

financial REVIEW

Statement by Board of Governors

In our opinion:

- a) the financial statements of Institute of Technical Education (the "Institute") and its subsidiaries (the "Group") set out on pages 54 to 96 are drawn up so as to present fairly, in all material respects, the state of affairs of the Group and of the Institute as at 31 March 2008 and the income and expenditure, changes in funds and reserves and cash flows of the Group and the income and expenditure and changes in funds and reserves of the Institute for the year ended on that date in accordance with the provisions of the Institute of Technical Education Act, Chapter 141A (the "Act") and Statutory Board Financial Reporting Standards; and
- b) at the date of this statement, there are reasonable grounds to believe that the Institute will be able to pay its debts as and when they fall due.

The Board of Governors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board



Mr Bruce Poh Geok Huat
Director and CEO

15 July 2008



Mr Bob Tan Beng Hai
Chairman

15 July 2008

Independent Auditors' Report

Members of the Board of Governors
Institute of Technical Education

We have audited the financial statements of the 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 2008, the income and expenditure statement, statement of changes in funds and reserves and cash flow statement of the Group, and the income and expenditure statement and statement of changes in funds and reserves of the Institute for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 96.

Management's responsibility for the financial statements

The Institute's management is 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 Statutory Board Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 management, 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.

Opinion

In our opinion:

- (a) 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 Statutory Board Financial Reporting Standards and on such basis present fairly, in all material respects, the state of affairs of the Group and of the Institute as at 31 March 2008 and the income and expenditure, changes in funds and reserves and cash flows of the Group and the income and expenditure and changes in funds and reserves of the Institute 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.

Report on other legal and regulatory requirements

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
Public Accountants and
Certified Public Accountants
Singapore

15 July 2008

Balance Sheets

As at 31 March 2008

	Note	Group		Institute	
		2008 \$'000	2007 (restated) \$'000	2008 \$'000	2007 (restated) \$'000
Capital account	3	5,950	5,950	5,950	5,950
Accumulated surplus	4	147,345	128,140	140,350	123,560
		153,295	134,090	146,300	129,510
Funds managed on behalf of others	16	8,995	7,003	8,995	7,003
Funds' net assets managed on behalf of others	16	(8,995)	(7,003)	(8,995)	(7,003)
		-	-	-	-
Total capital and other funds		153,295	134,090	146,300	129,510
Non-current assets					
Property, plant and equipment	5	393,356	419,592	392,670	419,009
Prepaid leases	6	134,017	84,352	134,017	84,352
Intangible assets	7	1,726	3,382	1,617	3,382
Subsidiaries	8	-	-	*	*
Other financial assets	9	8,759	8,951	8,759	8,951
Deferred tax assets		65	-	-	-
		537,923	516,277	537,063	515,694

* Amount less than \$1,000.

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

	Note	Group		Institute	
		2008 \$'000	2007 (restated) \$'000	2008 \$'000	2007 (restated) \$'000
Current assets					
Trade and other receivables	10	2,679	1,905	2,181	1,641
Development grants receivable	11	2,097	1,492	2,097	1,492
Operating grants receivable		47,274	-	47,274	-
Cash and cash equivalents	12	153,930	166,320	145,194	157,966
		205,980	169,717	196,746	161,099
Current liabilities					
Trade and other payables	13	20,665	16,877	20,193	16,497
Deferred income		3,229	3,108	2,903	2,612
Development grants received in advance	11	186	1,060	-	-
Operating grants received in advance		4,732	5,038	3,353	3,147
Current tax payable		38	283	-	-
		28,850	26,366	26,449	22,256
Net current assets		177,130	143,351	170,297	138,843
Non-current liabilities					
Deferred capital grants	14	559,193	522,841	558,495	522,340
Provision for retirement benefits	15	2,565	2,687	2,565	2,687
Deferred tax liabilities		-	10	-	-
		561,758	525,538	561,060	525,027
Net assets		153,295	134,090	146,300	129,510

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

Consolidated Income and Expenditure Statement

Year ended 31 March 2008

Group	Note
Income	
Course fees	
Examination fees	
Donations	
Liquidated damages	
Interest income	17
Other income	
Other grants	
Operating expenditure	
Manpower costs	18
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	
Repair and maintenance	
Public utilities	
Grants-in-aid	19
Supplies and materials	
Other expenditure	20
(Deficit)/Surplus before government grants	
Government grants	
Operating grants	22
Development grants	11
Deferred capital grants amortised	14
Surplus after government grants	
Income tax credit/(expense)	23
Net surplus for the year	

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

	General fund		Other funds		Total	
	2008	2007 (restated)	2008	2007	2008	2007 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Course fees	8,979	9,003	5,354	5,723	14,333	14,726
Examination fees	512	556	1,127	1,202	1,639	1,758
Donations	2	16	310	129	312	145
Liquidated damages	53	31	-	1	53	32
Interest income	2,222	2,421	487	483	2,709	2,904
Other income	778	1,205	2,043	2,309	2,821	3,514
Other grants	24	-	267	253	291	253
	12,570	13,232	9,588	10,100	22,158	23,332
Manpower costs	200,649	177,747	3,894	2,890	204,543	180,637
Depreciation of property, plant and equipment	36,161	36,930	202	248	36,363	37,178
Prepaid lease expenses charged to income and expenditure	5,946	4,094	-	-	5,946	4,094
Amortisation of intangible assets	2,147	2,070	15	12	2,162	2,082
Property, plant and equipment and intangible assets written off	181	130	14	14	195	144
Repair and maintenance	8,620	8,103	161	231	8,781	8,334
Public utilities	7,165	6,429	185	279	7,350	6,708
Grants-in-aid	3,402	2,763	5	55	3,407	2,818
Supplies and materials	9,357	8,851	851	1,351	10,208	10,202
Other expenditure	15,967	12,435	5,488	3,733	21,455	16,168
	289,595	259,552	10,815	8,813	300,410	268,365
(Deficit)/Surplus before government grants	(277,025)	(246,320)	(1,227)	1,287	(278,252)	(245,033)
Government grants						
Operating grants	243,160	225,282	3,158	2,522	246,318	227,804
Development grants	6,629	7,369	-	-	6,629	7,369
Deferred capital grants amortised	44,435	43,223	-	-	44,435	43,223
Surplus after government grants	17,199	29,554	1,931	3,809	19,130	33,363
Income tax credit/(expense)	-	-	75	(238)	75	(238)
Net surplus for the year	17,199	29,554	2,006	3,571	19,205	33,125

Income and Expenditure Statement

Year ended 31 March 2008

Institute	Note
Income	
Course fees	
Examination fees	
Donations	
Liquidated damages	
Interest income	17
Other income	
Other grants	
Operating expenditure	
Manpower costs	18
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	
Repair and maintenance	
Public utilities	
Grants-in-aid	19
Supplies and materials	
Other expenditure	20
Deficit before government grants	
Government grants	
Operating grants	22
Development grants	11
Deferred capital grants amortised	14
Surplus after government grants	
Income tax	23
Net surplus for the year	

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

	General fund		Other funds		Total	
	2008	2007 (restated)	2008	2007	2008	2007 (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	8,932	8,990	2,453	1,637	11,385	10,627
	510	556	872	1,212	1,382	1,768
	-	16	107	81	107	97
	53	31	-	1	53	32
	2,222	2,399	415	422	2,637	2,821
	833	1,216	1,211	2,098	2,044	3,314
	1	-	265	219	266	219
	12,551	13,208	5,323	5,670	17,874	18,878
	194,178	176,514	2,163	1,048	196,341	177,562
	35,973	36,864	171	232	36,144	37,096
	5,946	4,094	-	-	5,946	4,094
	2,111	2,070	15	12	2,126	2,082
	180	348	8	14	188	362
	8,151	7,933	156	226	8,307	8,159
	6,990	6,384	184	279	7,174	6,663
	3,402	2,763	5	176	3,407	2,939
	8,403	8,064	648	737	9,051	8,801
	15,062	12,058	3,872	3,280	18,934	15,338
	280,396	257,092	7,222	6,004	287,618	263,096
	(267,845)	(243,884)	(1,899)	(334)	(269,744)	(244,218)
	233,773	222,792	2,993	2,485	236,766	225,277
	5,558	6,534	-	-	5,558	6,534
	44,210	43,375	-	-	44,210	43,375
	15,696	28,817	1,094	2,151	16,790	30,968
	-	-	-	-	-	-
	15,696	28,817	1,094	2,151	16,790	30,968

Statements of Changes in Funds and Reserves

Year ended 31 March 2008

	Capital account \$'000	Accumulated surplus \$'000	Total \$'000
Group			
At 31 March 2006, as previously stated	5,950	99,299	105,249
Effect of prior year adjustment (Note 26)	-	(4,284)	(4,284)
At 1 April 2006, restated	5,950	95,015	100,965
Surplus for the year, representing total recognised income and expenditure for the year	-	33,125	33,125
At 31 March 2007, restated	5,950	128,140	134,090
At 31 March 2007, as previously stated	5,950	131,230	137,180
Effect of prior year adjustment (Note 26)	-	(3,090)	(3,090)
At 1 April 2007, restated	5,950	128,140	134,090
Surplus for the year, representing total recognised income and expenditure for the year	-	19,205	19,205
At 31 March 2008, restated	5,950	147,345	153,295
Institute			
At 31 March 2006, as previously stated	5,950	96,876	102,826
Effect of prior year adjustment (Note 26)	-	(4,284)	(4,284)
At 1 April 2006, restated	5,950	92,592	98,542
Surplus for the year, representing total recognised income and expenditure for the year	-	30,968	30,968
At 31 March 2007, restated	5,950	123,560	129,510
At 31 March 2007, as previously stated	5,950	126,650	132,600
Effect of prior year adjustment (Note 26)	-	(3,090)	(3,090)
At 1 April 2007, restated	5,950	123,560	129,510
Surplus for the year, representing total recognised income and expenditure for the year	-	16,790	16,790
At 31 March 2008, restated	5,950	140,350	146,300

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

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Note	2008 \$'000	Group 2007 (restated) \$'000
Operating activities			
Deficit before government grants and income tax		(278,252)	(245,033)
Adjustments for:			
Depreciation of property, plant and equipment		36,363	37,178
Amortisation of intangible assets		2,162	2,082
Prepaid lease expenses charged to income and expenditure		5,946	4,094
Property, plant and equipment written off		188	144
Intangible assets written off		7	-
Depreciation/(Appreciation) in value of funds with a fund manager		192	(751)
Provision for retirement benefits		306	239
Gain on disposal of property, plant and equipment		(92)	(100)
Interest income		(2,709)	(2,904)
Deficit before working capital changes		(235,889)	(205,051)
Trade and other payables and deferred income		3,893	(6,438)
Trade and other receivables		(774)	(578)
Cash used in operations		(232,770)	(212,067)
Retirement benefits paid		(412)	(1,433)
Income tax paid		(245)	(237)
Cash flows from operating activities		(233,427)	(213,737)
Investing activities			
Purchase of property, plant and equipment		(10,315)	(12,320)
Purchase of intangible assets		(513)	(2,149)
Payment for prepaid lease		(55,611)	-
Proceeds from sale of property, plant and equipment		92	100
Proceeds from liquidation of funds with a fund manager		-	3,319
Investment in funds with a fund manager		-	(8,200)
Interest received		2,709	2,904
Cash flows from investing activities		(63,638)	(16,346)
Financing activities			
Development grants received from Government	11	65,382	15,098
Operating grants received from Government	22	218,285	251,754
Operating grants received in advance		1,647	5,038
Development grants refunded to Government	11	(639)	(393)
Cash flows from financing activities		284,675	271,497
Net (decrease)/increase in cash and cash equivalents		(12,390)	41,414
Cash and cash equivalents at beginning of the year		166,320	124,906
Cash and cash equivalents at end of the year	12	153,930	166,320

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 15 July 2008.

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 principal activities of the subsidiaries are set out in Note 8.

The consolidated financial statements for the financial year ended 31 March 2008 relate to the Institute and its subsidiaries (together referred to as the “Group”).

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Institute of Technical Education Act, Chapter 141A and Statutory Board Financial Reporting Standards (“SB-FRS”). SB-FRS include Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General.

The financial statements were previously prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The effect of the transition from FRS to SB-FRS is set out in Note 16 to the financial statements.

The adoption of SB-FRS did not give rise to any adjustments in relation to the Group’s and Institute’s opening accumulated surpluses or current year’s surpluses. Certain prior period disclosures, as explained in Note 16, have been restated to conform with current year’s presentation. Apart from this, there was no other impact on the financial statements in relation to the basis of preparation of the Group’s and Institute’s financial statements.

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 in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affect the application of accounting 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 estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is as follows:

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year is discussed below:

Depreciation and impairment of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

Provision for retirement benefits

Pension expense is determined using certain estimates and assumptions relating to the discount rate used in valuing the defined benefit obligation and future expectations such as mortality and discount rate. These estimates and assumptions directly influence the amount of the pension expense recognised in the financial statements.

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 presently exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Notes to the Financial Statements (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, 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.

2.3 Foreign currencies

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

Foreign currency differences arising on retranslation are recognised in the income and expenditure statement.

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.

Funds managed on behalf of others

Funds are set up to account for contributions received from external sources for specific purposes.

The assets and liabilities of trust funds are presented as a line item under the capital and other funds section on the face of the balance sheet of the financial statements. Income and expenditure relating to trust funds are accounted for directly in the funds as detailed in Note 16 to the financial statements.

2.5 Grants

Government grants and contributions from other organisations are recognised at their fair value where there is reasonable assurance that the grant will be received and all required conditions will be complied with.

Government grants related to assets in which the Institute has discretionary management power are taken directly to the deferred capital grants account, or to the income and expenditure statement for assets which are written off in the year of purchase.

Other government grants 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 upon receipt. They are transferred 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 written off in the year of purchase. Donations of depreciable assets are taken directly to the deferred capital grants account upon receipt.

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 or donated 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.

Government grants to meet the current year's operating expenses are recognised as income in the same year these operating expenses were incurred. Government grants are accounted for on an accrual basis.

2.6 Property, plant and equipment

Property, plant and equipment, other than those donated, are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Donated assets are stated at valuation at initial recognition.

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

Notes to the Financial Statements (cont'd)

Buildings on vested land	27 to 30 years
Buildings on leasehold land	21 to 28 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

Vested land is not depreciated.

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.

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, which have finite useful lives and are measured at cost less accumulated amortisation and impairment losses. The initial costs of acquiring the computer software are capitalised and amortised on a straight line basis over 3 years, from the date on which they are available for use.

2.8 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other financial assets, trade and other receivables, development grants receivable, operating grants receivable, 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 as described below.

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. Regular way purchases and sales of financial assets are accounted for at trade date i.e., the date that the Group commits itself to purchase or sell the assets. 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.

Financial assets at fair value through income and expenditure

The Group's instruments in unit trusts managed by professional fund managers are classified as "financial assets at fair value through income and expenditure". Financial assets are designated as fair value through income and expenditure as the fund managers manage such investments based on their fair value in accordance with the Group's documented investment strategies.

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.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

Impairment losses are recognised in the income and expenditure 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 and expenditure 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 to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income and expenditure statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first 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.

Defined benefit plans

Certain officers of the Institute are entitled to benefits under the provisions of the Pension Act, Chapter 225 in respect of their services with the Institute.

The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine the present value. The discount rate is the yield at the balance sheet date on Singapore government bonds that have maturity dates approximating the terms of the Group's obligations.

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.

2.11 Income recognition

Course fees

Tuition and other fees are recognised on a time apportionment basis, over the period of the academic year.

Donations

Cash donations are recognised upon receipt.

Interest income

Interest income from banks is recognised as it accrues, using the effective interest method.

Other income

Rental of premises and other income are recognised on an accrual basis.

2.12 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases 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 relating to the payment.

2.13 Income tax

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

Notes to the Financial Statements (cont'd)

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 temporary differences arising from 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 by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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) 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	
	2008 \$'000	2007 \$'000
At 1 April	5,950	5,950
At 31 March	5,950	5,950

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
ITE's Fund	Conducting industry projects, short and continuing education courses for the purpose of developing and enhancing staff and students' capability, and supporting the mission and vision of the Institute.
Training Programme Fund	Funding of relevant programmes and activities in training initiatives.
Supplementary Fee Fund	Promoting student welfare activities from supplementary fees collected.
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.
Workforce Skills Qualifications Programmes Fund	Funded by the Singapore Workforce Development Agency of relevant programmes to facilitate adult learning, make skills upgrading more accessible to the workforce and provide career progression pathways for the workforce.
Opportunity Fund	One-off grant paid by the Government to level up co-curricular development opportunities for Singapore citizens from lower income households.
Miscellaneous Funds	Set up for specific purposes relating to the Institute's operations.

Notes to the Financial Statements (cont'd)

4 Accumulated surplus (cont'd)

2008 Institute	ITE's Fund \$'000	Training Programme Fund \$'000
Income		
Course fees	2,415	-
Examination fees	872	-
Donations	-	-
Liquidated damages	-	-
Interest income	173	85
Other income	660	(94)
Other grants	-	-
	4,120	(9)
Operating expenditure		
Manpower costs	1,400	510
Depreciation of property, plant and equipment	59	31
Amortisation of intangible assets	1	14
Property, plant and equipment and intangible assets written off	3	2
Repair and maintenance	114	-
Public utilities	157	-
Grants-in-aid	5	-
Supplies and materials	278	35
Other expenditure	507	14
	2,524	606
Surplus/(Deficit) before government grants	1,596	(615)
Government grants		
Operating grants	(26)	-
Surplus/(Deficit) after government grants	1,570	(615)
Income tax	-	-
Net surplus/(deficit) for the year	1,570	(615)
Accumulated surplus at 1 April	8,393	7,311
Transfer	(717)	717
Accumulated surplus at 31 March	9,246	7,413

Supplementary Fee Fund \$'000	Edusave Fund \$'000	Workforce Skills Qualifications Programmes Fund \$000	Opportunity Fund and Miscellaneous Funds \$'000	Total \$'000
-	-	38	-	2,453
-	-	-	-	872
-	107	-	-	107
-	-	-	-	-
38	48	8	63	415
570	74	1	-	1,211
-	-	-	265	265
608	229	47	328	5,323
-	-	253	-	2,163
6	72	-	3	171
-	-	-	-	15
1	2	-	-	8
8	22	12	-	156
-	-	27	-	184
-	-	-	-	5
3	148	44	140	648
598	2,297	278	178	3,872
616	2,541	614	321	7,222
(8)	(2,312)	(567)	7	(1,899)
-	2,354	602	63	2,993
(8)	42	35	70	1,094
-	-	-	-	-
(8)	42	35	70	1,094
1,900	3,712	-	-	21,316
-	-	-	-	-
1,892	3,754	35	70	22,410

Notes to the Financial Statements (cont'd)

4 Accumulated surplus (cont'd)

2007 Institute	ITE's Fund \$'000
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	
Manpower costs	1,046
Depreciation of property, plant and equipment	88
Amortisation of intangible assets	1
Property, plant and equipment and intangible assets written off	3
Repair and maintenance	166
Public utilities	279
Grants-in-aid	92
Supplies and materials	364
Other expenditure/(income)	366
	2,405
Surplus/(Deficit) before government grants	1,769
Government grants	
Operating grants	106
Surplus/(Deficit) after government grants	1,875
Income tax	-
Net surplus/(deficit) for the year	1,875
Accumulated surplus at 1 April	6,518
Accumulated surplus at 31 March	8,393

Training Programme Fund \$'000	Supplementary Fee Fund \$'000	Edusave Fund \$'000	Opportunity Fund and Miscellaneous Funds \$'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
6,931	1,898	3,700	118	19,165
7,311	1,900	3,712	-	21,316

Notes to the Financial Statements (cont'd)

5 Property, plant and equipment

Group	Vested land \$'000	Buildings on vested land \$'000	Buildings on leasehold land \$'000	Renovations \$'000
Cost				
At 1 April 2006	3,234	38,680	502,925	12,432
Additions	-	-	2,614	1,189
Disposals/write-off	-	-	-	-
Reclassifications	-	-	(17,540)	223
At 31 March 2007	3,234	38,680	487,999	13,844
Additions	-	-	-	527
Disposals/write-off	-	-	-	-
Reclassifications	-	-	692	-
At 31 March 2008	3,234	38,680	488,691	14,371
Accumulated depreciation				
At 1 April 2006	-	14,312	129,398	11,032
Depreciation for the year	-	1,354	20,036	758
Disposals/write-off	-	-	-	-
Reclassifications	-	-	(1,114)	-
At 31 March 2007	-	15,666	148,320	11,790
Depreciation for the year	-	1,354	20,048	1,004
Disposals/write-off	-	-	-	-
Reclassifications	-	-	-	-
At 31 March 2008	-	17,020	168,368	12,794
Carrying amount				
At 1 April 2006	3,234	24,368	373,527	1,400
At 31 March 2007	3,234	23,014	339,679	2,054
At 31 March 2008	3,234	21,660	320,323	1,577

Computer hardware \$'000	Machinery and equipment \$'000	Fixtures, fittings and office equipment \$'000	Motor vehicles \$'000	Project-in-progress \$'000	Total \$'000
39,572	79,423	9,727	272	342	686,607
3,327	3,663	531	-	996	12,320
(6,675)	(720)	(282)	-	-	(7,677)
132	17,538	(11)	-	(342)	-
36,356	99,904	9,965	272	996	691,250
3,086	4,218	574	123	1,787	10,315
(2,849)	(2,401)	(206)	(222)	-	(5,678)
4	-	(4)	-	(692)	-
36,597	101,721	10,329	173	2,091	695,887
29,570	51,484	6,024	193	-	242,013
5,547	8,523	927	33	-	37,178
(6,617)	(672)	(244)	-	-	(7,533)
47	1,067	-	-	-	-
28,547	60,402	6,707	226	-	271,658
4,550	8,518	864	25	-	36,363
(2,835)	(2,258)	(195)	(202)	-	(5,490)
-	-	-	-	-	-
30,262	66,662	7,376	49	-	302,531
10,002	27,939	3,703	79	342	444,594
7,809	39,502	3,258	46	996	419,592
6,335	35,059	2,953	124	2,091	393,356

Notes to the Financial Statements (cont'd)

5 Property, plant and equipment (cont'd)

Institute	Vested land \$'000	Buildings on vested land \$'000	Buildings on leasehold land \$'000	Renovations \$'000
Cost				
At 1 April 2006	3,234	38,680	502,925	12,432
Additions	-	-	2,614	1,189
Disposals/write-off	-	-	-	-
Reclassifications	-	-	(17,540)	223
At 31 March 2007	3,234	38,680	487,999	13,844
Additions	-	-	-	527
Disposals/write-off	-	-	-	-
Reclassifications	-	-	692	-
At 31 March 2008	3,234	38,680	488,691	14,371
Accumulated depreciation				
At 1 April 2006	-	14,312	129,398	11,032
Depreciation for the year	-	1,354	20,036	758
Disposals/write-off	-	-	-	-
Reclassifications	-	-	(1,114)	-
At 31 March 2007	-	15,666	148,320	11,790
Depreciation for the year	-	1,354	20,048	1,004
Disposals/write-off	-	-	-	-
Reclassifications	-	-	-	-
At 31 March 2008	-	17,020	168,368	12,794
Carrying amount				
At 1 April 2006	3,234	24,368	373,527	1,400
At 31 March 2007	3,234	23,014	339,679	2,054
At 31 March 2008	3,234	21,660	320,323	1,577

Computer hardware \$'000	Machinery and equipment \$'000	Fixtures, fittings and office equipment \$'000	Motor vehicles \$'000	Project-in- progress \$'000	Total \$'000
39,530	79,414	9,718	272	342	686,547
3,144	3,512	464	-	996	11,919
(6,953)	(1,387)	(750)	-	-	(9,090)
132	17,538	(11)	-	(342)	-
35,853	99,077	9,421	272	996	689,376
3,025	4,028	496	123	1,787	9,986
(2,845)	(2,398)	(202)	(222)	-	(5,667)
4	-	(4)	-	(692)	-
36,037	100,707	9,711	173	2,091	693,695
29,560	51,482	6,022	193	-	241,999
5,511	8,494	910	33	-	37,096
(6,855)	(1,216)	(657)	-	-	(8,728)
47	1,067	-	-	-	-
28,263	59,827	6,275	226	-	270,367
4,459	8,436	818	25	-	36,144
(2,834)	(2,256)	(194)	(202)	-	(5,486)
-	-	-	-	-	-
29,888	66,007	6,899	49	-	301,025
9,970	27,932	3,696	79	342	444,548
7,590	39,250	3,146	46	996	419,009
6,149	34,700	2,812	124	2,091	392,670

Notes to the Financial Statements (cont'd)

6 Prepaid leases

	Group and Institute	
	2008	2007
	\$'000	\$'000
At 1 April	84,352	88,446
Lease payment	55,611	-
Lease expense charged for the year	(5,946)	(4,094)
At 31 March	134,017	84,352

7 Intangible assets

	Group		Institute	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 April	21,481	19,334	21,481	19,334
Additions	513	2,149	368	2,149
Disposals	(13)	(2)	(13)	(2)
At 31 March	21,981	21,481	21,836	21,481
Accumulated amortisation				
At 1 April	18,099	16,019	18,099	16,019
Amortisation charge for the year	2,162	2,082	2,126	2,082
Disposals	(6)	(2)	(6)	(2)
At 31 March	20,255	18,099	20,219	18,099
Carrying amount				
At 1 April	3,382	3,315	3,382	3,315
At 31 March	1,726	3,382	1,617	3,382

8 Subsidiaries

	Institute	
	2008	2007
	\$'000	\$'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	
			2008	2007
			%	%
# Northlight School	Provision of integrated education	Singapore	100	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.

9 Other financial assets

	Group and Institute	
	2008	2007
	\$'000	\$'000
Funds with a fund manager comprise:		
- Unit trusts at fair value through income and expenditure	8,759	8,951

Funds are placed with a fund manager to invest in unit trusts managed by the fund manager. The fund manager has the discretionary power and authority to manage the funds for a term of three years from 23 June 2006 in accordance with the agreed investment guidelines.

The unit trusts are principally denominated in Singapore dollars.

Notes to the Financial Statements (cont'd)

The following income and expenditure were derived from the unit trusts managed by the fund manager:

	Group and Institute	
	2008 \$'000	2007 \$'000
Income		
Dividend income	203	196
Interest income	-	8
Unit trust rebates	72	49
	<u>275</u>	<u>253</u>
Expenditure		
Investment (loss)/gain from funds with a fund manager	(467)	498
(Depreciation)/Appreciation in value of funds with a fund manager	(192)	751

10 Trade and other receivables

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade and other receivables	1,955	1,550	1,333	1,223
Allowance for impairment of receivables	(45)	(81)	(40)	(51)
	<u>1,910</u>	<u>1,469</u>	<u>1,293</u>	<u>1,172</u>
Prepayments	769	436	749	369
	<u>2,679</u>	<u>1,905</u>	<u>2,042</u>	<u>1,541</u>
Amounts due from subsidiaries:				
- Trade	-	-	134	96
- Non-trade	-	-	5	4
	<u>2,679</u>	<u>1,905</u>	<u>2,181</u>	<u>1,641</u>

The non-trade amount due from a subsidiary is unsecured, interest-free and repayable on demand.

The movement in allowance for impairment of receivables during the year is as follows:

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 April	81	185	51	106
Allowance (written back)/made	(14)	3	-	17
Allowance utilised	(22)	(107)	(11)	(72)
At 31 March	<u>45</u>	<u>81</u>	<u>40</u>	<u>51</u>

There is no allowance for impairment of receivables arising from the outstanding balances due from the subsidiaries.

11 Development grants (receivable)/received in advance

The movements in development grants (receivable)/received in advance are as follows:

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Development grants (receivable)/received in advance at 1 April	(432)	1,933	(1,492)	1,933
Grants received during the year	65,382	15,098	64,763	12,914
Grants refunded during the year	(639)	(393)	(639)	(393)
	<u>64,311</u>	<u>16,638</u>	<u>62,632</u>	<u>14,454</u>
Amounts transferred to deferred capital grants (Note 14)	(59,593)	(9,701)	(59,171)	(9,412)
Amounts taken to income and expenditure statement	(6,629)	(7,369)	(5,558)	(6,534)
	<u>(66,222)</u>	<u>(17,070)</u>	<u>(64,729)</u>	<u>(15,946)</u>
Development grants (receivable)/received in advance at 31 March (net)	<u>(1,911)</u>	<u>(432)</u>	<u>(2,097)</u>	<u>(1,492)</u>

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

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Development grants receivable	(2,097)	(1,492)	(2,097)	(1,492)
Development grants received in advance	186	1,060	-	-
Development grants (receivable)/ received in advance at 31 March (net)	<u>(1,911)</u>	<u>(432)</u>	<u>(2,097)</u>	<u>(1,492)</u>

These are government grants for financing of development projects.

12 Cash and cash equivalents

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash at bank	28,698	98,483	23,310	91,673
Fixed deposits	125,232	67,837	121,884	66,293
	<u>153,930</u>	<u>166,320</u>	<u>145,194</u>	<u>157,966</u>

Deposits placed with financial institutions bear interest at rates ranging from 0.90% to 3.22% (2007: 2.90% to 3.38%) per annum.

Notes to the Financial Statements (cont'd)

13 Trade and other payables

	Group		Institute	
	2008	2007 (restated)	2008	2007 (restated)
	\$'000	\$'000	\$'000	\$'000
Trade payables	571	197	400	75
Deposits received	22	31	22	31
Accrued operating expenses	12,108	7,732	11,939	7,619
Accrued development expenditure	3,663	4,801	3,660	4,781
Provision for unutilised compensated leave	3,674	3,537	3,575	3,443
Provision for retirement benefits (Note 15)	419	403	419	403
GST payable	208	176	163	145
Amount due to subsidiary (trade)	-	-	15	-
	20,665	16,877	20,193	16,497

14 Deferred capital grants

	Group		Institute	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 April	522,841	532,413	522,340	532,413
Add: Grants utilised for capital expenditure				
- Operating grants (Note 22)	6,726	4,608	6,726	4,548
- Development grants (Note 11)	59,593	9,701	59,171	9,412
	66,319	14,309	65,897	13,960
Add: IT and F&E grants unutilised (Note 22)	14,468	19,342	14,468	19,342
Less: Amortisation charge for the year	(44,435)	(43,223)	(44,210)	(43,375)
At 31 March	559,193	522,841	558,495	522,340
Represented by:				
Grants utilised	525,383	503,499	524,685	502,998
Grants unutilised	33,810	19,342	33,810	19,342
	559,193	522,841	558,495	522,340

15 Provision for retirement benefits

Certain officers of the Institute were, at one time, transferred from the service of the Government. These officers are entitled to benefits in respect of their services with the Government and the Institute, inter-alia, on the same terms as regards pension, gratuity and allowance as those provided to Government employees under the provisions of the Pension Act, Chapter 225.

In practice, payments of the benefits to the officers are made by the Government. However, the Institute is required to pay to the Government such portion of any pension, gratuity and allowance payable to the officers during their services with the Institute.

Benefits are payable based on the last drawn salaries of the respective employees and the employees' cumulative service period served with the Institute at the time of retirement.

The amounts recognised in the balance sheet are as follows:

	Group and Institute	
	2008	2007
	\$'000	\$'000
Present value of unfunded obligations	2,984	3,090
Represented by:		
- Current (Note 13)	419	403
- Non-current	2,565	2,687
	2,984	3,090

(a) Movements in the present value of the defined benefit obligations:

	Group and Institute	
	2008	2007
	\$'000	\$'000
At 1 April	3,090	4,284
Current service and interest costs	306	239
Retirement benefits paid	(412)	(1,433)
At 31 March	2,984	3,090

Notes to the Financial Statements (cont'd)

(b) The amounts charged to the income and expenditure are as follows:

	Group and Institute	
	2008 \$'000	2007 \$'000
Current service cost	173	84
Interest cost	92	128
Actuarial loss	41	27
	<u>306</u>	<u>239</u>

(c) Principal actuarial assumptions used are as follows:

	Group and Institute	
	2008	2007
Discount rate	3%	3%
Mortality	81 years	81 years

(d) Historical information:

	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000	2004 \$'000
Present value of defined benefit obligation	<u>2,984</u>	<u>3,090</u>	<u>4,284</u>	<u>4,832</u>	<u>5,054</u>

The annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability.

The Group expects \$450,000 in contributions to be paid to the unfunded defined benefit plans in the financial year ending 31 March 2009.

16 Funds/Net assets managed on behalf of others

With the adoption of SB-FRS by the Institute during the financial year, the Institute has applied SB-FRS Guidance Note 1 – Accounting and Disclosure for Funds, Grants, Accumulated Surplus and Reserves which has affected the presentation of trust funds.

In previous years, trust funds and trust funds' net assets were presented as a separate line on the face of the balance sheet. With the adoption of SB-FRS, trust funds and trust funds' net assets have now been presented as a separate line item under the capital section on the face of the balance sheets and grouped under funds managed on behalf of others and funds' net assets managed on behalf of others respectively. The adoption of SB-FRS Guidance Note 1 did not give rise to any adjustment in relation to the Institute's opening accumulated surplus or current year's surplus.

Trust funds comprise the following 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 fund.

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 fund.

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.

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	
	2008 \$'000	2007 \$'000
Balance as at 1 April	1,497	1,272
Income		
Grant income	-	-
Course fees	-	-
Interest income	10	11
(Depreciation)/Appreciation in value of funds with a fund manager	(24)	92
Fund raising income	-	-
General donations	157	150
Other income	-	1
	143	254
Expenditure		
Manpower costs	-	-
Grants-in-aid	-	-
Student functions and scholarships	1	1
Promotions and ceremonies	180	26
Fund raising expenditure	-	-
Other expenditure	2	2
	183	29
Net (deficit)/surplus for the year	(40)	225
Transfer to statutory board	-	-
Balance as at 31 March	1,457	1,497
Represented by:		
Assets		
Plant and equipment	5	6
Cash and cash equivalents	406	398
Other receivables	-	1
Other financial assets	1,068	1,092
	1,479	1,497
Liabilities		
Accruals and other payables	22	-
Deferred income	-	-
Grants received in advance	-	-
	22	-
Net assets	1,457	1,497

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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	4,377	4,028	1,129	2,585	7,003	7,885
	-	-	5,393	3,701	5,393	3,701
	-	-	639	535	639	535
	72	104	59	54	141	169
	(18)	74	-	-	(42)	166
	98	270	-	-	98	270
	1,441	557	-	-	1,598	707
	594	457	68	102	662	560
	2,187	1,462	6,159	4,392	8,489	6,108
	-	-	1,480	1,726	1,480	1,726
	-	-	3,474	3,849	3,474	3,849
	656	773	-	-	657	774
	125	148	-	12	305	186
	1	23	-	-	1	23
	195	169	170	247	367	418
	977	1,113	5,124	5,834	6,284	6,976
	1,210	349	1,035	(1,442)	2,205	(868)
	-	-	(213)	(14)	(213)	(14)
	5,587	4,377	1,951	1,129	8,995	7,003
	25	30	-	-	30	36
	4,305	3,652	3,855	1,661	8,566	5,711
	470	8	1	4	471	13
	854	873	-	-	1,922	1,965
	5,654	4,563	3,856	1,665	10,989	7,725
	67	186	859	154	948	340
	-	-	167	231	167	231
	-	-	879	151	879	151
	67	186	1,905	536	1,994	722
	5,587	4,377	1,951	1,129	8,995	7,003

Notes to the Financial Statements (cont'd)

17 Interest income

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Interest received/receivable				
- Fixed deposits	2,267	2,119	2,196	2,119
- Bank balances	442	785	441	702
	<u>2,709</u>	<u>2,904</u>	<u>2,637</u>	<u>2,821</u>

18 Manpower costs

	Group		Institute	
	2008 \$'000	2007 (restated) \$'000	2008 \$'000	2007 (restated) \$'000
Wages, salaries, bonuses and allowance	176,804	159,145	169,444	156,311
Pension gratuities, retirement benefits, SDF and CPF contributions	21,786	16,597	21,115	16,453
Staff development and benefits	5,953	4,895	5,782	4,798
	<u>204,543</u>	<u>180,637</u>	<u>196,341</u>	<u>177,562</u>

19 Grants-in-aid

Grants-in-aid comprise:

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

20 Other expenditure

Included in other expenditure are the following:

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bad debts written off	138	107	138	121
Allowance (reversed)/made for impairment of receivables	(14)	3	-	17
Consultancy services	1,410	1,755	1,366	1,676
Functions and entertainment	520	808	506	802
GST expenses	5,728	2,314	5,575	2,247
Overseas travelling	510	259	434	244
Publications and publicity materials	605	645	590	607
Rental of premises	628	218	14	26
Student benefits	3,233	2,815	2,911	2,742
Travelling and communications	650	691	593	657
Gain on disposal of property, plant and equipment	(92)	(100)	(92)	(100)

21 Related party disclosures

For the purpose of these financial statements, parties are considered to be related to the Institute if the Institute has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Institute and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. With the adoption of SB-FRS by the Institute during the financial year, the Institute need not comply with the requirements of paragraphs 17 to 22 of SB-FRS 24 with respect to the disclosures of transactions and balances with parent Ministry and other state-controlled entities.

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The Chief Executive Officer, Deputy Chief Executive Officers and Principals are considered to be key management personnel of the Group.

Key management personnel compensation comprised:

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Salaries and related short-term benefits	<u>2,384</u>	<u>2,027</u>	<u>1,964</u>	<u>1,889</u>

Notes to the Financial Statements (cont'd)

22 Operating grants

	Group		Institute	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Operating grants received during the year	218,285	251,754	210,624	249,167
Operating grants received in prior year	1,953	-	62	-
Operating grants receivable at 31 March	47,274	-	47,274	-
Operating grants transferred to deferred capital grants (Note 14)	(6,726)	(4,608)	(6,726)	(4,548)
Unutilised IT and F&E grants transferred to deferred capital grants (Note 14)	(14,468)	(19,342)	(14,468)	(19,342)
Operating grants taken to income and expenditure statement	246,318	227,804	236,766	225,277

23 Income tax

The Institute is a charitable institution by virtue of Section 2 of the Charities Act, Chapter 37.

Before 1 January 2007, all registered and exempt charities are required to spend at least 80% of their annual receipts on charitable objects in Singapore within two (2) years in order to be free from paying income tax.

With effect from the Year of Assessment 2008 or financial year ended 31 March 2007, all registered and exempt charities will enjoy automatic income tax exemption without having the need to meet the 80% spending rule. In addition, there is no need to file income tax returns by virtue of Section 13(1)(zm) of the Income Tax Act, Chapter 134.

The subsidiary companies of the Institute are subject to tax under Singapore income tax legislation.

	Group	
	2008 \$'000	2007 \$'000
Current tax expense		
Current year	-	234
Underprovision in respect of prior years	-	1
	-	235
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(71)	3
Overprovision in respect of prior years	(4)	-
	(75)	238

Reconciliation of effective tax rate

	Group	
	2008 \$'000	2007 (restated) \$'000
Surplus before income tax	19,130	33,363
Tax calculated using Singapore tax rate of 18%	3,443	6,005
Income not subject to tax	(54,793)	(52,932)
Expenses not deductible for tax purposes	51,275	47,165
	(75)	238

24 Capital commitments

Capital expenditure approved by the Institute's management but not provided for in the financial statements is as follows:

	Group and Institute	
	2008 \$'000	2007 \$'000
Capital commitments		
- approved and contracted for	462	-

25 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. The 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.

For the year ended 31 March 2008, the Group's 2 (2007: nil) major customers collectively accounted for 25% (2007: nil%) of its trade receivables. Management regularly monitors the recoverability of assets and believe that it has adequately provided for any exposure to potential losses.

Cash and fixed deposits are placed with financial institutions which are regulated. Funds for investments are only placed with reputable fund managers.

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 and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Market risk

The Group is exposed to market risk on its investment in unit trusts. To minimise market risk exposure, investment in unit trusts is restricted to reputable fund managers. The fund managers are to manage and control market risk exposures within the investment guidelines imposed by the Institute's management, while optimising the return on risk.

Interest rate risk

Surplus funds are placed with reputable banks and/or invested in unit trusts. Variation in interest rates will affect the earnings from these financial assets. The risk relating to investment in unit trusts is managed by the fund managers. The type of investment and the duration of investment period are subject to review and approval by the Institute's management.

Estimation of fair values

Financial assets at fair value through income and expenditure

The fair values of financial instruments traded in active markets, such as exchange-traded and over-the-counter securities, derivatives and unit trusts, are based on quoted market prices at the balance sheet 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.

26 Comparative information

Change in classification

During the year, the Group and the Institute modified the income and expenditure statement classification of certain items from development expenditure to manpower costs, repair and maintenance, public utilities, supplies and materials and other expenditure respectively to more appropriately reflect the nature of the respective items.

The following comparatives have been reclassified to conform with the current year's presentation:

	Group		Institute	
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
	(restated*)	(as previously reported)	(restated*)	(as previously reported)
Income and expenditure statement				
Manpower costs	181,831	181,599	178,756	178,525
Development expenditure	-	7,369	-	6,534
Repair and maintenance	8,334	7,063	8,159	7,012
Public utilities	6,708	6,787	6,663	6,742
Supplies and materials	10,202	6,450	8,801	5,673
Other expenditure	16,168	13,975	15,338	13,231

* Restated for reclassification but excluding the effect of the prior year restatement below.

Prior year restatement

In the previous years, the Group and the Institute did not accrue for pension costs incurred by the Institute as management of the Group and the Institute were of the opinion that the amounts involved were not significant.

In the current financial year, the Group and the Institute have accrued for the relevant pension costs and restated the following comparatives, in order to apply the applicable accounting policies consistently to all periods presented.

The effect on the balance sheet is as follows:

	Group		Institute	
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
	(as restated)	(as previously reported)	(as restated)	(as previously reported)
Accumulated surplus	128,140	131,230	123,560	126,650
Total capital and other funds	134,090	137,180	129,510	132,600
Trade and other payables	16,877	16,474	16,497	16,094
Current liabilities	26,366	25,963	22,256	21,853
Net current assets	143,351	143,754	138,843	139,246
Provision for retirement benefits	2,687	-	2,687	-
Non-current liabilities	525,538	522,851	525,027	522,340
Net assets	134,090	137,180	129,510	132,600

Notes to the Financial Statements (cont'd)

The effect on the income and expenditure statement is as follows:

	Group		Institute	
	2007 \$'000 (restated*)	2007 \$'000 (as previously reported)	2007 \$'000 (restated*)	2007 \$'000 (as previously reported)
Manpower costs	180,405	181,599	177,331	178,525
Operating expenditure	268,365	269,559	263,096	264,290
Deficit before government grants	245,033	246,227	244,218	245,412
Surplus after government grants	33,363	32,169	30,968	29,774
Net surplus for the year	33,125	31,931	30,968	29,774

* Restated for prior year restatement but excluding the effect of the reclassification above.

The effect on the cash flow statement is as follows:

	Group	
	2007 \$'000 (as restated)	2007 \$'000 (as previously reported)
Deficit before government grants and income tax	245,033	246,227
Provision for retirement benefits	239	-
Deficit before working capital changes	205,051	206,484
Cash used in operations	212,067	213,500
Retirement benefits paid	1,433	-

27 New accounting standards not yet adopted

The Group and the Institute have not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- SB-FRS 108 *Operating Segments*
- INT SB-FRS 112 *Service Concession Arrangements*
- INT SB-FRS 113 *Customer Loyalty Programmes*
- INT SB-FRS 114 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The Group and the Institute are evaluating the initial application of the above standards (and its consequential amendments) for the impact on the Group's and Institute's financial statements.

The Group and the Institute have not considered the impact of the accounting standards issued after the balance sheet date.