received in advance account in the first instance. They are taken to the deferred capital grants account upon the utilisation of the grants for purchase of assets which are capitalised, or to the Income and Expenditure Statement for purchase of assets which are charged to expense and to meet the current year's operating expenses.

Deferred capital grants are recognised in the Income and Expenditure Statement over the periods necessary to match the depreciation, write off and/or impairment loss of the assets purchased with the related grants. Upon the disposal of property, plant and equipment, the balance of the related deferred capital grants is recognised in the Income and Expenditure Statement to match the net book value of the property, plant and equipment written off.

Grants from ministries to meet the current year's operating expenses are recognised as income in the same year these operating expenses were incurred. Operating, research and development grants from the ministries and statutory boards are accounted for on the accrual basis.

2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over their estimated useful lives of each part of an item of property, plant and equipment.

Buildings on vested land	30 years
Buildings on leasehold land	25 to 30 years
Renovations	5 years
Computer hardware	3 to 5 years
Machinery and equipment	8 to 20 years
Fixtures, fittings and office equipment	5 to 10 years
Motor vehicles	8 years

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Property, plant and equipment costing less than \$2,000 each and building renovations costing below \$200,000 which are made to maintain the future economic benefits of property, plant and equipment are charged to the Institute's Income and Expenditure Statement in the year of purchase.

Project-in-progress is stated at cost. Expenditure relating to the construction of projects are capitalised when incurred. No depreciation is charged on projects-in-progress until the projects are completed and the related property, plant and equipment are transferred to the respective property, plant and equipment categories and depreciated accordingly.

During the financial year, the Institute reclassified certain assets under buildings on leasehold land to better reflect the economic useful life of these assets. This has resulted in an increase in depreciation of \$1,296,000.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.7 Intangible assets

Intangible assets are computer software which are not an integral part of the related hardware. The initial costs of acquiring the computer software are capitalised and amortised on a straight-line basis over 3 years.

2.8 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

Investments at fair value through income and expenditure

An instrument is classified as at fair value through income and expenditure if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through Income and Expenditure Statement if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through income and expenditure are measured at fair value, and changes therein are recognised in the Income and Expenditure Statement.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2.9 Impairment – non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

2.10 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income and Expenditure Statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2.11 Income recognition

Student fees

Tuition and other fees for the academic year are recognised on an accrual basis.

Donations

Donations are recognised upon receipt.

Interest income

Interest income is recognised on a time proportion basis.

Other income

Placement fees and other income are recognised on an accrual basis.

2.12 Leases

Where the Group has the use of assets under operating leases, payments made under the lease are recognised in the Income and Expenditure Statement on a straight-line basis over the term of the lease. Lease payments made in advance are recognised as prepayments on the Balance Sheet. Such prepayments are released to the Income and Expenditure Statement over the term of the lease.

2.13 Finance costs

Borrowing costs are recognised in the Income and Expenditure Statements using the effective interest method.

2.14 Key management personnel

Key management personnel of the Institute are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The Board of Governors, Chief Executive Officer, Deputy Chief Executive Officers and the Principals are considered as key management personnel of the Institute.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2.15 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 CAPITAL ACCOUNT

The capital account comprises (i) the assets and liabilities, transferred to the Institute in 1992, from the then Vocational and Industrial Training Board and (ii) government grants received for the purchase of vested land.

	GROUP AND INSTITUTE	
	2007	2006
	\$'000	\$'000
At 1 April	5,950	6,296
Disposal of vested land	-	(346)
At 31 March	5,950	5,950

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 ACCUMULATED SURPLUS

Group

These include the accumulated surplus of the subsidiaries as well as the general fund and other funds of the Institute, as detailed below.

Institute

Other funds comprise the following:

NAME OF FUND	PURPOSE
Supplementary Fee Fund	Promoting student welfare activities from supplementary fees collected.
New Training Initiatives and Programmes Fund	Funding of relevant programmes and activities in new training initiatives.
Edusave Fund	Funded by the Government for the purpose of conducting enrichment programmes, procuring equipment and resource materials to enhance the quality of teaching and learning.
Opportunity Fund	One-off grant paid by the Government to level up co-curricular development opportunities for Singapore citizens from lower income households.
ITE's Funds and Miscellaneous Fund	The various funds, under this Fund, are set up for specific purposes related to the Institute's operations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 ACCUMULATED SURPLUS (cont'd)

2007	ITE'S FUND \$'000
INSTITUTE	
INCOME	
Course fees	1,637
Examination fees	1,212
Donations	-
Liquidated damages	1
Interest income	191
Other income	1,042
Other grants	91
	4,174
OPERATING EXPENDITURE	
Expenditure on manpower	1,046
Depreciation of property, plant and equipment	88
Amortisation of intangibles	1
Property, plant and equipment written off	3
Repair and maintenance	166
Public utilities	279
Grants-in-aid	92
Supplies and materials	364
Net other expenditures/(credits)	366
	2,405
(DEFICIT)/SURPLUS BEFORE GRANTS FROM MINISTRIES	1,769
GRANTS FROM MINISTRIES	
Operating grants	106
SURPLUS AFTER GRANTS FROM MINISTRIES	1,875
Income tax	-
NET SURPLUS FOR THE YEAR	1,875

NEW TRAINING INITIATIVES AND PROGRAMMES FUND \$'000	SUPPLEMENTARY FEE FUND \$'000	EDUSAVE FUND \$'000	MISCELLANEOUS FUND \$'000	TOTAL \$'000
-	-	-	-	1,637
-	-	-	-	1,212
-	-	81	-	81
-	-	-	-	1
98	48	79	6	422
340	640	73	3	2,098
-	-	-	128	219
438	688	233	137	5,670
2	-	-	-	1,048
49	12	78	5	232
10	-	1	-	12
11	-	-	-	14
-	39	21	-	226
-	-	-	-	279
-	53	30	1	176
16	17	183	157	737
(30)	565	2,266	113	3,280
58	686	2,579	276	6,004
380	2	(2,346)	(139)	(334)
-	-	2,358	21	2,485
380	2	12	(118)	2,151
-	-	-	-	-
380	2	12	(118)	2,151

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4 ACCUMULATED SURPLUS (cont'd)

2006	ITE'S FUND \$'000
INSTITUTE	
INCOME	
Course fees	1,642
Examination fees	1,311
Donations	-
Liquidated damages	2
Interest income	35
Other income	1,038
	----- 4,028
OPERATING EXPENDITURE	
Expenditure on manpower	1,371
Depreciation of property, plant and equipment	127
Property, plant and equipment written off	3
Repair and maintenance	166
Public utilities	203
Grants-in-aid	15
Supplies and materials	325
Net other expenditures/(credits)	380
	----- 2,590
(DEFICIT)/SURPLUS BEFORE GRANTS FROM MINISTRIES	1,438
GRANTS FROM MINISTRIES	
Operating grants	45
Deferred capital grants amortised	334

SURPLUS AFTER GRANTS FROM MINISTRIES	1,817
Income tax	-

NET SURPLUS FOR THE YEAR	1,817

NEW TRAINING INITIATIVES AND PROGRAMMES FUND \$'000	SUPPLEMENTARY FEE FUND \$'000	EDUSAVE FUND \$'000	MISCELLANEOUS FUND \$'000	TOTAL \$'000
-	-	-	-	1,642
-	-	-	-	1,311
-	-	6	-	6
-	-	-	-	2
82	32	53	4	206
34	612	136	-	1,820
116	644	195	4	4,987
-	-	-	-	1,371
74	14	98	6	319
14	1	-	-	18
-	14	3	-	183
-	-	-	-	203
-	-	-	-	15
29	16	164	114	648
(6)	333	2,019	60	2,786
111	378	2,284	180	5,543
5	266	(2,089)	(176)	(556)
-	-	2,198	-	2,243
-	-	-	12	346
5	266	109	(164)	2,033
-	-	-	-	-
5	266	109	(164)	2,033

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 PROPERTY, PLANT AND EQUIPMENT

	VESTED LAND \$'000	BUILDINGS ON VESTED LAND \$'000	BUILDINGS ON LEASEHOLD LAND \$'000
GROUP			
COST			
At 1 April 2005, restated	3,580	40,648	497,375
Additions	-	-	5,550
Disposals/write-off	(346)	(1,968)	-
Transfer to intangible assets (Note 7)	-	-	-
At 31 March 2006	3,234	38,680	502,925
Additions	-	-	2,614
Disposals/write-off	-	-	-
Reclassifications	-	-	(17,540)
At 31 March 2007	3,234	38,680	487,999
ACCUMULATED DEPRECIATION			
At 1 April 2005, restated	-	14,426	110,230
Depreciation for the year	-	1,288	19,168
Disposals	-	(1,402)	-
At 31 March 2006	-	14,312	129,398
Depreciation for the year	-	1,354	20,036
Disposals	-	-	-
Reclassifications	-	-	(1,114)
At 31 March 2007	-	15,666	148,320
CARRYING AMOUNT			
At 1 April 2005, restated	3,580	26,222	387,145
At 31 March 2006	3,234	24,368	373,527
At 31 March 2007	3,234	23,014	339,679

RENOVATIONS \$'000	COMPUTER HARDWARE \$'000	MACHINERY AND EQUIPMENT \$'000	FIXTURES, FITTINGS AND OFFICE EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PROJECT- IN-PROGRESS \$'000	TOTAL \$'000
12,432	35,193	74,509	9,112	272	2,722	675,843
-	6,111	6,892	1,112	-	342	20,007
-	(1,732)	(1,978)	(497)	-	-	(6,521)
-	-	-	-	-	(2,722)	(2,722)
12,432	39,572	79,423	9,727	272	342	686,607
1,189	3,327	3,663	531	-	996	12,320
-	(6,675)	(720)	(282)	-	-	(7,677)
223	132	17,538	(11)	-	(342)	-
13,844	36,356	99,904	9,965	272	996	691,250
9,362	25,686	46,291	5,403	160	-	211,558
1,670	5,582	6,903	1,048	33	-	35,692
-	(1,698)	(1,710)	(427)	-	-	(5,237)
11,032	29,570	51,484	6,024	193	-	242,013
758	5,547	8,523	927	33	-	37,178
-	(6,617)	(672)	(244)	-	-	(7,533)
-	47	1,067	-	-	-	-
11,790	28,547	60,402	6,707	226	-	271,658
3,070	9,507	28,218	3,709	112	2,722	464,285
1,400	10,002	27,939	3,703	79	342	444,594
2,054	7,809	39,502	3,258	46	996	419,592

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	VESTED LAND \$'000	BUILDINGS ON VESTED LAND \$'000	BUILDINGS ON LEASEHOLD LAND \$'000
INSTITUTE			
COST			
At 1 April 2005, restated	3,580	40,648	497,375
Additions	-	-	5,550
Disposals/write-off	(346)	(1,968)	-
Transfer to intangible assets (Note 7)	-	-	-
At 31 March 2006	3,234	38,680	502,925
Additions	-	-	2,614
Disposals/write-off	-	-	-
Reclassifications	-	-	(17,540)
At 31 March 2007	3,234	38,680	487,999
ACCUMULATED DEPRECIATION			
At 1 April 2005, restated	-	14,426	110,230
Depreciation for the year	-	1,288	19,168
Disposals	-	(1,402)	-
Reclassifications	-	-	-
At 31 March 2006	-	14,312	129,398
Depreciation for the year	-	1,354	20,036
Disposals	-	-	-
Reclassifications	-	-	(1,114)
At 31 March 2007	-	15,666	148,320
CARRYING AMOUNT			
At 1 April 2005, restated	3,580	26,222	387,145
At 31 March 2006	3,234	24,368	373,527
At 31 March 2007	3,234	23,014	339,679

RENOVATIONS \$'000	COMPUTER HARDWARE \$'000	MACHINERY AND EQUIPMENT \$'000	FIXTURES, FITTINGS AND OFFICE EQUIPMENT \$'000	MOTOR VEHICLES \$'000	PROJECT- IN-PROGRESS \$'000	TOTAL \$'000
12,432	35,174	74,503	9,111	272	2,722	675,817
-	6,088	6,889	1,104	-	342	19,973
-	(1,732)	(1,978)	(497)	-	-	(6,521)
-	-	-	-	-	(2,722)	(2,722)
12,432	39,530	79,414	9,718	272	342	686,547
1,189	3,144	3,512	464	-	996	11,919
-	(6,953)	(1,387)	(750)	-	-	(9,090)
223	132	17,538	(11)	-	(342)	-
13,844	35,853	99,077	9,421	272	996	689,376
9,362	25,682	46,290	5,403	160	-	211,553
1,670	5,575	6,903	1,046	33	-	35,683
-	(1,698)	(1,710)	(427)	-	-	(5,237)
-	1	(1)	-	-	-	-
11,032	29,560	51,482	6,022	193	-	241,999
758	5,511	8,494	910	33	-	37,096
-	(6,855)	(1,216)	(657)	-	-	(8,728)
-	47	1,067	-	-	-	-
11,790	28,263	59,827	6,275	226	-	270,367
3,070	9,492	28,213	3,708	112	2,722	464,264
1,400	9,970	27,932	3,696	79	342	444,548
2,054	7,590	39,250	3,146	46	996	419,009

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 PREPAID LEASES

	GROUP AND INSTITUTE	
	2007 \$'000	2006 \$'000
Amount brought forward at 1 April	88,446	92,538
Add: Lease expense charged for the year	(4,094)	(4,092)
At 31 March	84,352	88,446

7 INTANGIBLE ASSETS

	GROUP AND INSTITUTE	
	2007 \$'000	2006 \$'000
COST		
At 1 April	19,334	16,205
Additions	2,149	582
Disposals	(2)	(175)
Transfer from property, plant and equipment (Note 5)	-	2,722
At 31 March	21,481	19,334
ACCUMULATED AMORTISATION		
At 1 April	16,019	14,729
Amortisation charge for the year	2,082	1,454
Disposals	(2)	(164)
At 31 March	18,099	16,019
CARRYING AMOUNT		
At 1 April	3,315	1,476
At 31 March	3,382	3,315

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8 SUBSIDIARIES

	INSTITUTE	
	2007 \$'000	2006 \$'000
Investments in subsidiaries	*	*

* Amount less than \$1,000.

Details of subsidiaries are as follows:

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY HELD BY THE GROUP	
			2007 %	2006 %
# Northlight School †	Provision of integrated education	Singapore	100	-
* ITE Holding Pte Ltd †	Investment holding	Singapore	100	100
HELD BY A SUBSIDIARY				
ITE Education Services Pte Ltd †	Promotion of technical education in Asia Pacific region	Singapore	100	100

Incorporated on 13 October 2006 as a public company limited by guarantee.

* Cost of investment amounted to \$2.

† Audited by other audit firm.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9 OTHER FINANCIAL ASSETS

	GROUP AND INSTITUTE	
	2007 \$'000	2006 \$'000
NON-CURRENT ASSETS		
Funds with a fund manager		
- at fair value through income and expenditure	8,951	-
CURRENT ASSETS		
Funds with a fund manager		
- at fair value through income and expenditure	-	3,319
FUNDS WITH A FUND MANAGER COMPRISE:		
At fair value through income and expenditure		
- unit trusts	8,951	-
- quoted debt securities	-	2,401
- fixed deposits	-	918
	8,951	3,319

The funds placed with a professional fund manager are on a discretionary basis. Unit trusts and quoted debt securities are principally denominated in Singapore dollars.

10 TRADE AND OTHER RECEIVABLES

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade and other receivables	1,550	1,245	1,223	739
Allowance for doubtful receivables	(81)	(185)	(51)	(106)
	1,469	1,060	1,172	633
Prepayments	436	267	369	248
	1,905	1,327	1,541	881
Amounts due from subsidiaries:				
- Trade	-	-	96	30
- Non-trade	-	-	4	-
	1,905	1,327	1,641	911

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11 DEVELOPMENT GRANTS (RECEIVABLE)/RECEIVED IN ADVANCE

Movements in development grants (receivable)/received in advance:

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Development grants received in advance at 1 April	1,933	1,530	1,933	1,530
Grants received during the year	15,098	38,145	12,914	38,145
Grants refunded during the year	(393)	-	(393)	-
	16,638	39,675	14,454	39,675
Amounts transferred to deferred capital grants (Note 14)	(9,701)	(19,333)	(9,412)	(19,333)
Amounts taken to Income and Expenditure Statement for development expenditure #	(7,369)	(18,409)	(6,534)	(18,409)
	(17,070)	(37,742)	(15,946)	(37,742)
Development grants (receivable)/received in advance at 31 March (Net)	(432)	1,933	(1,492)	1,933

Net development grants (receivable)/received in advance are represented by the following:

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Development grants receivable	(1,492)	-	(1,492)	-
Development grants received in advance	1,060	1,933	-	1,933
Development grants (receivable)/received in advance at 31 March (Net)	(432)	1,933	(1,492)	1,933

These are grants from the ministries for financing of development projects.

The amount of development grant taken to the Income and Expenditure Statement is in relation to expenditure on assets which are not capitalised but charged to expense in the year of purchase.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12 CASH AND CASH EQUIVALENTS

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and bank balances	98,483	36,391	91,673	35,082
Deposits with financial institutions	67,837	88,515	66,293	87,011
	166,320	124,906	157,966	122,093

Deposits placed with financial institutions bear interest at rates ranging from 2.90% to 3.38% (2006: 0.35% to 3.31%) per annum.

13 TRADE AND OTHER PAYABLES

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables	197	5,522	75	5,230
Deposits received	31	36	31	36
Accrued operating expenses	7,732	7,868	7,619	7,851
Accrued development expenditure	4,801	6,401	4,781	6,401
Provision for unutilised compensated leave	3,537	3,466	3,443	3,466
GST payable	176	14	145	14
	16,474	23,307	16,094	22,998

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14 DEFERRED CAPITAL GRANTS

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 April	532,413	554,012	532,413	554,012
Add: Capital grants received for capital expenditure from				
- Operating grants (Note 21)	4,608	1,157	4,548	1,157
- Development grants (Note 11)	9,701	19,333	9,412	19,333
- Other grants	-	47	-	47
	14,309	20,537	13,960	20,537
Add: Recurrent project grants received but not utilised (Note 21)	19,342	-	19,342	-
Less: Amortisation charge for the year	(43,223)	(42,136)	(43,375)	(42,136)
At 31 March	522,841	532,413	522,340	532,413

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15 TRUST FUNDS

Technical Education Promotion Fund ("TEPF")

Technical Education Promotion Fund was granted the Institute of Public Character ("IPC") status with effect from 1 April 2003. Under this revision, tax-exempt receipts may be issued to donors under the Trust Fund.

The Technical Education Promotion Fund was established on 24 February 1993 through a Declaration of Trust made by the Institute. The objective of the Fund, which receives public and miscellaneous contributions, is to promote technical training by providing training equipment, facilities, curriculum, vocational guidance, publicity, staff development and any other necessary assistance to students.

ITE Education Fund ("ITEEF")

ITE Education Fund was granted the Institute of Public Character ("IPC") status with effect from 1 April 2003. Under this revision, tax-exempt receipts may be issued to donors under the Education Fund.

The ITE Education Fund was established on 1 April 1993 and is managed by the Institute. The objective of the Fund, which receives public and miscellaneous contributions, is to promote technical training by providing financial assistance and awards to ITE students, carrying out activities to generate greater public awareness and interest in technical education and any other activities or projects that are related to technical education or support national directives.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Other Trust Funds

Other trust funds comprise the following funds managed on behalf of other Statutory Boards:

NAME OF FUND	PURPOSE
Basic Education for Skills Training (BEST) Fund	Funded by the Skills Development Fund, this programme encourages companies to provide basic education to their staff by paying for the cost of setting up in-house training facilities and other related expenditure.
Worker Improvement Through Secondary Education (WISE) Fund	WISE - a post BEST programme funded by the Skills Development Fund - aims to provide working adults with a secondary school education leading to the General Certificate of Education (Normal).
Apprenticeship Programme Fund	This programme, which is funded by the Skills Development Fund, is used to reimburse the costs incurred by participating companies and organisations in engaging their employees under apprenticeship terms.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The excess of the funds' assets over liabilities is set out below:

	TEPF	
	2007	2006
	\$'000	\$'000
Balance as at 1 April	1,272	1,278
INCOME		
Grant income	-	-
Course fees	-	-
Interest income	11	4
Appreciation in value of funds with a fund manager	92	13
Donation	150	-
Other income	1	-
	254	17
EXPENDITURE		
Expenditure of manpower	-	-
Grants-in-aid	-	-
Property, plant and equipment written off	-	-
Student functions/scholarships	1	21
Promotions and ceremonies	26	-
Other expenditure	2	2
	29	23
Net surplus/(deficit) for the year	225	(6)
Transfer from ITE	-	-
Transfer to Statutory Board	-	-
Balance as at 31 March	1,497	1,272
Represented by:		
ASSETS		
Property, plant and equipment	6	8
Cash and cash equivalent	398	226
Other receivables	1	1
Other financial assets	1,092	1,037
	1,497	1,272
LIABILITIES		
Accruals and amount due to ITE	-	-
Deferred income	-	-
Grants received in advance	-	-
	-	-
NET ASSETS	1,497	1,272

The above breakdown of the income, expenditure, assets and liabilities of the trust funds have been prepared from the records of the trust funds and reflect only transactions handled by the Institute.

ITEEF		OTHER TRUST FUNDS		TOTAL	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
4,028	3,195	2,585	6,426	7,885	10,899
-	-	3,701	5,845	3,701	5,845
-	-	535	372	535	372
104	51	54	64	169	119
74	11	-	-	167	24
827	817	-	-	977	817
457	258	102	94	559	352
1,462	1,137	4,392	6,375	6,108	7,529
-	-	1,726	1,638	1,726	1,638
-	-	3,849	3,196	3,849	3,196
-	-	-	169	-	169
773	531	-	-	774	552
157	65	12	14	195	79
183	141	247	236	432	379
1,113	737	5,834	5,253	6,976	6,013
349	400	(1,442)	1,122	(868)	1,516
-	433	-	-	-	433
-	-	(14)	(4,963)	(14)	(4,963)
4,377	4,028	1,129	2,585	7,003	7,885
30	7	-	-	36	15
3,652	3,227	1,661	2,437	5,711	5,890
8	80	4	862	13	943
873	830	-	-	1,965	1,867
4,563	4,144	1,665	3,299	7,725	8,715
186	116	154	599	340	715
-	-	231	115	231	115
-	-	151	-	151	-
186	116	536	714	722	830
4,377	4,028	1,129	2,585	7,003	7,885

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16 INTEREST INCOME

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest received/receivable				
- Fixed deposits (placed with financial institution)	2,119	1,182	2,119	1,182
- Current account	785	533	702	521
	2,904	1,715	2,821	1,703

17 EXPENDITURE OF MANPOWER

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Wages, salaries, bonuses and allowance	158,955	147,460	156,124	146,087
Pension gratuities, retirement benefits, SDF and CPF contributions	17,772	19,067	17,628	19,002
Staff development and benefits	4,872	4,830	4,773	4,810
	181,599	171,357	178,525	169,899

18 GRANTS-IN-AID

Grants-in-aid comprise:

- Grants to the Assumption Vocational Institute, a Government-aided vocational institute, for actual expenditure on manpower, other operating expenditure and approved development projects;
- Grants used to reimburse the cost incurred by companies for conducting courses for their employees under BEST and WISE programmes; and
- Grants used to reimburse the costs incurred by companies under apprenticeship term.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19 OTHER EXPENDITURE

Included in other expenditure of the General Fund are the following:

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bad debts written off	107	147	121	147
Allowance for doubtful receivables	17	27	17	(51)
Consultancy services	437	239	373	239
Functions and entertainment	808	505	802	499
GST expenses	1,522	1,202	1,504	1,202
Overseas travelling	259	383	244	261
Publications and publicity materials	645	865	607	860
Rental of premises	218	98	26	98
Student benefits	2,815	2,706	2,742	2,706
Travelling and communications	691	712	657	688
Appreciation in value of funds with a fund manager	(751)	(43)	(751)	(43)
Gain on disposal of property, plant and equipment	(100)	(15)	(100)	(15)

20 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprise:

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term employee salaries and other benefits	2,027	1,825	1,889	1,825

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21 OPERATING GRANTS FROM MINISTRIES

	GROUP		INSTITUTE	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating grants received during the year	251,754	208,203	249,167	208,203
Operating grants transferred to deferred capital grants (Note 14)	(4,608)	(1,157)	(4,548)	(1,157)
Recurrent project grants transferred to deferred capital grants (Note 14)	(19,342)	-	(19,342)	-
Operating grants taken to Income and Expenditure Statements	227,804	207,046	225,277	207,046

22 INCOME TAX

	GROUP	
	2007 \$'000	2006 \$'000
CURRENT TAX EXPENSE		
Current year	234	279
Under provision in prior year	1	10
	235	289
DEFERRED TAX EXPENSE		
Movements in temporary differences	3	7
	238	296
RECONCILIATION OF EFFECTIVE TAX RATE		
Surplus before income taxes	32,169	23,197
Tax calculated using Singapore tax rate of 18% (2006: 20%)	5,791	4,639
Income not subject to tax	(52,932)	(56,923)
Expenses not deductible for tax purposes	47,379	52,570
Others	-	10
	238	296

The Institute does not pay tax for the financial year ended 31 March 2007. The income tax expense relates to income tax of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23 PRIOR YEAR ADJUSTMENT

In previous years, the Group and the Institute accounted for the net assets of certain funds which are administered on behalf of other Statutory Boards as equity. During the financial year, the Group and the Institute aligned its accounting for the assets and liabilities of these funds to the basis disclosed in Note 2.4 as these funds are held in trust for other Statutory Boards. This change in classification has been adopted retrospectively. The prior year adjustment has been accounted for by restating the comparatives in the balance sheets and income and expenditure statements and decreasing the opening balance of accumulated surplus of the Group and the Institute by \$6,425,000 and \$2,585,000 as at 1 April 2005 and 1 April 2006, respectively.

The effect on balance sheets of the Group and Institute as at 31 March 2006 is as follows:

	GROUP		INSTITUTE	
	(restated) \$'000	(as previously stated) \$'000	(restated) \$'000	(as previously stated) \$'000
BALANCE SHEET				
Accumulated surplus	99,299	101,884	96,876	99,461
Trade and other receivables	1,327	2,189	911	1,773
Cash and cash equivalent	124,906	127,343	122,093	124,530
Trade and other payables	23,307	23,906	22,998	23,597
Deferred income	2,713	2,828	2,462	2,577
Trust fund's net assets	7,885	5,300	7,885	5,300

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The effect on income and expenditure statement of the Group and Institute for the year ended 31 March 2006 is as follows:

	GROUP		INSTITUTE			
	(restated) \$'000	(as previously stated) \$'000	OTHER FUNDS	TOTAL	OTHER FUNDS	TOTAL
			(restated) \$'000	(restated) \$'000	(as previously stated) \$'000	(as previously stated) \$'000
INCOME						
Course fees	13,031	13,387	1,642	10,732	1,999	11,089
Examination fees	3,327	3,342	1,311	1,885	1,326	1,900
Interest income	1,715	1,813	206	1,703	304	1,801
Other income	2,829	2,890	1,820	2,635	1,880	2,695
OPERATING EXPENDITURE						
Expenditure of manpower	171,357	172,995	1,371	169,899	3,009	171,537
Property, plant and equipment written off	949	1,068	18	949	187	1,068
Repair and maintenance	7,560	7,580	183	7,560	203	7,580
Public utilities	6,535	6,580	203	6,535	248	6,580
Grants-in-aid	2,729	5,925	15	2,729	3,211	5,925
Supplies and materials	5,180	5,284	648	4,789	701	4,892
Other expenditure	11,409	11,539	2,786	10,795	2,917	10,926
GRANTS FROM MINISTRIES						
Operating grants	207,046	212,891	2,243	207,046	8,088	212,891

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24 CAPITAL COMMITMENTS

Capital expenditure approved by the Institute's Management but not provided for in the financial statements:

	GROUP AND INSTITUTE	
	2007	2006
	\$'000	\$'000
Capital commitments		
- approved and contracted for	-	2,681

25 RETIREMENT BENEFITS

The number of pensioners of the Institute currently under the pension scheme whereby they receive a fixed monthly income upon retirement amounted to 71 (2006: 70) for the financial year ended 31 March 2007. A portion of this monthly income is borne by the Institute. The pension amount to be paid to each employee upon retirement under this scheme is dependent on, among other factors, the number of years of service in civil service and the last drawn salary. There is no accrual of pension costs made by the Institute as it will be fully funded by the Ministry of Education via operating grants in the financial year in which the actual pension costs are to be disbursed.

26 FINANCIAL INSTRUMENTS

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

Credit risk

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

The Group has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

Surplus funds from the Group's operations are invested in bank deposits. The Group's exposure to interest rate risk relates primarily to the fixed deposits placed with financial institutions.

Estimation of fair values

Investments

The fair value of financial assets at fair value through income and expenditure is determined by reference to their quoted bid prices at the reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 40 *Investment Property*
- FRS 107 *Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures*
- FRS 108 *Operating Segments*
- INT FRS 108 *Scope of FRS 102 Share-based Payment*
- INT FRS 109 *Reassessment of Embedded Derivatives*
- INT FRS 110 *Interim Financial Reporting and Impairment*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 107 and amended FRS 1 will require extensive additional disclosures with respect to the Group's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

The initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.