



FULL FINANCIAL STATEMENTS

FOR FINANCIAL YEAR ENDED 31 MARCH 2006

FINANCIAL REPORT

NATIONAL UNIVERSITY OF SINGAPORE AND ITS SUBSIDIARIES

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AUDITORS' REPORT TO THE BOARD OF TRUSTEES
OF NATIONAL UNIVERSITY OF SINGAPORE

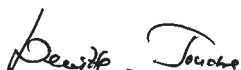
We have audited the consolidated financial statements of the Group and the balance sheet, income and expenditure statement and statement of changes in funds and reserves of National University of Singapore for the financial year ended 31 March 2006 set out on pages 3 to 44. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our 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 University are properly drawn up in accordance with the provisions of the National University of Singapore Act (the "Act"), Cap. 204 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the University as at 31 March 2006 and the results, changes in funds and reserves of the Group and the University and cash flows of the Group for the financial year then ended; and
- (b) the accounting and other records required by the Act to be kept by the University and those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act, including records of all assets of the University 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 University during the financial year have not been in accordance with the provisions of the Act.



Deloitte & Touche
Certified Public Accountants

Singapore
13 July 2006

BALANCE SHEETS

as at 31 March

	Note	2006 S\$'000	Group 2005 S\$'000	University 2006 S\$'000	2005 S\$'000 (Restated)
ACCUMULATED SURPLUS					
General Funds		626,342	492,076	608,432	481,976
Restricted Funds		943,995	701,286	958,868	708,820
	4	1,570,337	1,193,362	1,567,300	1,190,796
ENDOWMENT FUNDS	5	1,187,720	978,356	1,187,720	978,356
CAPITAL PRESERVATION ACCOUNT	5	63,328	55,089	63,328	55,089
INVESTMENT REVALUATION RESERVE					
– INVESTMENT PROPERTIES REVALUATION		13,409	14,694	13,409	14,694
– INVESTMENTS REVALUATION		(4,226)	–	(4,226)	–
TRANSLATION RESERVE		269	(36)	–	–
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
		2,830,837	2,241,465	2,827,531	2,238,935
MINORITY INTERESTS		–	139	–	–
TOTAL EQUITY		2,830,837	2,241,604	2,827,531	2,238,935
NON-CURRENT ASSETS					
Subsidiary companies	6	–	–	200	–
Associated companies	7	68,652	80,925	67,957	80,450
Fixed assets	8	1,481,318	1,446,497	1,480,252	1,446,165
Investment properties	9	15,725	17,010	15,725	17,010
Held-to-maturity investments	10,14	500	500	500	500
Available-for-sale investments	11,14	5,904	12,712	5,035	10,215
Held for trading investments	12,14	–	387,058	–	387,058
Student loans (repayable after 12 months)	15	173,511	166,120	173,511	166,120
Long-term loan to subsidiary company	16	–	–	350	350
		1,745,610	2,110,822	1,743,530	2,107,868
CURRENT ASSETS					
Student loans (repayable within 12 months)	15	49,590	48,535	49,590	48,535
Debtors	17	408,166	125,713	406,354	124,703
Consumable stores		385	406	193	214
Deposits and prepayments	18	14,281	8,676	14,189	8,345
Amount owing by subsidiary company	16	–	–	950	193
Amount owing by associated company	16	1,037	1,159	1,000	1,000
Held for trading investments	12,14	1,137,301	752,156	1,137,301	752,156
Derivative financial instruments	13,14	7,178	–	7,178	–
Fixed deposits	19	1,175,944	935,657	1,175,881	935,657
Cash and bank balances	20	142,263	49,938	137,529	48,293
		2,936,145	1,922,240	2,930,165	1,919,096
TOTAL ASSETS		4,681,755	4,033,062	4,673,695	4,026,964

BALANCE SHEETS

as at 31 March

	Note	2006 S\$'000	Group 2005 S\$'000	University 2006 S\$'000	2005 S\$'000 (Restated)
CURRENT LIABILITIES					
Creditors and accrued expenses	21	197,652	155,051	196,720	154,962
Grants received in advance		114,800	97,088	111,789	92,962
Derivative financial instruments	13,14	5,348	–	5,348	–
Amount owing to subsidiary company	16	–	–	8	926
Long-term loan (repayable within 12 months)	22	609	821	609	821
		318,409	252,960	314,474	249,671
NON-CURRENT LIABILITIES					
Deferred capital grants	23	1,325,543	1,337,370	1,324,724	1,337,230
Advances from government for student loans	24	206,966	200,519	206,966	200,519
Long-term loan (repayable after 12 months)	22	–	609	–	609
		1,532,509	1,538,498	1,531,690	1,538,358
TOTAL LIABILITIES		1,850,918	1,791,458	1,846,164	1,788,029
NET ASSETS		2,830,837	2,241,604	2,827,531	2,238,935

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



Prof Shih Choon Fong
President
13 July 2006



Ajith Prasad
Director of Finance
13 July 2006

INCOME AND EXPENDITURE STATEMENTS

for the financial year ended 31 March

GROUP	Note	GENERAL FUNDS		RESTRICTED FUNDS		TOTAL	
		2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
OPERATING INCOME							
Tuition and other fees		171,613	161,080	15,921	13,532	187,534	174,612
Other income	25	11,922	17,103	193,231	118,351	205,153	135,454
		183,535	178,183	209,152	131,883	392,687	310,066
OPERATING EXPENDITURE							
Expenditure on manpower	26	511,511	496,539	24,296	19,258	535,807	515,797
Depreciation	8	185,685	161,112	3,505	3,213	189,190	164,325
Other operating expenditure		348,246	297,735	77,027	68,435	425,273	366,170
		1,045,442	955,386	104,828	90,906	1,150,270	1,046,292
Operating (Deficit)/Surplus		(861,907)	(777,203)	104,324	40,977	(757,583)	(736,226)
Investment income	28	15,452	14,059	74,190	64,268	89,642	78,327
Change in fair value of investments held for trading	14	16,189	–	56,584	–	72,773	–
Share of results (net of tax) of associated companies	7	–	–	(12,470)	(11,434)	(12,470)	(11,434)
Profit on sale of associated company		–	–	14	–	14	–
(Deficit)/Surplus before Grants	29	(830,266)	(763,144)	222,642	93,811	(607,624)	(669,333)
GRANTS							
Operating Grants :							
Government	30a	575,561	594,619	3,334	–	578,895	594,619
Agency for Science, Technology & Research	30b	53,569	53,048	67	–	53,636	53,048
Others	30c	43,276	39,952	215	97	43,491	40,049
Deferred Capital Grants amortised	23	181,219	155,318	1,329	1,083	182,548	156,401
		853,625	842,937	4,945	1,180	858,570	844,117
SURPLUS FOR THE YEAR BEFORE TAX		23,359	79,793	227,587	94,991	250,946	174,784
Income tax	31	–	–	(6)	1	(6)	1
SURPLUS FOR THE YEAR AFTER TAX		23,359	79,793	227,581	94,992	250,940	174,785
Attributable to:							
Equity holders of the parent		23,359	79,793	227,581	94,959	250,940	174,752
Minority interests		–	–	–	33	–	33
		23,359	79,793	227,581	94,992	250,940	174,785

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

INCOME AND EXPENDITURE STATEMENTS

for the financial year ended 31 March

UNIVERSITY	Note	GENERAL FUNDS		RESTRICTED FUNDS		TOTAL	
		2006 S\$'000	2005 S\$'000 (Restated)	2006 S\$'000	2005 S\$'000 (Restated)	2006 S\$'000	2005 S\$'000 (Restated)
OPERATING INCOME							
Tuition and other fees		171,613	161,080	15,921	13,532	187,534	174,612
Other income	25	11,922	17,103	190,680	116,480	202,602	133,583
		183,535	178,183	206,601	130,012	390,136	308,195
OPERATING EXPENDITURE							
Expenditure on manpower	26	511,511	496,539	19,590	18,382	531,101	514,921
Depreciation	8	185,685	161,112	3,330	3,112	189,015	164,224
Other operating expenditure		356,056	302,942	70,455	63,144	426,511	366,086
		1,053,252	960,593	93,375	84,638	1,146,627	1,045,231
Operating (Deficit)/Surplus		(869,717)	(782,410)	113,226	45,374	(756,491)	(737,036)
Investment income	28	15,452	14,059	63,920	56,162	79,372	70,221
Change in fair value of investments held for trading	14	16,189	–	56,584	–	72,773	–
(Deficit)/Surplus before Grants	29	(838,076)	(768,351)	233,730	101,536	(604,346)	(666,815)
GRANTS							
Operating Grants :							
Government	30a	575,561	594,619	–	–	575,561	594,619
Agency for Science, Technology & Research	30b	53,569	53,048	–	–	53,569	53,048
Others	30c	43,276	39,952	–	–	43,276	39,952
Deferred Capital Grants amortised	23	181,219	155,318	1,190	1,069	182,409	156,387
		853,625	842,937	1,190	1,069	854,815	844,006
SURPLUS FOR THE YEAR	32	15,549	74,586	234,920	102,605	250,469	177,191

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

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

for the financial year ended 31 March

GROUP	Note	ACCUMULATED SURPLUS		ENDOWMENT FUNDS S\$'000	CAPITAL PRESERVATION ACCOUNT S\$'000	INVESTMENT REVALUATION RESERVE		TRANSLATION RESERVE S\$'000	ATTRIBUTABLE TO EQUITY-HOLDERS OF THE PARENT S\$'000	MINORITY INTEREST S\$'000	TOTAL S\$'000
		General Funds S\$'000	Restricted Funds S\$'000			Investment Properties Revaluation S\$'000	Investments Revaluation S\$'000				
Balance at 1 April 2005		492,076	701,286	978,356	55,089	14,694	–	(36)	2,241,465	139	2,241,604
Effects of adopting FRS 39		79,223	67,184	–	–	–	13,249	–	159,656	–	159,656
As restated		571,299	768,470	978,356	55,089	14,694	13,249	(36)	2,401,121	139	2,401,260
Loss on revaluation of investment properties	9	–	–	–	–	(1,285)	–	–	(1,285)	–	(1,285)
Grants accrued		–	–	157,306	–	–	–	–	157,306	–	157,306
Donations received		–	–	42,535	–	–	–	–	42,535	–	42,535
Change in fair value of available-for-sale investments		–	–	–	–	–	(1,746)	–	(1,746)	–	(1,746)
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	305	305	–	305
Net gains and losses not recognised in income statement		–	–	199,841	–	(1,285)	(1,746)	305	197,115	–	197,115
Transfer to Income and Expenditure Statement on sale of available-for-sale investments	28	–	–	–	–	–	(15,729)	–	(15,729)	–	(15,729)
Surplus for the year		23,359	227,581	–	–	–	–	–	250,940	–	250,940
Inter-fund transfer between General Funds and Restricted Funds		31,693	(31,693)	–	–	–	–	–	–	–	–
Total recognised gains and losses for the financial year		55,052	195,888	199,841	–	(1,285)	(17,475)	305	432,326	–	432,326
Transfer to Deferred Capital Grants	23	(9)	(2,601)	–	–	–	–	–	(2,610)	–	(2,610)
Transfer to Endowment Funds		–	(9,523)	9,523	–	–	–	–	–	–	–
Transfer to Capital Preservation Account		–	(8,239)	–	8,239	–	–	–	–	–	–
Disposal of subsidiary company		–	–	–	–	–	–	–	–	(139)	(139)
Balance at 31 March 2006		626,342	943,995	1,187,720	63,328	13,409	(4,226)	269	2,830,837	–	2,830,837
Balance at 1 April 2004		425,175	597,239	935,488	55,089	14,704	–	(25)	2,027,670	106	2,027,776
Loss on revaluation of investment properties	9	–	–	–	–	(10)	–	–	(10)	–	(10)
Grants accrued		–	–	32,000	–	–	–	–	32,000	–	32,000
Donations received		–	–	10,782	–	–	–	–	10,782	–	10,782
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	(11)	(11)	–	(11)
Net gains and losses not recognised in income statement		–	–	42,782	–	(10)	–	(11)	42,761	–	42,761
Surplus for the year		79,793	94,959	–	–	–	–	–	174,752	33	174,785
Inter-fund transfer between General Funds and Restricted Funds		(12,892)	12,892	–	–	–	–	–	–	–	–
Total recognised gains and losses for the financial year		66,901	107,851	42,782	–	(10)	–	(11)	217,513	33	217,546
Transfer to Deferred Capital Grants	23	–	(2,752)	–	–	–	–	–	(2,752)	–	(2,752)
Transfer from Endowment Funds		–	(86)	86	–	–	–	–	–	–	–
Funds transferred		–	(966)	–	–	–	–	–	(966)	–	(966)
Balance at 31 March 2005		492,076	701,286	978,356	55,089	14,694	–	(36)	2,241,465	139	2,241,604

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

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

for the financial year ended 31 March

UNIVERSITY	Note	ACCUMULATED SURPLUS				INVESTMENT REVALUATION RESERVE		Total S\$'000
		General Funds S\$'000	Restricted Funds S\$'000	ENDOWMENT FUNDS S\$'000	CAPITAL PRESERVATION ACCOUNT S\$'000	Investment Properties Revaluation S\$'000	Investments Revaluation S\$'000	
Balance at 1 April 2005		481,976	708,820	978,356	55,089	14,694	–	2,238,935
Effects of adopting FRS 39		79,223	67,184	–	–	–	13,249	159,656
As restated		561,199	776,004	978,356	55,089	14,694	13,249	2,398,591
Loss on revaluation of investment properties	9	–	–	–	–	(1,285)	–	(1,285)
Grants accrued		–	–	157,306	–	–	–	157,306
Donations received		–	–	42,535	–	–	–	42,535
Change in fair value of available-for-sale investments		–	–	–	–	–	(1,746)	(1,746)
Net gains and losses not recognised in income statement		–	–	199,841	–	(1,285)	(1,746)	196,810
Transfer to Income and Expenditure Statement on sale of available-for-sale investments	28	–	–	–	–	–	(15,729)	(15,729)
Surplus for the year		15,549	234,920	–	–	–	–	250,469
Inter-fund transfer between General Funds and Restricted Funds		31,693	(31,693)	–	–	–	–	–
Total recognised gains and losses for the financial year		47,242	203,227	199,841	–	(1,285)	(17,475)	431,550
Transfer to Deferred Capital Grants	23	(9)	(2,601)	–	–	–	–	(2,610)
Transfer to Endowment Funds		–	(9,523)	9,523	–	–	–	–
Transfer to Capital Preservation Account		–	(8,239)	–	8,239	–	–	–
Balance at 31 March 2006		608,432	958,868	1,187,720	63,328	13,409	(4,226)	2,827,531

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

for the financial year ended 31 March

UNIVERSITY	Note	ACCUMULATED SURPLUS				INVESTMENT REVALUATION RESERVE		Total S\$'000
		General Funds S\$'000	Restricted Funds S\$'000	ENDOWMENT FUNDS S\$'000	CAPITAL PRESERVATION ACCOUNT S\$'000	Investment Properties Revaluation S\$'000	Investments Revaluation S\$'000	
Balance at 1 April 2004		420,282	597,127	935,488	55,089	14,704	–	2,022,690
Loss on revaluation of investment properties	9	–	–	–	–	(10)	–	(10)
Grants accrued		–	–	32,000	–	–	–	32,000
Donations received		–	–	10,782	–	–	–	10,782
Net gains and losses not recognised in income statement		–	–	42,782	–	(10)	–	42,772
Surplus for the year		74,586	102,605	–	–	–	–	177,191
Inter-fund transfer between General Funds and Restricted Funds		(12,892)	12,892	–	–	–	–	–
Total recognised gains and losses for the financial year		61,694	115,497	42,782	–	(10)	–	219,963
Transfer to Deferred Capital Grants	23	–	(2,752)	–	–	–	–	(2,752)
Transfer from Endowment Funds		–	(86)	86	–	–	–	–
Transfer to Capital Preservation Account Funds transferred		–	–	–	–	–	–	–
		–	(966)	–	–	–	–	(966)
Balance at 31 March 2005		481,976	708,820	978,356	55,089	14,694	–	2,238,935

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

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 March

	2006 S\$'000	2005 S\$'000
Cash flows from operating activities:		
Deficit before Grants	(607,624)	(669,333)
Adjustments for :		
Depreciation of fixed assets	189,190	164,325
Net investment income	(162,415)	(78,327)
Loss on disposal of fixed assets	1,064	919
Profit on sale of associated company	(14)	–
Rental income from investment properties	(231)	(149)
Exchange differences	305	(11)
Share of associated companies' results	12,470	11,434
Deficit before working capital changes	(567,255)	(571,142)
Change in operating assets and liabilities:		
Decrease/(increase) in debtors, consumable stores, deposits and prepayments	(105,269)	11,143
Decrease/(increase) in amount owing by associated company	122	(159)
Increase/(decrease) in creditors and accrued expenses	23,696	(61,473)
Cash used in operations	(648,706)	(621,631)
Agency for Science, Technology & Research grants received, net of refund	55,177	52,515
Other grants received, net of refund	47,073	59,519
Donations received for endowment funds	42,535	10,782
Student loans granted	(56,447)	(52,248)
Student loans repaid	47,950	47,000
Cash transferred to Association of Pacific Rim Universities	–	(966)
Net cash outflow from operating activities	(512,418)	(505,029)

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 March

	2006 S\$'000	2005 S\$'000
Cash flows from investing activities:		
Payments for purchase of fixed assets (Note A)	(234,076)	(217,128)
Proceeds from disposal of fixed assets	469	190
Proceeds from sale of associated company	179	113
Investment in associated company	(339)	–
Net sale/(purchase) of investments	228,840	(79,712)
Investment in fixed deposits	(240,287)	(106,662)
Interest and dividend received	79,190	53,895
Income received from rental of investment properties	231	149
Net cash outflow from investing activities	(165,793)	(349,155)
Cash flows from financing activities:		
Government grants received, net of refund	764,851	744,887
Government grants received for endowment funds	6	–
Student tuition fee loan funds received from government	1,965	4,277
Student loan funds received from government	4,535	–
Long-term loan repaid	(821)	(1,007)
Net cash inflow from financing activities	770,536	748,157
Net increase/(decrease) in cash and cash equivalents	92,325	(106,027)
Cash and cash equivalents at the beginning of the year	49,938	155,965
Cash and cash equivalents at the end of the year	142,263	49,938

Note A

During the financial year, the Group acquired fixed assets amounting to \$246,361,000 (2005: \$218,691,000), out of which \$234,076,000 (2005: \$217,128,000) was paid by cash. The remaining balance represents donated assets and other non-cash items.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

1 GENERAL

The University, established by the National University of Singapore Act (Chapter 204), is domiciled in Singapore. The address of the University's registered office and place of business is 21 Lower Kent Ridge Road Singapore 119077. The financial statements are expressed in Singapore dollars.

The University is principally engaged in the advancement and dissemination of knowledge, and the promotion of research and scholarship.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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 University for the year ended 31 March 2006 were authorised for issue by the Board of Trustees on 13 July 2006.

The University was corporatised as National University of Singapore, a company limited by guarantee, on 28 March 2006. The assets and liabilities of the University were transferred to the company with effect from 1 April 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the National University of Singapore Act and Singapore Financial Reporting Standards ("FRSs"). In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as disclosed below and in the notes to the financial statements.

(i) FRS 39 – Financial Instruments: Recognition and Measurement

FRS 39 requires the recognition and measurement of financial assets and liabilities. The new accounting standard moves measurement from a cost base to a fair value base for certain categories of financial assets and liabilities. The change in accounting policy has been accounted for prospectively in accordance with the transitional provisions of FRS 39. The adoption of FRS 39 has resulted in certain investments being carried at their respective fair values with the corresponding adjustments being taken to the revaluation reserves or the income and expenditure statement. Consequently, fair value adjustments of available-for-sale investments and held for trading investments amounting to \$13.2 million and \$152.4 million were credited to the investment revaluation reserve and accumulated surplus in equity as at 1 April 2005 respectively.

Derivative financial instruments with fair values of \$5.8 million (assets) and \$11.8 million (liabilities) as at 1 April 2005, were recognised on the balance sheet and resulting adjustments of \$6.0 million taken to the accumulated surplus as at 1 April 2005.

Fair values of investments and derivative financial instruments recognised as at 31 March 2006, are detailed in Notes 10, 11, 12 and 13.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**a) Basis of accounting (cont'd)**

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not applicable yet:

FRS 40	–	Investment Property
FRS 106	–	Exploration for and Evaluation of Mineral Resources
FRS 107	–	Financial Instruments: Disclosures
INT FRS 104	–	Determining whether an Arrangement contains a Lease
INT FRS 105	–	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	–	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
INT FRS 107	–	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	–	Scope of FRS 102 Share-based Payment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates on net Investment in a Foreign Operation.

Amendments to FRS 39 Financial Instruments : Recognition and Measurement on hedge accounting provisions, fair value option and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

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

FRS 40 – Investment Property

FRS 40 will be effective for annual periods beginning on or after 1 January 2007. The Group presently uses the revaluation model. Under the revaluation model, increases in carrying amounts above a cost-based measure are recognised as a revaluation surplus in a revaluation reserve. The initial adoption of FRS 40, from the financial year starting 1 April 2007, will result in a change in the Group's accounting policies for investment properties, whereby under the fair value model, all changes in fair value are recognised in the Income and Expenditure statement.

Had the Group adopted FRS 40 in the current financial year, the following would have been reported in the financial statements.

	Group			
	2006	2006	2005	2005
	S\$'000	S\$'000	S\$'000	S\$'000
		(Early adoption of FRS 40)		(Early adoption of FRS 40)
Investment property	15,725	15,725	17,010	17,010
Investment revaluation reserve	13,409	–	14,694	–
Accumulated Surplus	1,570,337	1,583,746	1,193,362	1,208,056
Surplus for the year	250,940	249,655	174,785	174,775

As it is not possible to reasonably estimate the fair values of the investment properties for future periods, Management is unable to determine if the initial adoption of the Standard will have a material impact on the consolidated financial statements for the financial year ending 31 March 2008.

Other than FRS 40, Management expects that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will have no material impact on the consolidated financial statements of the Group and the University.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the University and entities controlled by the University (its subsidiaries). Control is achieved where the University has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Income and Expenditure Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

In the University's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the Income and Expenditure Statement.

c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

d) Financial Instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Financial Instruments (cont'd)

ii) Student loans and debtors

Student loans and debtors are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for doubtful debts are recognised in the Income and Expenditure Statement based on a review of all outstanding amounts as at the year end. Bad debts are written off during the financial year in which they are identified.

iii) Investments

Investments are recognised and de-recognised on a trade date basis when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, investments that the Group has the expressed intention and ability to hold to maturity (held-to-maturity investments) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in the Income and Expenditure Statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where investments are held for trading purposes, gains and losses arising from changes in fair value are included in the Income and Expenditure Statement. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Income and Expenditure Statement. Impairment losses recognised in the Income and Expenditure Statement for equity investments classified as available-for-sale are not subsequently reversed through the Income and Expenditure Statement.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

i) Creditors and accrued expenses

Creditors and accrued expenses are measured at fair value, and are subsequently measured at amortised cost, using effective rate method.

ii) Derivative financial instruments

The Group used forward foreign exchange contracts, interest rate swaps and total return swap to reduce its financial risk.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. The changes in fair value are recognised in the Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Foreign currency transactions and translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the University and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the Income and Expenditure Statement. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in Income and Expenditure Statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiary (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expenditure (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences will be recognised in the Income and Expenditure Statement in the period in which the foreign subsidiary is disposed of.

f) Basis of recognising income

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

Non-endowed donations are recognised in the financial year they are received.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the right to receive payment has been established.

g) Grants

Government grants and contributions from other organisations for the purchase of fixed assets or to finance capital projects are taken to the Grants Received In Advance in the first instance. They are taken to the Deferred Capital Grants account upon utilisation of the grants for the purchase of assets which are capitalised, or to the Statement of Income and Expenditure for purchases of assets which are expensed off. Donated assets at valuation are taken to the Deferred Capital Grants account in the year they are received.

Deferred capital grants are recognised in the Income and Expenditure Statement over the periods necessary to match the depreciation of the assets purchased with the related grants. Upon the disposal of the fixed assets, the balance of the related deferred capital grants is recognised in the Income and Expenditure Statement to match the net book value of fixed assets disposed of.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Grants (cont'd)

Government and other grants in respect of the current year's operating expenses are recognised as income in the same year. Such grants which are received but not utilised are included in the Grants Received In Advance account.

Grants are accounted for on the accrual basis.

h) Capital preservation

The Capital Preservation Account is to preserve the value of the capital of National University of Singapore Endowment Fund as stipulated in NUS Statute 15. The amount transferred to the Capital Preservation Account for the financial year is determined based on the change in Consumer Price Index ("index") as at each financial year end, and is transferred from the year's surplus. In the year of a net deficit, the required transfer is made in the future year(s) when adequate surplus is available to meet the required amount. No adjustment is made where there is a decrease in the index.

i) Funds

Income and expenditure of the University are generally accounted for under the General Funds in the University's Statement of Income and Expenditure. The income and expenditure relating to funds that are set up for specific purposes are accounted for under Restricted Funds in the University's Statement of Income and Expenditure as detailed below.

The following funds termed as "Restricted Funds" are set up and disclosed separately from the University's General Funds:

- (i) funds created from donations for specific purposes; and
- (ii) funds maintained separately to account for the self-financing activities carried out by the University. Income and expenditure relating to these funds are accounted for directly in the funds to which they relate.

The operating results of both the General Funds and Restricted Funds (as described in (i) and (ii) above) maintained by the University are included in the Income and Expenditure Statement of the University.

Government grants and donations, to set up or augment the capital of the endowment funds, are taken directly to these funds. Income and expenditure of endowment funds are taken directly to the Restricted Funds.

Assets and liabilities of all funds are pooled in the Balance Sheet.

j) Investment properties

Investment properties are held on a long term basis for investment potential and income. Investments are stated at annual valuation on an open market value for existing use basis. The surplus or deficit on revaluation is taken to the investment revaluation reserve - investment properties except when the total of the reserve relating to investment properties is not sufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the investment revaluation reserve - investment properties is charged to the Income and Expenditure Statement. The investment revaluation reserve - investment properties is released to the Income and Expenditure Statement as and when the related revalued property is sold.

k) Fixed assets and depreciation

Fixed assets are carried at cost less accumulated depreciation and any accumulated impairment loss.

Capital work-in-progress consists of construction costs and related expenses incurred during the period of construction.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**k) Fixed assets and depreciation (cont'd)**

Depreciation is charged so as to write off the cost of fixed assets over the period of leases or their estimated useful lives as follows:

	No. of Years
Leasehold land	30 to 90
Buildings	30
Leasehold improvements	10
Equipment, furniture and fittings	3 to 10
Library materials	5

Depreciation is not provided for capital work-in-progress. Equipment, furniture and fittings costing less than S\$1,000 each are charged to the Income and Expenditure Statement in the year of purchase.

Previously, library materials were expensed off in the Income and Expenditure Statement in the year of purchase. With effect from 1 April 2005, library materials purchased in the year are capitalised and depreciated over an estimated useful life of 5 years.

The above change has been made retrospectively and the effects of the prior year adjustments are disclosed in Note 34 to the financial statements.

l) Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure Statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m) Provisions

Provisions are recognised when the Group has a present obligation as a result of past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at Management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where applicable.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Retirement benefit costs

The Group, apart from legally required social security schemes, operates defined contribution plans. Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund), are charged as an expense when incurred.

o) Employee leave entitlement

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

p) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

q) Financial risk management

The Group invests in a variety of market instruments such as bonds and quoted/unquoted equities under its investment strategy. This exposes the Group to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign exchange rates and interest rates. The investment mandate seeks to minimise potential adverse effects from these exposures and is carried out in accordance with the policies agreed by the University's Investment Committee, with the advice from its Investment Consultant.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Foreign exchange risk

Some of the Group's transactions and investments are conducted in various foreign currencies, including United States dollars, The Euro, Japanese Yen and Sterling Pounds, and therefore is exposed to foreign exchange risk. Where appropriate, the Group uses forward contracts to hedge its exposure to foreign currency risk in the local reporting currency.

(ii) Interest rate risk

The Group's surplus and operating cash flows are mainly invested in fixed rate instruments and hence are substantially independent of changes in market interest rates. The University monitors interest rates regularly to ensure excess funds are invested at competitive rates.

(iii) Credit risk

The Group has no significant concentrations of credit risk. Measures are in place to ensure that loans or debts are collected on a timely basis. Cash and fixed deposits are held with creditworthy financial institutions.

(iv) Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

(v) Fair Value of Financial Assets and Financial Liabilities

The carrying amounts of short-term financial assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a) Critical judgments in applying the Group's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2, Management has not made any judgments that have a significant effect on the amounts recognised in the financial statements.

b) Key sources of estimation uncertainty

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

(i) Fair value estimation

The Group holds unquoted equity securities that are not traded in an active market. The Group has used the net asset value disclosed in the financial statements of the entities as the fair value for these financial assets. The carrying amounts of these unquoted securities at the balance sheet date are S\$64,281,000 (2005 at cost: S\$41,134,000).

(ii) Provision for employee leave liability

Determining the amount of provision to be made for employee leave liability requires an estimation of the employer's portion of the retirement benefit and the outpatient subsidy applicable to the services rendered by employees up to the balance sheet date. Standard rates, based on the Singapore Central Provident Fund contribution rate for employers and the Group's outpatient subsidy scheme, are used to compute the retirement benefit and outpatient subsidy respectively. The carrying amount of the provision for employee leave liability at the balance sheet date was S\$33,018,000 (2005: S\$ 32,133,000).

(iii) Provision for withholding tax

Included in accrued expenses in note 21 is a provision for withholding tax. Certain payments have been made to a foreign party on which withholding tax is payable to the Singapore tax authority. The University has made its best estimate of the tax liability after taking into account the risks and uncertainties that inevitably surround the amount of the tax liability. The estimate made is also subject to adequate documentation being provided by the foreign party and the agreement by the Singapore tax authority.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

4 ACCUMULATED SURPLUS

Restricted Funds under the Balance Sheet include S\$602,351,000 (2005 : S\$419,124,000) accumulated surplus under the NUS Fund (see note 5).

The total accumulated surplus under the Balance Sheet of the Group of S\$1,570,337 (2005 : S\$1,193,362,000) and University of S\$1,567,300,000 (2005 : S\$1,190,796,000) includes the change in fair value of held-for-trading investments of \$219 million (2005: \$nil) and substantial amount set aside for designated purposes and commitments.

5 NUS FUND

On 1 April 2003, NUS Fund was registered as a specific member of the Education Central Fund of Ministry of Education, which has been designated as an institution of a public character under Section 37(2) of the Income Tax Act. The University and NUS Fund have become two separate charities and donations received by the University are channelled to the NUS Fund. The financial position of the NUS Fund has to be disclosed separately in compliance with the requirements imposed by the Singapore tax authority and is shown below. The NUS Fund comprises the accumulated surplus (included in Restricted Funds), Endowment Funds and Capital Preservation Account.

Total donations received by NUS Fund amounted to S\$153,864,000 (2005: S\$59,541,000). Of this, S\$42,535,000 (2005: S\$10,782,000) are endowed donations. The remaining balance represents non-endowed donations. The non-endowed donations were received for specific purposes and cannot be used towards the general operating expenses of the University.

NUS Fund Position

	Note	Group and University 2006			Group and University 2005		
		Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000	Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000
Accumulated Surplus	4	379,955	222,396	602,351	287,526	131,598	419,124
Endowment Funds		1,187,720	–	1,187,720	978,356	–	978,356
Capital Preservation Account		63,328	–	63,328	55,089	–	55,089
		1,631,003	222,396	1,853,399	1,320,971	131,598	1,452,569

Represented by:

Non-Current Assets

Associated company	67,957	–	67,957	80,450	–	80,450
Fixed assets	–	19,766	19,766	–	14,080	14,080
Available-for-sale investments	–	–	–	1,602	–	1,602
Held for trading investments	–	–	–	264,536	–	264,536
Student loans	–	19,143	19,143	–	19,014	19,014
	67,957	38,909	106,866	346,588	33,094	379,682

Current Assets

Debtors	228,706	61	228,767	46,957	19	46,976
Amount owing by associated company	1,000	–	1,000	1,000	–	1,000
Held-to-maturity investments	–	500	500	–	500	500
Held for trading investments	911,526	–	911,526	752,156	–	752,156
Fixed deposits	472,381	202,692	675,073	212,857	112,065	324,922
Cash	11,899	–	11,899	10,293	–	10,293
	1,625,512	203,253	1,828,765	1,023,263	112,584	1,135,847
Total Assets	1,693,469	242,162	1,935,631	1,369,851	145,678	1,515,529

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

5 NUS FUND (cont'd)

Note	Group and University 2006			Group and University 2005		
	Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000	Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000
Current Liabilities						
Creditors and accrued expenses	62,466	–	62,466	48,880	–	48,880
Non-Current Liabilities						
Deferred capital grants	–	19,766	19,766	–	14,080	14,080
Total Liabilities	62,466	19,766	82,232	48,880	14,080	62,960

Net Assets	1,631,003	222,396	1,853,399	1,320,971	131,598	1,452,569
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Movements in NUS Fund	Group and University 2006			Group and University 2005		
	Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000	Endowed Donations S\$'000	Non-endowed Donations S\$'000	Total S\$'000
Balance as at 1 April	1,320,971	131,598	1,452,569	1,245,714	91,753	1,337,467
Movements in Accumulated Surplus:						
Donations received	93	111,236	111,329	72	48,687	48,759
Investment income	28,594	5,268	33,862	39,151	8,157	47,308
Other operating income	9,625	970	10,595	1,729	1,038	2,767
Expenditure on manpower	(1,337)	(835)	(2,172)	(1,384)	(1,237)	(2,621)
Depreciation	–	(2,344)	(2,344)	–	(1,331)	(1,331)
Other operating expenditure	(64,892)	(23,308)	(88,200)	(7,185)	(15,469)	(22,654)
Amount transferred from Endowment Funds	30	–	30	6	–	6
Transfer to Capital Preservation Account	(8,239)	–	(8,239)	–	–	–
Transfer from investment revaluation reserve on sale of available-for-sale investments	15,686	–	15,686	–	–	–
Change in fair value of investment held for trading	112,869	(189)	112,680	–	–	–
	92,429	90,798	183,227	32,389	39,845	72,234
Movements in Endowment Funds:						
Grants accrued	157,306	–	157,306	32,000	–	32,000
Donations received	42,535	–	42,535	10,782	–	10,782
Amount transferred from/(to) Accumulated Surplus	9,523	–	9,523	86	–	86
	209,364	–	209,364	42,868	–	42,868
Movements in Capital Preservation Account:						
Provision for Capital Preservation for the year	8,239	–	8,239	–	–	–
Balance as at 31 March	1,631,003	222,396	1,853,399	1,320,971	131,598	1,452,569

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

6 SUBSIDIARY COMPANIES

	University	
	2006 S\$'000	2005 S\$'000
Unquoted equity shares at cost	300	100
Impairment loss	(100)	(100)
Carrying amount	200	–

Name of Company	Principal Activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2006	2005
Singapore University Press Pte Ltd ^f	Publishers	Singapore	100%	100%
NUS Technology Holdings Pte Ltd ^f	To carry out research and development, to own and exploit all forms of intellectual property interests and to engage in the acquisition, dissemination and transfer of technologies	Singapore	100%	100%
Centre for Testing & Assessment Pte Ltd ^a	Providing and administering test and assessment programmes as well as to conduct research and development of such programmes for individuals, educational institutions, corporate and other organisations	Singapore	100%	100%
NUS High School of Mathematics and Science ^f	Promote and undertake the advancement of education, with particular emphasis on mathematics and science at secondary and junior college levels and to participate in schemes established to promote research, development and education, in particular in relation to mathematics and science and to a high school for that purpose	Singapore	#	#
NUS America, Inc ^g	This is a nonprofit public benefit corporation organised under the Nonprofit Public Corporation Law for public and charitable purposes. It performs the functions of or to carry out the purposes of the National University of Singapore	United States of America	#	#
NUSSU Enterprise Pte Ltd ^{b f}	To manage the commercial activities of NUS Student Union	Singapore	100%	100%
Wizlearn Pte Ltd ^c	Provide computer software services and develop computer software programs relating to electronic learning, publishing and management services	Singapore	–	85%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

6 SUBSIDIARY COMPANIES (cont'd)

Name of Company	Principal Activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2006	2005
NUS Ventures Pte Ltd ^f	Distributor of new telecommunication technologies via direct selling and licensing	Singapore	100%	100%
Bioinformatics Technology Group Pte Ltd ^f	IT development, IT services, research and experimental development on technology	Singapore	100%	100%
NUS Shanghai Enterprise Pte Ltd ^e	Sourcing of student internship opportunities with Shanghai companies and developing increased research opportunities and forging closer partnerships	People's Republic of China	100%	–
NUS Press Pte Ltd ^{d f}	To manage the commercial activities of the NUS Business School	Singapore	100%	100%

These corporations do not have share capitals. NUS High School of Mathematics and Science is a company limited by guarantee

a Currently undergoing liquidation.

b Held in trust by NUS Technology Holdings Pte Ltd on behalf of the University.

c On 1 March 2006, the Group exchanged its total shareholdings of 85% in Wizlearn Pte Ltd for 21.19% in AsknLearn Pte Ltd (Note 7). The net assets of Wizlearn Pte Ltd for the financial period ended 31 March 2006 is \$693,000.

d On 10 March 2006, the University transferred its total shareholdings of 100% in NUS Press Pte Ltd to Singapore University Press Pte Ltd for a cash consideration of S\$98,400. The loss to the University from this disposal is \$1,600. The net assets of NUS Press Pte Ltd for the financial period ended 1 March 2006 is S\$100,000 (net assets for the financial year ended 31 March 2006 is S\$95,000).

e Newly incorporated in 2006, audit is not required.

f Audited by Deloitte & Touche, Singapore (2005: audited by other auditors except for Singapore University Press Pte Ltd).

g Not required to be audited in country of incorporation.

7 ASSOCIATED COMPANIES

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Unquoted equity shares at cost	90,675	90,351	89,898	89,898
Redeemable convertible loan stocks	117	267	–	–
Share of post-acquisition losses, net of dividend received	(20,798)	(8,351)	–	–
Impairment loss	–	–	(21,941)	(9,448)
Capitalised expenses written off	(1,342)	(1,342)	–	–
	68,652	80,925	67,957	80,450

Name of Company	Principal Activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2006	2005
Savu Investments Ltd	Property development and investment	Singapore	50%	50%
Allegro Science Pte Ltd	Research and development	Singapore	–	42%

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for the financial year ended 31 March 2006

7 ASSOCIATED COMPANIES (cont'd)

Name of Company	Principal Activities	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held	
			2006	2005
Biomedical Research and Support Services	Research and development	Singapore	20%	20%
CE Resources Pte Ltd	Research and development	Singapore	23%	47%
Ori Biotech Pte Ltd	Biotechnology research	Singapore	24%	24%
Protherapeutics Pte Ltd	Research and experimental development in life sciences and other natural sciences	Singapore	30%	–
AsknLearn Pte Ltd (Note 6c)	Provide training and computer software services and develop computer software programs relating to electronic learning, publishing and management services	Singapore	21%	–
Munchie Monkey Pte Ltd	Café operators	Singapore	50%	50%

All of the above associates are audited by other auditors.

Summarised financial information in respect of the Group's associates is set out below:

	2006 S\$'000	2005 S\$'000
Total assets	333,756	356,245
Total liabilities	(195,281)	(195,614)
Net assets	138,475	160,631
Group's share of associates' net assets	68,652	80,925
	2006 S\$'000	2005 S\$'000
Revenue	17,063	18,137
Profit after tax for the year	4,778	4,716
Group's share of associates' profit after tax for the year	2,349	2,329
Share of revaluation deficit of investment properties at Group level	(14,819)	(13,763)
	(12,470)	(11,434)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

8 FIXED ASSETS

GROUP

	Leasehold Land S\$'000	Building S\$'000	Leasehold Improvements S\$'000	Equipment, Furniture & Fittings Library Materials S\$'000	Capital Work- in-Progress S\$'000	Total S\$'000
COST						
At 1 April 2004	65,870	1,380,400	149,519	859,188	84,992	2,539,969
Additions	31	3,162	1,251	81,948	132,299	218,691
Transfers	–	(1,810)	(1,132)	4,265	(1,323)	–
Disposals	–	(489)	–	(23,915)	–	(24,404)
At 1 April 2005	65,901	1,381,263	149,638	921,486	215,968	2,734,256
Additions	46,443	26,483	24,970	87,803	60,662	246,361
Transfers	–	27,757	120,481	20,017	(168,255)	–
Transferred to MOE	–	–	–	–	(16,994)	(16,994)
Disposals	–	–	–	(31,112)	–	(31,112)
At 31 March 2006	112,344	1,435,503	295,089	998,194	91,381	2,932,511
ACCUMULATED DEPRECIATION						
At 1 April 2004	10,776	560,987	29,690	545,280	–	1,146,733
Depreciation	1,067	45,952	15,379	101,927	–	164,325
Transfers	–	(191)	(360)	551	–	–
Disposals	–	(371)	–	(22,928)	–	(23,299)
At 1 April 2005	11,843	606,377	44,709	624,830	–	1,287,759
Depreciation	1,585	46,953	40,579	100,073	–	189,190
Transfers	–	471	(2,029)	1,558	–	–
Disposals	–	–	–	(29,579)	–	(29,579)
At 31 March 2006	13,428	653,801	83,259	696,882	–	1,447,370
IMPAIRMENT LOSS						
Recognised during the year and as at						
31 March 2006	–	–	–	3,823	–	3,823
CARRYING AMOUNT						
At 31 March 2006	98,916	781,702	211,830	297,489	91,381	1,481,318
At 31 March 2005	54,058	774,886	104,929	296,656	215,968	1,446,497

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

8 FIXED ASSETS (cont'd)

UNIVERSITY

	Leasehold Land S\$'000	Building S\$'000	Leasehold Improvements S\$'000	Equipment, Furniture & Fittings Library Materials S\$'000	Capital Work- in-Progress S\$'000	Total S\$'000
COST						
At 1 April 2004 (restated)	65,870	1,380,400	149,515	858,692	84,992	2,539,469
Additions (restated)	31	3,162	1,251	81,782	132,299	218,525
Transfers	–	(1,810)	(1,132)	4,265	(1,323)	–
Disposals	–	(489)	–	(23,915)	–	(24,404)
At 1 April 2005 (restated)	65,901	1,381,263	149,634	920,824	215,968	2,733,590
Additions	46,443	26,483	24,970	86,894	60,662	245,452
Transfers	–	27,757	120,481	20,017	(168,255)	–
Transferred to MOE	–	–	–	–	(16,994)	(16,994)
Disposals	–	–	–	(31,095)	–	(31,095)
At 31 March 2006	112,344	1,435,503	295,085	996,640	91,381	2,930,953
ACCUMULATED DEPRECIATION						
At 1 April 2004 (restated)	10,776	560,987	29,689	545,048	–	1,146,500
Depreciation (restated)	1,067	45,952	15,379	101,826	–	164,224
Transfers	–	(191)	(360)	551	–	–
Disposals	–	(371)	–	(22,928)	–	(23,299)
At 1 April 2005 (restated)	11,843	606,377	44,708	624,497	–	1,287,425
Depreciation	1,585	46,953	40,578	99,899	–	189,015
Transfers	–	471	(2,029)	1,558	–	–
Disposals	–	–	–	(29,562)	–	(29,562)
At 31 March 2006	13,428	653,801	83,257	696,392	–	1,446,878
IMPAIRMENT LOSS						
Recognised during the year and as at 31 March 2006	–	–	–	3,823	–	3,823
CARRYING AMOUNT						
At 31 March 2006	98,916	781,702	211,828	296,425	91,381	1,480,252
At 31 March 2005 (restated)	54,058	774,886	104,926	296,327	215,968	1,446,165

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

9 INVESTMENT PROPERTIES

	Group and University	2005
	2006	2005
	S\$'000	S\$'000
Balance as at 1 April	17,010	17,020
Deficit on revaluation	(1,285)	(10)
Balance as at 31 March	15,725	17,010

The investment properties are stated at valuation on the basis of estimated open market values based on their existing use, contained in a valuation report dated 31 March 2006 (2005: 22 July 2005) made by a firm of professional valuers, Colliers International Consultancy & Valuation (Singapore) Pte Ltd (2005: Jones Lang LaSalle Property Consultants Pte Ltd).

The property rental income earned by the Group from its investment properties amounted to S\$231,000 (2005 : S\$149,000). Direct operating expenses arising on the investment properties in the year amounted to S\$109,000 (2005 : S\$107,000).

10 HELD-TO-MATURITY INVESTMENTS

	Group and University	2005
	2006	2005
	S\$'000	S\$'000
Unquoted debt security, at amortised cost	500	500

The debt security held-to-maturity was purchased at par and the coupon rate is 4.5% (2005: 4.5%) and nominal value is S\$500,000 (2005: S\$500,000). The maturity date is 5 December 2009. The carrying amount of the debt security approximates its fair value.

11 AVAILABLE-FOR-SALE INVESTMENTS

	Group			University		
	2006	2005	2005	2006	2005	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	At fair value	At fair value	At cost	At fair value	At fair value	At cost
Government bonds	–	–	–	–	–	–
Quoted debt securities	–	–	–	–	–	–
Quoted equity securities	–	17,288	1,602	–	17,288	1,602
Unquoted equity securities	5,251	7,943	10,380	5,035	6,176	8,613
Redeemable convertible loan stocks	653	730	730	–	–	–
	5,904	25,961	12,712	5,035	23,464	10,215

The fair value of quoted equity securities available for sale is based on the last bid quoted market prices on the last market day of the financial year. The fair value of unquoted equity securities available for sale is estimated based on the net asset values disclosed in the financial statements of the entities.

Available-for-sale investments that are not denominated in the functional currency of the respective entities are as follows:

	Group			University		
	2006	2005	2005	2006	2005	2005
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	At fair value	At fair value	At cost	At fair value	At fair value	At cost
United States dollar	858	2,221	5,331	858	2,221	5,331

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

12 HELD FOR TRADING INVESTMENTS

	Group and University		
	2006 S\$'000 At fair value	2005 S\$'000 At fair value	2005 S\$'000 At cost
Non-current			
Government bonds	–	177,389	176,048
Quoted debt securities	–	97,406	94,726
Quoted equity securities	–	155,490	64,808
Unquoted debt securities	–	18,255	20,722
Unquoted equity securities	–	25,534	30,754
Total non-current	–	474,074	387,058
Current			
Government bonds	198,529	137,440	128,294
Unquoted Government bonds	106,275	35,595	35,833
Quoted debt securities	98,645	98,121	94,295
Quoted equity securities	580,394	354,870	309,900
Unquoted debt securities	94,428	138,258	133,834
Unquoted bonds issued by associated company	–	50,445	50,000
Unquoted equity securities	59,030	–	–
Total current	1,137,301	814,729	752,156
Total	1,137,301	1,288,803	1,139,214

These investments are actively managed and monitored by the University's Investment Committee and hence are classified as held for trading under FRS 39.

The weighted average effective interest rate of debt securities held for trading at the balance sheet date was 4.44% (2005: 3.93%). The fair value of equity securities are based on the last bid quoted market prices on the last market day of the financial year.

Held for trading investments that are not denominated in the functional currency of the respective entities are as follows:

	Group and University		
	2006 S\$'000 At fair value	2005 S\$'000 At fair value	2005 S\$'000 At cost
United States dollar	458,979	453,307	444,318
Euro dollar	156,403	189,594	161,739
Japanese yen	59,959	51,382	45,750
Sterling pound	43,842	51,622	44,567
Canadian dollar	12,840	14,041	11,492
Others	33,703	31,116	27,271
	765,726	791,062	735,137

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and University			
	2006		2005	
	Assets S\$'000	Liabilities S\$'000	Assets S\$'000	Liabilities S\$'000
Forward foreign exchange contracts	2,963	(794)	–	–
Interest rate swaps	3,848	(4,265)	–	–
Options	367	(289)	–	–
	7,178	(5,348)	–	–
Analysed as:				
Current	7,178	(5,348)	–	–
Non-current	–	–	–	–
	7,178	(5,348)	–	–

Forward foreign exchange contracts, interest rate and total return swaps and options are entered into for hedging purposes to manage exposure to fluctuations in the foreign currency exchange rates and interest rates respectively.

At 31 March 2006, the settlement dates on open forward contracts, interest rate and total return swaps and options ranged from between one month to greater than a year.

The fair values of forward foreign exchange contracts, interest rate and total return swaps and options have been calculated using rates quoted by the University's master custodian to terminate the contracts at the balance sheet date.

As the Group had not adopted FRS 39 for the preceding year, the derivatives and the respective hedges amounting to S\$5,987,000 were not recognised on the balance sheet as at 31 March 2005. Adjustments were prospectively made to the opening balances in accordance with the transitional provisions of FRS 39.

At 31 March 2006, the contractual/ notional amount of outstanding forward foreign exchange contracts, interest rate and total return swaps and options to which the Group is committed are as follows:

	Group and University	
	2006 S\$'000	2005 S\$'000
Forward foreign exchange contracts	480,864	1,017,734
Interest rate swaps	386,855	201,384
Total return swaps	–	825
Options	36,649	–
	904,368	1,219,943

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

14 MOVEMENTS IN FAIR VALUE OF INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS (For Information Only)

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Non-current investments				
Fair value at the beginning of the year	500,535	494,599	498,038	493,032
Increase due to net purchases	1,537	50,672	614	49,742
Decrease due to reclassification to associated company on consolidation	(289)	–	–	–
Decrease due to reclassification	(491,362)	(47,500)	(491,362)	(47,500)
Realised loss on sale of investments	(9)	(9,006)	(9)	(9,006)
Impairment loss	(2,262)	–	–	–
(Loss)/Gain arising from changes in fair values	(1,746)	11,770	(1,746)	11,770
Fair value at the end of the year	6,404	500,535	5,535	498,038
Current investments				
Fair value at the beginning of the year	814,729	696,204	814,729	696,204
Fair value at the beginning of the year for derivative financial instruments	(5,987)	–	(5,987)	–
Increase/(decrease) due to net purchases/(disposals)	(230,377)	54,144	(230,377)	54,144
Decrease due to reclassification to associated company	–	–	–	–
Increase due to reclassification from non-current investments	491,362	47,500	491,362	47,500
Realised loss on sale of investments	(3,369)	(12,204)	(3,369)	(12,204)
Gain arising from changes in fair values	72,773	29,085	72,773	29,085
Fair value at the end of the year	1,139,131	814,729	1,139,131	814,729
Total				
Fair value at the beginning of the year	1,315,264	1,190,803	1,312,767	1,189,236
Fair value at the beginning of the year for derivative financial instruments	(5,987)	–	(5,987)	–
Increase/(decrease) due to net purchases/(disposals)	(228,840)	104,816	(229,763)	103,886
Decrease due to reclassification to associated company	(289)	–	–	–
Realised loss on sale of investments	(3,378)	(21,210)	(3,378)	(21,210)
Impairment loss	(2,262)	–	–	–
Gain arising from changes in fair values	71,027	40,855	71,027	40,855
Fair value at the end of the year	1,145,535	1,315,264	1,144,666	1,312,767

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

15 STUDENT LOANS

	Group and University 2006 S\$'000	2005 S\$'000
Student tuition fee loans (a)	167,949	162,665
Study loans (a)	38,112	33,791
Notebook computer loans (b)	15,576	16,957
Other student loans (c)	1,464	1,242
	<hr/> 223,101	<hr/> 214,655
Represented by:		
Amount repayable within 12 months – current assets	49,590	48,535
Amount repayable after 12 months – non current assets	173,511	166,120
	<hr/> 223,101	<hr/> 214,655

(a) The student tuition fee and study loans are repayable with interest at 4.750% (2005: 4.750%) per annum by monthly instalments, over periods up to 20 years.

(b) The interest-free notebook computer loans to students are repayable by monthly instalments, over periods up to 2.5 years.

(c) The other student loans are interest-free and repayable by monthly instalments, over periods up to 5 years.

Secured Assets

The student loans are unsecured.

Fair values

Student tuition fee loans and study loans are disbursed from advances from the government.

There are no significant differences between fair values and carrying amounts of the above loans.

16 LONG-TERM LOAN TO SUBSIDIARY COMPANY AND AMOUNTS OWING BY/TO SUBSIDIARY/ASSOCIATED COMPANY

The long-term loan to subsidiary company is unsecured, interest-free and not expected to be repaid within the next twelve months. The amounts owing by/to subsidiary/associated company are unsecured, interest-free and repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

17 DEBTORS

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Grants receivable	333,725	84,753	333,725	84,753
Trade debtors	21,754	17,931	20,210	17,607
Interest receivable	12,938	9,768	12,938	9,768
Receivables from sale of investments	28,399	2,895	28,399	2,895
Others	11,350	10,366	11,082	9,680
	408,166	125,713	406,354	124,703

Debtors that are not denominated in the functional currencies of the respective entities are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
United States dollars	25,896	2,372	25,854	2,006
Sterling pound	968	28	968	28
Euro dollars	1,740	325	1,740	325
Japanese yen	734	–	734	–
Swedish krona	–	536	–	536
Swiss Franc	233	–	233	–
	29,571	3,261	29,529	2,895

18 DEPOSITS AND PREPAYMENTS

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Deposits paid	537	455	507	379
Prepayments for fixed assets	4,168	1,177	4,146	1,177
Other prepayments	9,576	7,044	9,536	6,789
	14,281	8,676	14,189	8,345

Deposits and prepayments that are not denominated in the functional currencies of the respective entities are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
United States dollars	5,149	37	5,114	–
Sterling pound	10	–	10	–
Euro dollars	2,832	–	2,832	–
	7,991	37	7,956	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

19 FIXED DEPOSITS

The effective interest rates of fixed deposits at the balance sheet date are 1.84% to 3.385% (2005: 0.875% to 2.13%) and for the average tenor of 6 months. The carrying amounts of the fixed deposits approximate their fair values.

Fixed deposits that are not denominated in the functional currencies of the respective entities are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
United States dollars	22,346	13,957	22,346	13,957

20 CASH AND BANK BALANCES

The carrying amounts of the cash and bank balances approximates their fair values.

Cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
United States dollars	1,929	6,504	1,323	6,134
Sterling pounds	1,379	744	1,379	744
Euro dollars	4,013	4,570	4,013	4,570
Japanese yen	284	828	284	828
Swiss franc	57	18	57	18
Canadian dollars	82	664	82	664
Australian dollars	349	63	349	63
Others	334	200	334	200
	8,427	13,591	7,821	13,221

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

21 CREDITORS AND ACCRUED EXPENSES

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Creditors	91,366	56,097	90,447	56,055
Accrued expenses	104,068	97,081	104,061	97,034
Income tax payable	6	–	–	–
Deposits received	2,212	1,873	2,212	1,873
	197,652	155,051	196,720	154,962

Creditors and accrued expenses that are not denominated in the functional currencies of the respective entities are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
United States dollars	21,884	26,452	21,771	26,441
Sterling pounds	1,313	8,837	1,313	8,837
Euro dollars	20,561	2,719	20,561	2,719
Japanese yen	13,636	6,821	13,636	6,821
Australian dollars	2,215	–	2,215	–
Others	2,069	–	2,069	–
	61,678	44,829	61,565	44,818

22 LONG-TERM LOAN

The unsecured interest-free loan was provided by the Agency for Science, Technology & Research to finance the construction of a building extension. It is repayable from the rental income derived from the leasing of the extension.

	Group and University	
	2006 S\$'000	2005 S\$'000
Amount repayable within 12 months	609	821
Amount repayable after 12 months	–	609
	609	1,430

The fair value of the long-term loan is S\$585,000 (2005: S\$1,371,000). The fair value is calculated based on discounted cash flows using a discount rate that approximates the borrowing rate which the management expects to be available to the University at balance sheet date.

The maturity of the amount repayable after 12 months is as follows:

	Group and University	
	2006 S\$'000	2005 S\$'000
Between 1 and 2 years	–	609

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

23 DEFERRED CAPITAL GRANTS

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Government and Agency for Science, Technology & Research				
Balance as at 1 April	1,192,317	1,143,794	1,192,177	1,143,794
Capital grants utilised during the year	66,940	151,668	66,204	151,513
Amount transferred from operating grants (Note 30)	107,426	39,743	107,426	39,743
Amount reclassified from Deferred Capital Grants - Others	–	36	–	36
Amount reclassified from self-financing funds	41	40	41	40
Amount reclassified from Accumulated Surplus	2,625	72	2,625	72
	1,369,349	1,335,353	1,368,473	1,335,198
Deferred capital grants amortised	(169,904)	(143,036)	(169,772)	(143,021)
Deferred capital grants transferred to MOE	(16,994)	–	(16,994)	–
Balance as at 31 March	1,182,451	1,192,317	1,181,707	1,192,177
Others				
Balance as at 1 April	145,053	152,450	145,053	152,450
Capital grants utilised during the year and donated assets	5,877	574	5,795	574
Amount transferred from operating grants (Note 30)	2,191	1,804	2,191	1,804
Amount transferred from Accumulated Surplus	2,615	3,635	2,615	3,635
Amount reclassified to Deferred Capital Grant – Government	–	(36)	–	(36)
Amount reclassified to self-financing funds	–	(9)	–	(9)
	155,736	158,418	155,654	158,418
Deferred capital grants amortised	(12,644)	(13,365)	(12,637)	(13,365)
Balance as at 31 March	143,092	145,053	143,017	145,053
Total Deferred Capital Grants balance as at 31 March	1,325,543	1,337,370	1,324,724	1,337,230

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

24 ADVANCES FROM THE GOVERNMENT FOR STUDENT LOANS

	Group and University	2005		
	2006	2005		
	S\$'000	S\$'000		
Balance as at 1 April	200,519	196,256		
Advances received from government during the year	6,500	4,277		
	<hr/> 207,019	<hr/> 200,533		
Advances repaid to government during the year	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">-</td></tr></table>	-	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">-</td></tr></table>	-
-				
-				
Miscellaneous expenditure	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">(53)</td></tr></table>	(53)	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="text-align: center;">(14)</td></tr></table>	(14)
(53)				
(14)				
	<hr/> (53)	<hr/> (14)		
Balance as at 31 March	<hr/> 206,966	<hr/> 200,519		
Represented by :				
Student tuition fee loans	167,949	162,665		
Study loans	38,112	33,791		
Pooled investments, fixed deposits and bank balances	905	4,063		
	<hr/> 206,966	<hr/> 200,519		

The advances from the government are for the purpose of extending loans to students mainly to assist them in paying their tuition fees. They are unsecured and repayable following the collection of the underlying loans (including interest as described in Note 15) by the University to the students. The carrying amount of the advances approximate the fair value.

25 OTHER INCOME

	Group		University	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Courses and conference fees	20,800	16,137	19,476	16,137
Clinical fees/consultancy fees	14,951	15,128	14,951	15,128
Donations	111,628	48,759	111,329	48,759
Rental income and student hostel residential fees	29,500	27,964	29,426	27,964
Others	28,274	27,466	27,420	25,595
	<hr/> 205,153	<hr/> 135,454	<hr/> 202,602	<hr/> 133,583

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

26 EXPENDITURE ON MANPOWER

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Wages and salaries	499,732	475,007	495,643	474,226
Employer's contribution to Provident Funds	32,637	33,605	32,294	33,531
Other staff benefits	3,438	7,185	3,164	7,164
	535,807	515,797	531,101	514,921

27 KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation for fifteen (2005: fourteen) and twelve (2005: eleven) key management personnel of the Group and the University respectively, are as follows:

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Short-term benefits	5,305	4,325	4,729	4,093
Post-employment benefits	106	144	82	139
Other long-term benefits	–	–	–	–
	5,411	4,469	4,811	4,232

28 INVESTMENT INCOME

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Interest income:				
Government bonds	13,881	13,422	13,881	13,422
Bonds/loan stocks in corporations/associated company	11,050	12,733	11,050	12,733
Fixed deposits and bank current accounts	25,577	9,010	25,538	9,010
	50,508	35,165	50,469	35,165
Dividend income:				
Quoted equity shares	17,215	18,494	17,215	18,494
Unquoted equity shares	244	905	244	905
	17,459	19,399	17,459	19,399
Net (loss)/profit on sale of investments	(3,378)	21,210	(3,378)	21,210
Transfer from investment revaluation reserve on sale of available-for-sale investments	15,729	–	15,729	–
Net foreign currency exchange adjustment gains	11,586	3,895	11,586	3,895
Impairment loss on Savu Investments Ltd	–	–	(12,493)	(9,448)
Impairment loss on investments	(2,262)	–	–	–
Capitalised expenses written off on Savu investments Ltd	–	(1,342)	–	–
	89,642	78,327	79,372	70,221

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

29 (DEFICIT)/SURPLUS BEFORE GRANTS

This is arrived at after charging/(crediting):

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
Bad and doubtful debts	634	190	563	190
Rental expenses	3,242	1,944	3,107	1,944
Loss on disposal of fixed assets	1,064	919	1,064	915
Impairment loss on fixed assets	3,824	–	3,824	–
Net foreign currency exchange adjustment gains	(11,586)	(3,902)	(11,586)	(3,902)
Research and development costs	160,671	109,475	160,671	109,475

30 OPERATING GRANTS

	Group		University	
	2006 S\$'000	2005 S\$'000	2006 S\$'000	2005 S\$'000
(a) Operating Grants (Government)				
Operating grants utilised during the year	675,920	623,284	672,586	623,284
Amount transferred to deferred capital grants	(97,025)	(28,665)	(97,025)	(28,665)
	578,895	594,619	575,561	594,619
(b) Operating Grants (Agency for Science, Technology & Research)				
Operating grants utilised during the year	64,037	64,126	63,970	64,126
Amount transferred to deferred capital grants	(10,401)	(11,078)	(10,401)	(11,078)
	53,636	53,048	53,569	53,048
(c) Operating Grants (Others)				
Operating grants utilised during the year	45,682	41,853	45,467	41,756
Amount transferred to deferred capital grants	(2,191)	(1,804)	(2,191)	(1,804)
	43,491	40,049	43,276	39,952

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

31 INCOME TAX

	Group		University	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Tax attributable to results is made up of:				
Current income tax	6	–	–	–
Over provision in prior financial years	–	(1)	–	–
	6	(1)	–	–

Income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 20% (2005: 20%) to surplus before income tax as a result of the following differences:

	Group		University	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Surplus before income tax	250,940	174,785	250,469	177,191
Income tax calculated at statutory tax rate	50,188	34,957	50,094	35,438
Deferred tax asset not recognised	(4)	17	–	–
Tax exemption	(50,178)	(34,975)	(50,094)	(35,438)
Over provision in prior financial years	–	(1)	–	–
Others	–	1	–	–
	6	(1)	–	–

There is no provision for income tax for the University as its income is tax exempt under Section 13M of the Singapore Income Tax Act, subject to the fulfilment of certain conditions imposed by the Act. The approval for the waiver of the fulfilment of these conditions has to be obtained from the Singapore tax authority on a yearly basis.

The University has obtained waiver up to the year of assessment 2005. The University has not included any possible tax consequences that might result if approval for waiver is not received for subsequent years of assessment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

32 SURPLUS FOR THE YEAR

The net surplus for the year in the Income and Expenditure Statement of the University of S\$250,469,000 (2005: \$177,191,000) includes the following:

	University	
	2006	2005
	S\$'000	S\$'000
Non-endowed donations for specific purposes	111,329	48,759
Change in fair value of investments	72,773	–
	184,102	48,759
And before setting aside funds for :		
– Transfer to Capital Preservation Account	8,239	–
– Transfers to Deferred Capital Grant and Endowment Funds	12,124	2,838
	20,363	2,838

The balance has been committed for various expenditures and initiatives.

33 CAPITAL COMMITMENTS

Commitments by the Group in respect of equipment and expansion of the facilities, not provided for in the financial statements, are as follows :

	Group		University	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Authorised and contracted for	186,185	192,869	186,185	192,869
Authorised but not yet contracted for	375,232	293,670	375,232	293,670
	561,417	486,539	561,417	486,539

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

34 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements, due to change in accounting policies, and following the Group and University's adoption of the FRSs that became effective during the year. As a result, certain line items have been amended on the face of the Balance Sheet, Income and Expenditure Statement, Statement of Changes in Equity and Cash Flow Statement, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

(a) Due to adoption of FRS 39

	University	
	Previously reported 2005 S\$'000	After reclassification 2005 S\$'000
Current investments	752,156	–
Held for trading investments	–	752,156
	752,156	752,156
Non-current investments	397,773	–
Available-for-sale investments	–	10,215
Held-to-maturity investments	–	500
Held for trading investments	–	387,058
	397,773	397,773

Investments classified as non-current assets and current assets in the prior year continued to be classified as such in the comparative figures as the FRS 39 does not allow prior year reclassification.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

34 RECLASSIFICATION AND COMPARATIVE FIGURES (cont'd)

	General Funds		UNIVERSITY Restricted Funds		Total	
	Previously reported 2005 S\$'000	As Restated 2005 S\$'000	Previously reported 2005 S\$'000	As Restated 2005 S\$'000	Previously reported 2005 S\$'000	As Restated 2005 S\$'000
Income and Expenditure Statement for the year ended 31 March 2005						
Other income (c)	19,997	17,103	132,248	116,480	152,245	133,583
Depreciation (b)	148,258	161,112	3,112	3,112	151,370	164,224
Other operating expenditure (b, c)	331,939	302,942	66,020	63,144	397,959	366,086
Operating grants (b)						
Government (b)	607,830	594,619	–	–	607,830	594,619
Agency for Science, Technology & Research (b)	53,048	53,048	–	–	53,048	53,048
Others (b)	39,952	39,952	–	–	39,952	39,952
Deferred Capital Grant amortised (b)	142,464	155,318	1,069	1,069	143,533	156,387
	843,294	842,937	1,069	1,069	844,363	844,006

Balance Sheet as at
31 March 2005

Fixed assets (included in non-current assets)	1,413,536	1,446,165
Deferred Capital Grant (included in non-current liabilities)	1,304,601	1,337,230

(b) Due to change in accounting policy for library materials (Note 2k).

(c) Certain reclassifications have been made to prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the income and expenditure statement. Comparative figures have been adjusted to conform with the current year's presentation.

(d) In this financial year, consolidation was performed by the University. Accordingly, comparative consolidated figures have been presented.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2006

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The University is a statutory board of the Ministry of Education (MOE). Hence, other state-controlled enterprises are considered related parties of the University. Many of the University's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

Details of significant balances and transactions between the related parties are described below:

	Group		University	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Balances				
Debtors	333,645	83,711	333,593	83,711
Creditors and accrued expenses	19,346	1,662	19,346	1,662
Deferred Capital Grants	1,187,309	1,164,259	1,186,491	1,164,119
Grants received in advance	105,278	86,358	100,807	82,232
Transactions				
Non-endowed donations received	8,963	30,053	8,963	30,053
Other income	57	–	–	–
Other operating expenditure	10,169	12,859	10,169	12,859
Operating grants	662,237	673,229	658,743	673,229
Deferred Capital Grant amortised	232,862	131,432	232,723	131,417

NATIONAL UNIVERSITY OF SINGAPORE ACADEMIC STAFF PROVIDENT FUND SCHEME

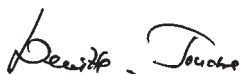
Auditors' Report **46** Balance Sheet **47** Income and Expenditure Account **48** Statement of Changes in Members' Accounts and Reserves **49**
Statement of Cash Flows **50** Notes to the Financial Statements **51**

AUDITORS' REPORT TO THE BOARD OF MANAGEMENT
OF THE NATIONAL UNIVERSITY OF SINGAPORE
ACADEMIC STAFF PROVIDENT FUND SCHEME

We have audited the accompanying financial statements of National University of Singapore Academic Staff Provident Fund Scheme (the "Scheme") for the financial year ended 31 March 2006 as set out on pages 47 to 55. These financial statements are the responsibility of the Scheme's Board of Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the National University of Singapore Statute 18 – Academic Staff Provident Fund Scheme and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Scheme as at 31 March 2006 and the results, changes in members' accounts and reserves and cash flows of the Scheme for the year ended on that date.



Deloitte & Touche
Certified Public Accountants

Singapore
13 July 2006

BALANCE SHEET

as at 31 March

	Note	2006 S\$'000	2005 S\$'000
INVESTMENT FUND			
Members' Accounts		254,627	260,450
Interest Equalisation Reserve Account		28,183	26,033
		282,810	286,483
Represented by:			
HELD FOR TRADING INVESTMENTS	3	–	46,885
CURRENT ASSETS			
Held for trading investments	3	12,019	–
Fixed Deposits		262,300	232,300
Accrued Interest Receivable		2,738	1,522
Due from National University of Singapore		250	192
Sundry Debtors		8	8
Tax Recoverable		399	543
Bank Balances		5,241	5,150
		282,955	239,715
TOTAL ASSETS		282,955	286,600
CURRENT LIABILITIES			
Ex-members' Balances		47	46
Sundry Creditors		98	71
TOTAL LIABILITIES		145	117
NET ASSETS		282,810	286,483



Prof Yong Kwet Yew
Chairman
Board of Management



Ajith Prasad
Secretary
Board of Management

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

INCOME AND EXPENDITURE ACCOUNT

for the financial year ended 31 March

	2006 S\$'000	2005 S\$'000
INCOME		
Interest from:		
Quoted Investments in:		
– Government Securities and Quasi-government Bonds	–	360
– Negotiable Certificates of Deposit	4	85
– Bonds and Loan Stocks in corporations	347	614
	351	1,059
Fixed Deposits	4,522	2,169
Bank Balances	44	6
	4,917	3,234
Change in fair values of held for trading investments	197	–
Dividends	2,218	2,943
Profit on sale and redemption of investments	1,960	792
	9,292	6,969
Less:		
EXPENDITURE		
Interest credited to members' and ex-members' accounts	(7,142)	(7,521)
	2,150	(552)
Impairment loss on held for trading investments	–	(2,917)
SURPLUS/(DEFICIT) for the financial year	2,150	(3,469)

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

STATEMENT OF CHANGES IN MEMBERS' ACCOUNTS AND RESERVES

for the financial year ended 31 March

	Members' Accounts S\$'000	Interest Equalisation Reserve Account S\$'000	Total S\$'000
Balance as at 1 April 2004	257,374	36,339	293,713
Net contributions credited	21,301	–	21,301
Interest credited	7,517	–	7,517
Distribution to members' accounts @ 3%	6,837	(6,837)	–
Withdrawals net of refunds	(32,579)	–	(32,579)
Net withdrawals	3,076	(6,837)	(3,761)
Deficit for the financial year	–	(3,469)	(3,469)
Total recognised loss	–	(3,469)	(3,469)
Balance as at 31 March 2005	260,450	26,033	286,483
Net contributions credited	15,898	–	15,898
Interest credited	7,137	–	7,137
Withdrawals net of refunds	(28,858)	–	(28,858)
Net withdrawals	(5,823)	–	(5,823)
Surplus for the financial year	–	2,150	2,150
Total recognised gain	–	2,150	2,150
Balance as at 31 March 2006	254,627	28,183	282,810

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

STATEMENT OF CASH FLOWS

for the financial year ended 31 March

	2006 S\$'000	2005 S\$'000
Operating activities:		
Surplus/(Deficit) for the financial year	2,150	(3,469)
Adjustments for:		
Interest income	(4,917)	(3,234)
Dividends	(2,218)	(2,943)
Interest credited to members' and ex-members' accounts	7,142	7,521
Change in fair values of held for trading investments	(197)	–
Impairment loss on held for trading investments	–	2,917
Profit on sale and redemption of investments	(1,960)	(792)
Operating surplus before reinvestment in working capital	–	–
Increase/(Decrease) in sundry creditors	27	(16)
Decrease in sundry debtors	–	245
Increase in amount due from National University of Singapore	(58)	(114)
Decrease/(Increase) in tax recoverable	144	(511)
Cash generated from/(used in) operating activities	113	(396)
Interest income received	3,701	2,966
Interest paid to members	(4)	(4)
Net contributions credited	15,898	21,301
Withdrawals net of refunds	(28,858)	(32,579)
Net cash used in operating activities	(9,150)	(8,712)
Investing activities:		
Dividend income received	2,218	2,943
Purchases of held for trading investments	(674)	–
Proceeds from sale of held for trading investments	37,697	47,181
Net cash used in investing activities	39,241	50,124
Net increase in cash and cash equivalents	30,091	41,412
Cash and cash equivalents as at 1 April	237,450	196,038
Cash and cash equivalents as at 31 March (Note A)	267,541	237,450

Note A

Cash and cash equivalents in the cash flow statements consist of the following:

Bank balances	5,241	5,150
Fixed deposits	262,300	232,300
	267,541	237,450

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

1 PRINCIPAL ACTIVITY

The National University of Singapore Academic Staff Provident Fund Scheme is set up to manage and administer funds received for its members' accounts in accordance with Statute 18 established under the National University of Singapore Act, Chapter 204.

The principal place of business is:

Office of Finance
ASPF Section
National University of Singapore
10 Kent Ridge Crescent
Singapore 119260

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of Singapore Financial Reporting Standards ("FRSs") and the National University of Singapore Statute 18 - Academic Staff Provident Fund Scheme. In the current financial year, the Scheme has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as disclosed below and in the notes to the financial statements.

FRS 39 – Financial Instruments: Recognition and Measurement

FRS 39 requires the recognition, measurement and disclosure of financial assets and liabilities. The new accounting standard moves measurement from a cost base to a fair value base for certain categories of financial assets and liabilities. The change in accounting policy has been accounted for prospectively in accordance with the transitional provisions of FRS 39. The adoption of FRS 39 has resulted in certain investments being carried at their respective fair values with the corresponding adjustments being taken to the revaluation reserves or the Income and Expenditure Account.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not applicable yet:

FRS 40	–	Investment Property
FRS 106	–	Exploration for and Evaluation of Mineral Resources
FRS 107	–	Financial Instruments: Disclosures
INT FRS 104	–	Determining whether an Arrangement contains a Lease
INT FRS 105	–	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	–	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
INT FRS 107	–	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	–	Scope of FRS 102 - Share-based Payment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates on net Investment in a Foreign Operation.

Amendments to FRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provisions, fair value option and financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

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

The Management expects that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will have no impact on the financial statements of the Scheme.

(b) Financial Instruments

Financial assets and liabilities are recognised on the Scheme's balance sheet when the Scheme becomes a party to the contractual provisions of the instrument.

i) Financial Assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Investments

Investments are recognised and de-recognised on a trade date basis when the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments classified as held for trading are measured at subsequent reporting dates at fair value. Where investments are held for trading purposes, gains and losses arising from changes in fair value are included in the Income and Expenditure Account.

ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Scheme are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Scheme after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities are set out below.

Sundry creditors

Sundry creditors are measured at fair value, and are subsequently measured at amortised cost, using effective rate method.

(c) Impairment of tangible assets

At each balance sheet date, the Scheme reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Scheme estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Impairment of tangible assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure Account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure Account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(d) Basis of recognising income

Interest income from fixed interest bearing investments is recognised on the accrual basis.

Dividend income from investments is recognised on the date it is declared to be payable by the investee company.

(e) Expenditure

All expenses incurred in administering the Scheme are borne by the National University of Singapore except for brokerage, commission, stamp duty and other expenses incidental to the buying and selling of investments or collection of dividends or interest on investments of the Investment Fund.

(f) Members' contribution

Contributions by members are recognised on the accrual basis. All contributions to the Scheme are paid into the Investment Fund.

(g) Interest on Members' Accounts

Interest at such rate as the Board of Management may determine is credited to each member's account quarterly on the opening balance of each quarter out of the income received from the Investment Fund provided that such interest shall only be compounded after the expiry of the financial year in which such interest is credited.

Any balance of the income remaining after crediting to members' accounts is transferred to the Interest Equalisation Reserve Account in accordance with Clause 11(ii) of Statute 18.

(h) Interest Equalisation Reserve Account

The Interest Equalisation Reserve Account is established under Clause 11 of Statute 18 and built up from appropriations from the annual surplus of the Scheme.

In the years in which the annual surplus of the Scheme is insufficient to credit interest to members' accounts, interest amounts as specified by the Board of Management would be transferred from this reserve to members' accounts.

(i) Foreign Currencies

The financial statements of the Scheme are presented in Singapore dollars, which is the functional currency of the Scheme, and the presentation currency for the financial statements.

In preparing the financial statements of the Scheme, transactions in currencies other than the Scheme's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Financial Risk Management

(i) Foreign exchange risk

The Scheme is not materially exposed to foreign exchange risk.

(ii) Interest rate risk

The Scheme's income and operating cash flows are not materially affected by changes in market interest rates. As a policy, the Scheme does not hedge interest rate risks.

(iii) Credit risk

The Scheme has no significant concentrations of credit risk. Measures are in place to ensure that receivables are collected on a timely basis. Cash and fixed deposits are held with creditworthy financial institutions.

(iv) Liquidity risk

The Scheme monitors and maintains a level of cash and bank balances deemed adequate by the Management to finance the Scheme's operations and mitigate the effects of fluctuations in cash flows.

(v) Fair value of Financial Assets and Financial Liabilities

The carrying amount of the Scheme's financial assets and liabilities approximate their respective fair values due to the relatively short term maturity of these financial instruments.

3 HELD FOR TRADING INVESTMENTS

	2006 S\$'000	2005 S\$'000
Negotiable Certificates of Deposit:		
– At fair value	–	2,003
Bonds and Loan Stocks in corporations:		
– At fair value	–	12,163
Equity Shares :		
– At fair value	12,019	32,719
	<hr/> 12,019	<hr/> 46,885

The fair value of equity shares as at 31 March 2006 are based on the last bid quoted market prices on that date.

In accordance with Clause 12 of Statute 18, the investments as at 31 March 2005 were stated at fair value based on the mid-market prices on that date.

Investments classified as non-current assets in the prior year continued to be classified as such in the comparative figures as the FRS 39 does not allow prior year reclassification.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

4 EFFECTIVE INTEREST RATES

Fixed deposits bear an effective interest of 0.82% to 3.38% (2005: 0.82% to 2.13%) per annum and for a tenor of approximately 365 days (2005: 365 days).

Other fixed income investments bear an effective interest of 3.21% to 5.05% (2005: 3.21% to 5.05%) per annum and for a tenor of 6 months (2005: 6 months).

5 ADMINISTRATION COST

The cost directly attributable to the administration of the Scheme during the financial year under review was \$446,000 (2005: \$462,000). This cost is borne entirely by the National University of Singapore.

6 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements, due to changes arising from the Scheme's adoption of the FRSs that became effective during the year. As a result, certain line items have been amended on the face of the Balance Sheet, Income and Expenditure Account, Statement of Changes in Members' Accounts and Reserves and Cash Flows Statement, and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

Due to adoption of FRS 39

	Previously reported 2005 S\$'000	After reclassification 2005 S\$'000
Quoted investments	46,885	–
Held for trading investments	–	46,885
	<hr/> 46,885	<hr/> 46,885

7 AUTHORISATION OF FINANCIAL STATEMENTS

The Board of Management authorised these financial statements for issue on 13 July 2006.

