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NANYANG TECHNOLOGICAL UNIVERSITY ANNUAL REPORT 2010

FINANCIAL STATEMENTS

CONTENTS

REPORT OF TRUSTEES

The Board of Trustees present their report to the members together with the audited financial statements of Nanyang Technological University (the University Company) for the financial year ended 31 March 2010.

Trustees

The Trustees in office at the date of this report are as follows:

Mr Koh Boon Hwee (*Chairman*)
Mr Alwi Bin Abdul Hafiz
Mr Chia Ban Seng
Ms Jennie Chua
Mr Goh Geok Ling
Mr Kwek Leng Joo
Mrs Lee Suet Fern
Mrs Tan Ching Yee
Ms Lien Siaou-Sze
Mr Lim Chuan Poh
Prof Haresh Shah
Mr Inderjit Singh
Mr Tan Lip Bu
Mr Ernest Wong
Mr Edmund Cheng
Dr Lim Chee Onn (*appointed on 25 August 2009*)
Prof Alexander J B Zehnder (*appointed on 25 August 2009*)
Mr Wong Yew Meng (*appointed on 1 August 2010*)
Dr Su Guaning

Arrangements to Enable Trustees to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the University Company a party to any arrangement whose object was to enable the Trustees of the University Company to acquire benefits by means of the acquisition of shares in, or debentures of, the University Company or any other body corporate.

Trustees' Interests

As the University Company is limited by guarantee, there are no matters to be disclosed under Section 201(6)(f) and (g), Section 201(6A)(g) and (h), Section 201(11) and Section 201(12) of the Singapore Companies Act, Chapter 50.

Trustee Contractual Benefits

Since the end of the previous financial year, no Trustee has received or become entitled to receive a benefit by reason of a contract made by the University Company or a related corporation with the Trustee or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Trustees

Mr Koh Boon Hwee
Trustee

Dr Su Guaning
Trustee

26 August 2010

STATEMENT BY TRUSTEES

In our opinion:

(a) the financial statements set out on pages 104 to 155 are drawn up so as to give a true and fair view of the state of affairs of the Group and the University Company as at 31 March 2010, and the results, changes in funds and reserves and cash flows of the Group and of the changes in funds and reserves of the University Company for the year then ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the University Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Trustees

Mr Koh Boon Hwee
Trustee

Dr Su Guaning
Trustee

26 August 2010

INDEPENDENT AUDITORS' REPORT

Members of the University Company
Nanyang Technological University

We have audited the accompanying financial statements of Nanyang Technological University (the University Company) and its subsidiaries (collectively the Group), which comprise the balance sheets of the Group and the University Company as at 31 March 2010, and the income and expenditure statement, statements of changes in funds and reserves and statement of cash flows of the Group and the statement of changes in funds and reserves of the University Company for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 104 to 155.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in funds and reserves of the University Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the University Company as at 31 March 2010 and the results, changes in funds and reserves and cash flows of the Group and changes in funds and reserves of the University Company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the University Company, have been properly kept in accordance with the provisions of the Act.

Report on Other Legal and Regulatory Requirements

During the course of our audit, nothing has come to our notice that caused us to believe that:

(a) the University Company did not comply with the requirements of regulation 15 (Fund-raising expenses) in the Charities (Institutions of a Public Character) Regulations 2007; and

(b) the use of the donation money is not in accordance with the objectives of the University Company.

KPMG LLP

KPMG LLP

Public Accountants and

Certified Public Accountants

Singapore

26 August 2010

BALANCE SHEETS
As at 31 March 2010

		Group		University Company	
	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Non-current assets					
Property, plant and equipment	3	1,262,932	1,273,263	1,261,674	1,272,791
Prepaid lease	4	3,765	3,931	3,765	3,931
Subsidiaries	5	–	–	791	291
Available-for-sale financial assets		1,487	1,299	–	–
Student loans	6	6,274	8,575	6,274	8,575
Finance lease receivables	7	23,485	23,280	23,485	23,280
		1,297,943	1,310,348	1,295,989	1,308,868
Current assets					
Derivative financial instruments	8	417	278	417	278
Loan to a subsidiary	9	–	–	3,000	–
Student loans	6	3,895	5,759	3,895	5,759
Trade and other receivables	10	129,209	208,081	125,067	207,235
Financial assets at fair value through income and expenditure	11	678,535	548,857	678,535	548,857
Finance lease receivables	7	479	1,150	479	1,150
Cash and cash equivalents	12	1,075,335	867,031	1,061,800	863,209
		1,887,870	1,631,156	1,873,193	1,626,488
Total assets		3,185,813	2,941,504	3,169,182	2,935,356
Current liabilities					
Derivative financial instruments	8	449	3,628	449	3,628
Trade and other payables	13	130,920	120,227	126,031	119,014
Grant received in advance – Operating Grant	14	541	–	–	–
Grant received in advance – IT and F&E	15	22,013	26,393	21,360	26,382
Short-term borrowings	16	161,900	172,000	161,900	172,000
Deferred tuition and other fees		54,303	50,137	54,303	50,137
Research grants received in advance	17	60,350	49,395	60,102	49,395
		430,476	421,780	424,145	420,556

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

BALANCE SHEETS
As at 31 March 2010

	Note	Group 2010 $'000	Group 2009 $'000	University Company 2010 $'000	University Company 2009 $'000
Non-current liabilities					
Deferred capital grants	18	876,564	882,085	875,631	882,064
Other non-current liabilities		2,757	2,297	2,757	2,297
Sinking fund received in advance	15	134,931	99,970	134,931	99,970
		1,014,252	984,352	1,013,319	984,331
Total liabilities		1,444,728	1,406,132	1,437,464	1,404,887
Net assets		1,741,085	1,535,372	1,731,718	1,530,469
Capital account	19	200,858	200,858	200,858	200,858
Accumulated surplus					
– General fund		411,188	294,621	401,634	289,862
– Endowment fund	20	797,088	719,788	797,088	719,788
– Other restricted fund		331,951	320,105	332,138	319,961
Funds and reserves		1,741,085	1,535,372	1,731,718	1,530,469
Funds managed on behalf of the Ministry	21	228,440	191,582	228,440	191,582
Funds' net assets managed on behalf of the Ministry	21	(228,440)	(191,582)	(228,440)	(191,582)

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

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT

Year Ended 31 March 2010

	Note	General fund 2010 $'000	General fund 2009 $'000
Group			
Income			
Tuition and other fees		201,313	178,482
Rental income		1,432	2,280
Research grants	17	161,364	128,947
Interest income	22	2,428	4,152
Donations		–	–
Other grants		2,647	3,124
Sundry income		18,204	7,239
Deferred capital grants amortised (non-ministry)	18	8,306	8,313
Total Income before profit/(loss) on investments		395,694	332,537
Profit/(Loss) on investments	23	11,778	(59,279)
Total Income/(Loss) after profit/(loss) on investments		407,472	273,258
Expenditure			
Expenditure on manpower		534,440	485,269
Teaching/Research		108,455	86,590
Administration		59,490	54,077
Maintenance		59,419	61,419
Library books and periodicals		7,059	8,051
Depreciation of property, plant and equipment	3	158,122	148,689
Amortisation of prepaid lease	4	166	166
Balance carried forward		927,151	844,261

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

Endowment fund		Other restricted fund		Total	
2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
–	–	26,956	23,402	228,269	201,884
–	–	26,238	27,845	27,670	30,125
–	–	–	–	161,364	128,947
774	218	524	876	3,726	5,246
14,331	25,103	28,343	24,143	42,674	49,246
–	–	6,620	5,117	9,267	8,241
–	–	28,368	40,441	46,572	47,680
–	–	3,632	3,308	11,938	11,621
15,105	25,321	120,681	125,132	531,480	482,990
54,051	(215,765)	135	(892)	65,964	(275,936)
69,156	(190,444)	120,816	124,240	597,444	207,054
846	749	44,436	35,809	579,722	521,827
–	–	28,116	20,814	136,571	107,404
–	–	30,457	31,341	89,947	85,418
–	–	10,605	12,748	70,024	74,167
–	–	–	–	7,059	8,051
–	–	6,740	4,867	164,862	153,556
–	–	–	–	166	166
846	749	120,354	105,579	1,048,351	950,589

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT
Year Ended 31 March 2010

	Note	General fund 2010 $'000	General fund 2009 $'000
Group			
Balance brought forward		927,151	844,261
Capital expenditure not capitalised		28,912	17,551
Loss on disposal of property, plant and equipment		871	946
Other expenses		877	718
Total expenses		957,811	863,476
Surplus/(Deficit) before grants from ministries	24	(550,339)	(590,218)
Development grants	15	44,567	18,212
Operating grants	25	488,256	451,353
Other grants		946	5
Deferred capital grants amortised	18	148,104	140,537
Surplus/(Deficit) after grants from ministries		131,534	19,889
Taxation	26	977	–
Surplus/(Deficit) for the year		130,557	19,889

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

Endowment fund		Other restricted fund		Total	
2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
846	749	120,354	105,579	1,048,351	950,589
–	–	3,588	474	32,500	18,025
–	–	185	2	1,056	948
2,216	3,994	59,336	52,849	62,429	57,561
3,062	4,743	183,463	158,904	1,144,336	1,027,123
66,094	(195,187)	(62,647)	(34,664)	(546,892)	(820,069)
–	–	–	–	44,567	18,212
–	–	–	–	488,256	451,353
23,833	33,740	47,682	46,475	72,461	80,220
–	–	1,624	80	149,728	140,617
89,927	(161,447)	(13,341)	11,891	208,120	(129,667)
–	–	–	–	977	–
89,927	(161,447)	(13,341)	11,891	207,143	(129,667)

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

Year Ended 31 March 2010

		Accumulated Surplus			
	Capital account $'000	General fund $'000	Endowment fund $'000	Other restricted fund $'000	Total $'000
Group					
At 1 April 2008	200,858	271,295	907,184	287,163	1,666,500
Surplus/(Deficit) for the year	–	19,889	(161,447)	11,891	(129,667)
Transfer from endowment fund	–	23,820	(25,949)	2,129	–
Transfer to research grants received in advance	–	(1,193)	–	–	(1,193)
Transfer to deferred capital grants	–	(388)	–	–	(388)
Utilisation of other restricted fund/general fund	–	12	–	(822)	(810)
Transfer to other restricted fund	–	(20,931)	–	20,931	–
Transfer to general fund	–	2,049	–	(2,049)	–
Fair value adjustment	–	68	–	862	930
At 31 March 2009	200,858	294,621	719,788	320,105	1,535,372
At 1 April 2009	200,858	294,621	719,788	320,105	1,535,372
Surplus/(Deficit) for the year	–	130,557	89,927	(13,341)	207,143
Transfer from endowment fund	–	7,056	(12,627)	5,571	–
Transfer to research grants received in advance	–	(1,298)	–	–	(1,298)
Transfer to deferred capital grants	–	(33)	–	–	(33)
Utilisation of other restricted fund	–	–	–	(298)	(298)
Transfer to other restricted fund	–	(22,883)	–	22,883	–
Transfer to general fund	–	3,154	–	(3,154)	–
Fair value adjustment	–	14	–	185	199
At 31 March 2010	200,858	411,188	797,088	331,951	1,741,085

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

STATEMENTS OF CHANGES IN FUNDS AND RESERVES

Year Ended 31 March 2010

	Capital account $'000	Accumulated Surplus: General fund $'000	Accumulated Surplus: Endowment fund $'000	Accumulated Surplus: Other restricted fund $'000	Total $'000
University Company					
At 1 April 2008	200,858	266,919	907,184	287,019	1,661,980
Surplus/(Deficit) for the year	–	19,506	(161,447)	11,891	(130,050)
Transfer from endowment fund	–	23,820	(25,949)	2,129	–
Transfer to research grants received in advance	–	(1,193)	–	–	(1,193)
Transfer to deferred capital grants	–	(388)	–	–	(388)
Utilisation of other restricted fund/general fund	–	12	–	(822)	(810)
Transfer to other restricted fund	–	(20,931)	–	20,931	–
Transfer to general fund	–	2,049	–	(2,049)	–
Fair value adjustment	–	68	–	862	930
At 31 March 2009	200,858	289,862	719,788	319,961	1,530,469
At 1 April 2009	200,858	289,862	719,788	319,961	1,530,469
Surplus/(Deficit) for the year	–	125,762	89,927	(13,010)	202,679
Transfer from endowment fund	–	7,056	(12,627)	5,571	–
Transfer to research grants received in advance	–	(1,298)	–	–	(1,298)
Transfer to deferred capital grants	–	(33)	–	–	(33)
Utilisation of other restricted fund	–	–	–	(298)	(298)
Transfer to other restricted fund	–	(22,883)	–	22,883	–
Transfer to general fund	–	3,154	–	(3,154)	–
Fair value adjustment	–	14	–	185	199
At 31 March 2010	200,858	401,634	797,088	332,138	1,731,718

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

CONSOLIDATED CASH FLOWS STATEMENT

Year Ended 31 March 2010

	Note	2010 $'000	2009 $'000
Operating activities			
Deficit before grants from ministries		(546,892)	(820,069)
Adjustments for:			
Research grant income		(161,364)	(128,947)
Depreciation of property, plant and equipment		164,862	153,556
Amortisation of prepaid lease		166	166
Loss on disposal of property, plant and equipment		1,056	948
(Profit)/Loss on investments		(65,964)	277,482
Deferred capital grants amortised (non-ministry)		(11,938)	(11,621)
Interest income		(3,726)	(5,246)
Provision for attrition		4,101	(5,202)
		(619,699)	(538,933)
Changes in working capital:			
Other payables		36,922	(109)
Trade and other receivables		(10,812)	(11,067)
Deferred tuition and other fees		4,166	2,323
Loans extended to students		4,364	10,296
Cash flows from operating activities		(585,059)	(537,490)

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

CONSOLIDATED CASH FLOWS STATEMENT

Year Ended 31 March 2010

	Note	2010 $'000	2009 $'000
Financing activities			
Sinking fund received		38,386	22,782
IT and F&E grant received		44,162	34,821
Research grants received		164,592	143,858
Operating grants received, net of payment of goods and service tax expense on tuition fees and tuition grants		592,415	457,067
Development grants and related income received		100,716	33,864
Ministry grants received		82,368	68,785
Net (Repayment)/Proceeds from borrowings		(10,100)	48,000
Cash flows from financing activities		1,012,539	809,177
Investing activities			
Acquisition of property, plant and equipment		(155,835)	(124,462)
Purchase of other financial assets		(146,729)	(285,944)
Proceeds from sale of other financial assets		84,294	475,444
Increase/(Decrease) in cash held by fund managers	12	(4,785)	47,908
Interest received		3,879	4,436
Cash flows from investing activities		(219,176)	117,382
Net increase in cash and cash equivalents		208,304	389,069
Cash and cash equivalents at beginning of the year		867,031	477,962
Cash and cash equivalents at end of the year	12	1,075,335	867,031

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.
The financial statements were authorised for issue by the Board of Trustees on 26 August 2010.

1 Domicile and Activities

Nanyang Technological University (the University Company) established under the Singapore Companies Act, Chapter 50, is domiciled in Singapore. The University Company's registered office and place of business is located at 50 Nanyang Avenue Singapore 639798.

The University Company is principally engaged in the advancement and dissemination of knowledge, the promotion of research and scholarships and the conferring and awarding of degrees, diplomas and certificates. The principal activities of the subsidiaries are set out in note 5.

As the operations of the University Company is substantially funded by the Ministry of Education (MOE or the Ministry) through the form of government grants with MOE having the power to appoint and remove members to the Board of Trustees of the University Company, MOE is regarded as the parent entity.

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

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

(b) Basis of measurement

The financial statements have been prepared in historical cost basis except otherwise disclosed below.

(c) Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Group's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.1 Basis of preparation *(cont'd)*

(d) Use of estimates and judgements *(cont'd)*

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

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

- Note 2.7 – measurement of the recoverable amounts of non-financial assets
- Notes 2.8, 8 and 11 – valuation of financial instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2.10 – measurement of provisions

(e) Changes in accounting policies

Disclosure of contractual maturity analysis

The Group applies the amendments to FRS 107 Financial Instruments: Disclosures, which became effective as of 1 January 2009. As a result, the Group classify fair value measurements using a 3 level fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The amendments to FRS 107 does not require comparative information to be presented in the first year of application.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in this note, which addresses changes in accounting policies.

2.2 Consolidation

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.2 Consolidation *(cont'd)*

Transactions eliminated on consolidation

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

Accounting for subsidiaries

Investment in subsidiaries are stated in the University Company's balance sheet at cost less accumulated impairment losses.

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income and expenditure statement in the period of the acquisition. The excess of the cost of acquisition over the carrying amount of the net assets acquired is recorded as goodwill on acquisition.

When the Group acquires additional interest in an existing subsidiary, the cost of the acquisition is accounted for based on the carrying amount of the net assets acquired at the date of exchange, plus any other cost directly attributable to the acquisition.

2.3 Foreign currencies

Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.3 Foreign currencies *(cont'd)*

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserves is transferred to the income and expenditure statement.

2.4 Funds

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

General and restricted funds

Income and expenditure are generally accounted for under the General Fund in the income and expenditure statement. The use of these reserves are subject to the approval of the Board of Trustees.

The income and expenditure relating to funds that are set up for specific purposes are accounted for under Other Restricted Fund in the income and expenditure statement.

The following funds termed as "Other Restricted Fund" are set up and disclosed separately from the University Company's general fund:

(i) funds created from donations from external bodies for special purposes;

(ii) funds created from grants received for carrying out activities under special arrangements; and

(iii) funds maintained separately to account for the self-financing activities carried out by the University Company.

The use of these funds are governed by the terms and conditions set out by the respective funds.

The income and expenditure of General Fund and Other Restricted Fund are included in the income and expenditure statement.

Endowment fund

Grants from ministries and statutory boards and donations from external sources are taken to the income and expenditure statement in the year in which such grants and donations are received. Income and expenditure arising from the management of the Endowment Fund are taken to the income and expenditure statement of the Endowment Fund.

NOTES TO THE FINANCIAL STATEMENTS

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

2.5 Grants and sinking fund

Grants and sinking fund from the Ministry, other ministries and statutory boards and contributions received/receivable from other organisations for the purchase of depreciable assets or to finance research or capital projects are taken to the grants received in advance account in the first instance. They are taken to the deferred capital grants account upon the utilisation of the grants for purchase of assets, which are capitalised, or to the income and expenditure statement for purchase of assets which are written off in the year of purchase.

Deferred capital grants are recognised in the income and expenditure statement over the periods necessary to match the depreciation, write off and/or impairment loss of the assets purchased with the related grants. Upon the disposal of 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 the fixed assets written off.

Debt grant is recognised when there is reasonable assurance that the University Company will comply with the conditions attaching to them and that the grants will be received.

IT and F&E grants received from the Ministry are for the purchase of information technology appliances and furniture and equipment to support teaching and administrative function of the University Company. These grants are taken to the deferred capital grants account upon the utilisation of the grants for purchase of assets, which are capitalised, or to the income and expenditure statement for purchase of assets which are written off in the year of purchase.

Grants from the Ministry and other ministries to meet the current year's operating expenses are recognised as income in the same year these operating expenses were incurred.

All grants and contributions are accounted for on the accrual basis.

Jobs credit scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred and are offset against staff costs in the financial statements.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land alienated to the University Company which are stated at values provided by the Government. Donated assets are stated at valuation at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 Property, plant and equipment *(cont'd)*

Any increase in the revaluation amount of land alienated to the University Company and assets purchased using funds from self-financing centres are credited directly to the Capital Account unless it offsets a previous decrease in value recognised in the income and expenditure statement. A decrease in value is recognised in the income and expenditure statement where it exceeds the increase previously recognised in the Capital Account. Upon disposal, any related revaluation surplus is transferred from the Capital Account to accumulated surplus and is not taken into account in arriving at the gain or loss on disposal.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income and expenditure statement as incurred.

Except for freehold land and buildings under construction which are not depreciated, depreciation on other property, plant and equipment is recognised in the income and expenditure statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Buildings and infrastructure	5 to 20 years
Renovation	5 years
Machinery, laboratory and workshop equipment	6 years
Furniture and office equipment	3 to 5 years
Transportation equipment	8 years
Others	8 years

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 Property, plant and equipment *(cont'd)*

Property, plant and equipment costing less than $2,000 each, renovation costing below $100,000 and library books are generally charged to the income and expenditure statement in the year of purchase.

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

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

2.7 Impairment – non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.8 Financial instruments

Non-derivative financial assets

Non-derivative financial instruments comprise available-for-sale financial assets, financial assets at fair value through income and expenditure, trade and other receivables, student loans, development grant receivables, cash and cash equivalents, borrowings and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income and expenditure, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Financial assets at fair value through income and expenditure

An instrument is classified at fair value through income and expenditure if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Financial instruments are designated at fair value through income or expenditure if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies. Upon initial recognition, attributable transaction costs are recognised in income and expenditure statement when incurred. Financial instruments at fair value through income and expenditure statement are measured at fair value, and changes therein are recognised in the income and expenditure statement.

Available-for sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to income and expenditure statement.

NOTES TO THE FINANCIAL STATEMENTS

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

2.8 Financial instruments *(cont'd)*

Non-derivative financial liabilities

The Group recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging instruments

The Group holds derivative financial instruments, through its international fund mangers, to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through income and expenditure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in income and expenditure statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein accounted for in the income and expenditure statement.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

NOTES TO THE FINANCIAL STATEMENTS

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

2.8 Financial instruments *(cont'd)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognised in the income and expenditure statement. Any accumulated loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income and expenditure statement.

Impairment losses once recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income and expenditure statement. Any subsequent increase in fair value of such assets is recognised directly in equity.

2.9 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income and expenditure statement in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations, including accumulated compensated absences, are measured on an undiscounted basis and are expensed as the related services are provided.

2.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.11 Income tax expense

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.11 Income tax expense *(cont'd)*

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

2.12 Income recognition

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

Management fees
Management fees are recognised upon services rendered.

Donations
Unconditional donations are recognised upon receipt.

Interest income
Interest income is recognised as it accrues in income or expenditure, using the effective interest method.

Licence fees
Licence fees are recognised in accordance with terms of licensing agreement.

Royalties
Royalties are recognised on sale, by licensor, of products using the technology granted.

Dividends
Dividends are recognised in the financial year in which the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

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

2.12 Income recognition *(cont'd)*

Interest on finance lease

Interest on finance lease is recognised in the income and expenditure statement over the period of the lease so as to earn an approximately constant periodic rate of return on the remaining balance of the finance lease receivables for each reporting period.

Rental Income

Rental income receivable under operating leases is recognised in the income and expenditure statement on a straight-line basis over the term of the lease.

2.13 Operating lease

Rental payments made under operating leases are accounted for in the income and expenditure statement on a straight-line basis over the term of the lease.

2.14 Finance lease receivables

Assets held under finance lease are recognised in the balance sheet and presented as receivables net of unearned interest and after deduction of allowance for possible losses.

2.15 Finance costs

Interest expense and similar charges are recognised in income and expenditure statement in the period in which they are incurred using the effective interest method.

2.16 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The Board of Trustees and senior management team are considered as key management personnel of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 Property, Plant and Equipment

	Freehold land $'000	Buildings and infrastructure $'000	Buildings under construction $'000
Group			
Cost			
At 1 April 2008	200,858	1,699,384	77,608
Additions	–	15,849	43,965
Adjustments	–	18	–
Disposals	–	(4,109)	–
Reclassifications	–	33,100	(66,385)
At 31 March 2009	200,858	1,744,242	55,188
Additions	–	3,260	12,251
Adjustments	–	(379)	(184)
Disposals	–	(3,212)	–
Reclassifications	–	41,815	(57,469)
At 31 March 2010	200,858	1,785,726	9,786
Accumulated depreciation			
At 1 April 2008	–	889,960	–
Depreciation for the year	–	75,295	–
Disposals	–	(3,602)	–
Reclassifications	–	(62)	–
At 31 March 2009	–	961,591	–
Depreciation for the year	–	77,602	–
Disposals	–	(3,039)	–
Reclassifications	–	(40)	–
At 31 March 2010	–	1,036,114	–
Carrying amount			
At 1 April 2008	200,858	809,424	77,608
At 31 March 2009	200,858	782,651	55,188
At 31 March 2010	200,858	749,612	9,786

Renovation $'000	Machinery, laboratory and workshop equipment $'000	Furniture and office equipment $'000	Transportation equipment $'000	Others $'000	Total $'000
26,141	533,215	251,585	5,535	3,895	2,798,221
3,185	42,913	16,811	1,556	183	124,462
119	101	90	–	–	328
(899)	(12,242)	(24,156)	(737)	(195)	(42,338)
2,635	26,643	3,857	–	150	–
31,181	590,630	248,187	6,354	4,033	2,880,673
37,156	70,248	32,360	439	121	155,835
11	222	82	–	–	(248)
(431)	(17,826)	(26,268)	(189)	(62)	(47,988)
7,226	6,757	1,671	–	–	–
75,143	650,031	256,032	6,604	4,092	2,988,272
19,963	371,606	209,786	1,612	2,317	1,495,244
2,365	54,803	20,169	718	206	153,556
(833)	(11,993)	(24,053)	(714)	(195)	(41,390)
–	57	5	–	–	–
21,495	414,473	205,907	1,616	2,328	1,607,410
7,899	57,964	20,436	767	194	164,862
(249)	(17,234)	(26,161)	(189)	(60)	(46,932)
(60)	37	63	–	–	–
29,085	455,240	200,245	2,194	2,462	1,725,340
6,178	161,609	41,799	3,923	1,578	1,302,977
9,686	176,157	42,280	4,738	1,705	1,273,263
46,058	194,791	55,787	4,410	1,630	1,262,932

NOTES TO THE FINANCIAL STATEMENTS

3 Property, Plant and Equipment *(cont'd)*

	Freehold land $'000	Buildings and infrastructure $'000	Buildings under construction $'000
University Company			
Cost			
At 1 April 2008	200,858	1,699,384	77,608
Additions	–	15,849	43,965
Adjustments	–	18	–
Disposals	–	(4,109)	–
Reclassifications	–	33,100	(66,385)
At 31 March 2009	200,858	1,744,242	55,188
Additions	–	3,260	12,251
Adjustments	–	(379)	(184)
Disposals	–	(3,212)	–
Reclassifications	–	41,815	(57,469)
At 31 March 2010	200,858	1,785,726	9,786
Accumulated depreciation			
At 1 April 2008	–	889,960	–
Depreciation for the year	–	75,295	–
Disposals	–	(3,602)	–
Reclassifications	–	(62)	–
At 31 March 2009	–	961,591	–
Depreciation for the year	–	77,602	–
Disposals	–	(3,039)	–
Reclassifications	–	(40)	–
At 31 March 2010	–	1,036,114	–
Carrying amount			
At 1 April 2008	200,858	809,424	77,608
At 31 March 2009	200,858	782,651	55,188
At 31 March 2010	200,858	749,612	9,786

Renovation $'000	Machinery, laboratory and workshop equipment $'000	Furniture and office equipment $'000	Transportation equipment $'000	Others $'000	Total $'000
25,820	532,942	251,269	5,535	3,895	2,797,311
3,172	42,875	16,676	1,556	183	124,276
119	101	90	–	–	328
(883)	(12,237)	(24,156)	(737)	(195)	(42,317)
2,635	26,643	3,857	–	150	–
30,863	590,324	247,736	6,354	4,033	2,879,598
36,535	70,159	31,976	439	121	154,741
11	222	82	–	–	(248)
(431)	(17,816)	(26,267)	(189)	(62)	(47,977)
7,226	6,757	1,671	–	–	–
74,204	649,646	255,198	6,604	4,092	2,986,114
19,814	371,500	209,648	1,612	2,317	1,494,851
2,289	54,745	20,085	718	206	153,338
(827)	(11,991)	(24,053)	(714)	(195)	(41,382)
–	57	5	–	–	–
21,276	414,311	205,685	1,616	2,328	1,606,807
7,822	57,898	20,280	767	194	164,563
(249)	(17,233)	(26,160)	(189)	(60)	(46,930)
(60)	37	63	–	–	–
28,789	455,013	199,868	2,194	2,462	1,724,440
6,006	161,442	41,621	3,923	1,578	1,302,460
9,587	176,013	42,051	4,738	1,705	1,272,791
45,415	194,633	55,330	4,410	1,630	1,261,674

NOTES TO THE FINANCIAL STATEMENTS

3 Property, Plant and Equipment *(cont'd)*

The freehold land of the Group and the University Company were stated at valuation carried out in December 1987 based on values in a valuation report from the Commissioner of Lands. The revaluation was done on a one-off basis and accordingly, the transitional provision in FRS 16 – Property, Plant and Equipment was adopted to continue with its existing policy of stating the freehold land at deemed cost.

4 Prepaid Lease

	Group and University Company	
	2010 $'000	**2009 $'000**
Cost		
At 31 March	4,982	4,982
Accumulated amortisation		
At 1 April	1,051	885
Amortisation charge for the year	166	166
At 31 March	1,217	1,051
Carrying amount		
At 1 April	3,931	4,097
At 31 March	3,765	3,931

5 Subsidiaries

	University Company	
	2010 $'000	**2009 $'000**
Investments in subsidiaries	500	*
Loans to subsidiaries	291	291
	791	291

* *Amount less than $1,000*

The loans to subsidiaries are unsecured and interest-free. The settlement of the amounts are neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the University Company's net investment in the subsidiaries, they are stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

5 Subsidiaries *(cont'd)*

Details of subsidiaries are as follows:

	Name of subsidiary	Country of Incorporation	Ownership interest 2010 %	2009 %
	Held by the University Company			
*	NTU Ventures Private Limited	Singapore	100	100
*	Singapore Centre for Chinese Language Limited	Singapore	100	100
*	NIE International Private Limited	Singapore	100	–
#	Friends of NTU	United States	100	100
	Held by the NTU Ventures Private Limited			
*	Confucius Institute, NTU Pte Ltd	Singapore	100	100
*	TechBiz Xccelerator Pte Ltd	Singapore	100	100
*	Institute of Environmental Science and Engineering (IESE) Pte Ltd	Singapore	100	100
*	Nanofrontier Pte Ltd	Singapore	100	100
*	NTUV International Pte Ltd	Singapore	100	100
	Held by NTUV International Pte Ltd			
^	Nanyang Venture Consulting (Shanghai) Co., Ltd	China	100	100
	Held by IESE Pte Ltd			
#	IESE Water (Asia) Pte Ltd	Singapore	100	100

* *Audited by TeoFoongWong LC Loong, Singapore*
^ *Audited by Jingdu Tinwha CPAs Shanghai Branch*
# *No audit is required*

6 Student Loans

	Group and University Company 2010 $'000	2009 $'000
Student Loans	10,169	14,334
Represented by:		
Amount repayable within 12 months	3,895	5,759
Amount repayable after 12 months	6,274	8,575
	10,169	14,334

Included in student loans are personal computer loans of $5,080,000 (2009:$7,852,000), which are interest-free and are repayable by monthly instalments within a period of 3 years after the borrowers' graduation. The fair value at inception was determined based on expected future principal repayment cash flows, discounted at the average interest rate of 6.5% (2009:6.5%) per annum. These loans are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

7 Finance Lease Receivables

	Group and University Company 2010 $'000	2009 $'000
Gross receivables due:		
– Not later than one year	1,058	1,800
– Between two to five years	4,627	6,245
– Later than five years	25,979	24,677
	31,664	32,722
Less: Unearned interest	7,700	8,292
Net investment in finance lease	23,964	24,430

The net investment in finance lease receivables are analysed as follows:

	Group and University Company 2010 $'000	2009 $'000
Current	479	1,150
Non-current	23,485	23,280
	23,964	24,430

This relates to the lease of land and building to NTU Alumni Club over a lease period of 26 years.

8 Derivative Financial Instruments

The table below sets out the notional principal amounts and the positive and negative fair values of the Group and University Company's outstanding derivative financial instruments at the balance sheet date. Positive and negative fair values represent the mark-to-market values of the derivative contracts and are termed as derivative assets and derivative liabilities respectively. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	Group and University Company			
	Contractual maturity		Carrying amount	
	Within 1 year $'000	Total $'000	Derivative asset $'000	Derivative liabilities $'000
2010				
Foreign currency forwards	243,062	243,062	417	449
2009				
Foreign currency forwards	222,687	222,687	278	3,628

NOTES TO THE FINANCIAL STATEMENTS

8 Derivative Financial Instruments *(cont'd)*

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual period to maturity of the contract.

9 Loan to a Subsidiary

The loan to a subsidiary is unsecured, interest free and repayable on demand.

10 Trade and Other Receivables

	Note	Group 2010 $'000	Group 2009 $'000	University Company 2010 $'000	University Company 2009 $'000
Trade receivables		21,047	16,226	18,644	16,512
Allowance for doubtful receivables		(728)	(887)	(674)	(855)
		20,319	15,339	17,970	15,657
Interest receivables		1,407	1,858	1,407	1,858
Operating grant receivables		–	80,026	–	80,026
Research grant receivables		32,644	5,898	32,644	5,898
Endowment matching grant receivables		23,833	33,740	23,833	33,740
Grants receivables	15	1,460	16,325	1,460	16,325
Other receivables		49,546	54,895	47,732	53,710
Amounts due from subsidiaries (trade)		–	–	168	168
Allowance for doubtful receivables		–	–	(147)	(147)
		–	–	21	21
Amounts due from subsidiaries (non-trade)		–	–	1,015	1,015
Allowance for doubtful receivables		–	–	(1,015)	(1,015)
		–	–	–	–
		129,209	208,081	125,067	207,235

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied customers. These customers are mainly statutory boards, ministries and companies who provided funding for our research activities. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Credit risk for other receivables including the various grant receivables is limited as these relate mainly to receivables from the Ministry.

NOTES TO THE FINANCIAL STATEMENTS

11 Financial Assets at Fair Value through Income and Expenditure

	Group and University Company 2010 $'000	Group and University Company 2009 $'000
Fixed income investments	140,596	139,013
Quoted equity investments	143,287	42,377
Unquoted equity investments	379,611	367,467
Other investments	15,041	–
	678,535	548,857

The Group and University Company's investments are managed by professional fund managers. The fair values of the financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The investments in unquoted equities represent investments in private equity funds, hedge funds, limited partnerships and pooled vehicles. The fair values of these unquoted equity investments are based on net asset values provided by fund managers using their valuation methodologies.

The Group and University Company's investments comprise financial instruments (fixed income, quoted equity, unquoted equity and other investments) managed by professional fund managers and cash balances and bank deposits as follows:

	Note	Group and University Company 2010 $'000	Group and University Company 2009 $'000
Financial assets at fair value through income and expenditure		678,535	548,857
Cash balances and bank deposits	12	282,936	316,047
		961,471	864,904

The cash balances and bank deposits are included as a component in the cash and cash equivalents in note 12 for the purpose of disclosure.

The weighted average interest rates of fixed income securities at the balance sheet date and the periods in which they mature are as follows:

	Effective interest rate % p.a.	Floating interest $'000	Fixed interest rate maturing: Within 1 year $'000	Fixed interest rate maturing: In 1 to 5 years $'000	Fixed interest rate maturing: After 5 years $'000	Total $'000
Group and University Company						
2010	0.5 – 3.9	–	–	72,171	67,520	139,691
2009	0.4 – 4.5	–	–	71,404	67,592	138,996

NOTES TO THE FINANCIAL STATEMENTS

12 Cash and Cash Equivalents

	Note	Group 2010 $'000	Group 2009 $'000	University Company 2010 $'000	University Company 2009 $'000
Investments					
Cash at bank and in hand		2,604	2,330	2,604	2,330
Deposit with financial institutions		221,500	250,100	221,500	250,100
		224,104	252,430	224,104	252,430
Add: Cash held by fund managers		58,832	63,617	58,832	63,617
	11	282,936	316,047	282,936	316,047
Others					
Cash at bank and in hand		37,546	30,086	25,231	26,264
Deposit with financial institutions		754,853	520,898	753,633	520,898
		792,399	550,984	778,864	547,162
		1,075,335	867,031	1,061,800	863,209

The University Company manages 2 bank accounts on behalf of the NTU Student Union. As at balance sheet date, the bank balance of $4,519,000 (2009: $4,356,000) has not been included in the cash and cash equivalents of the University Company.

13 Trade and Other Payables

	Note	Group 2010 $'000	Group 2009 $'000	University Company 2010 $'000	University Company 2009 $'000
Provision for unutilised compensated leave		35,708	30,884	35,639	30,884
Other payables and accruals	13(a)	95,212	89,343	90,392	88,130
		130,920	120,227	126,031	119,014

(a) This amount includes the provision for undergraduate funding of $4,101,000 (2009: $8,202,000). Provision for undergraduate funding relates to the adjustment to the undergraduate output funding from the Ministry of Education ("MOE") in the event the University achieves fewer undergraduates than MOE's output target. The provision is based on the University's projected number of undergraduates.

The movement in the provision of undergraduate funding is as follows:

	Group 2010 $'000	Group 2009 $'000	University Company 2010 $'000	University Company 2009 $'000
1 April	8,202	3,000	8,202	3,000
Current year provision	–	5,202	–	5,202
Write-back	(4,101)	–	(4,101)	–
31 March	4,101	8,202	4,101	8,202

NOTES TO THE FINANCIAL STATEMENTS

14 Operating Grant Received in Advance

	Group		University Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
At 1 April	–	–	–	–
Grants received during the year	4,222	182	–	–
	4,222	182	–	–
Less:				
Amounts taken to income and expenditure statement	2,666	182	–	–
Amounts transferred to deferred capital grants	1,015	–	–	–
At 31 March	541	–	–	–

This relate to grant from the Ministry to finance the subsidiary's operations. The balance in this account represents grant received but not utilised at the end of the financial year.

15 Grants Receivable/IT and F&E Grant/Sinking Fund Received in Advance

		Group		University Company	
	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Grants receivable within 12 months					
– Development grant		1,460	7,713	1,460	7,713
– IT and F&E grant		–	5,187	–	5,187
– Sinking fund		–	3,425	–	3,425
	10	1,460	16,325	1,460	16,325
IT and F&E grant received in advance	15(a)	(22,013)	(26,393)	(21,360)	(26,382)
Sinking fund received in advance	15(b)	(134,931)	(99,970)	(134,931)	(99,970)
		(155,484)	(110,038)	(154,831)	(110,027)
Movements in grants (received in advance)/receivable:					
At 1 April		(110,038)	(68,783)	(110,027)	(68,783)
Grants received during the year		(183,264)	(91,467)	(182,622)	(91,367)
		(293,302)	(160,250)	(292,649)	(160,150)
Less:					
Amounts transferred to deferred capital grants	18	93,251	32,000	93,251	31,978
Amounts taken to income and expenditure statement		44,567	18,212	44,567	18,145
At 31 March		(155,484)	(110,038)	(154,831)	(110,027)

NOTES TO THE FINANCIAL STATEMENTS

15 Grants Receivable/IT and F&E Grant/Sinking Fund Received in Advance *(cont'd)*

These are grants from the Ministry for financing development projects.

(a) This amount relates to grant received in advance for the purchase of IT and F&E items to support teaching and administrative functions.

(b) This amount relates to a sinking fund received in advance from the Ministry for the purpose of maintenance and replacement of property, plant and equipment.

16 Short-term Borrowings

The borrowings are unsecured, bear interest at 1.40% (2009: 2.15%) per annum and are repayable within the next twelve months from the financial year end.

17 Research Grants Received in Advance

	Group		University Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
At 1 April	49,395	56,225	49,395	56,225
Grants received during the year	164,592	143,858	164,344	143,858
	213,987	200,083	213,739	200,083
Less:				
Amounts transferred to deferred capital grants (note 18)	19,014	19,360	19,014	19,360
Amounts taken to income and expenditure statement	161,364	128,947	161,364	128,947
Amounts refunded to the Ministry, other ministries and statutory boards	5	–	5	–
Amounts transferred (to)/from grant receivables	(26,746)	2,381	(26,746)	2,381
At 31 March	60,350	49,395	60,102	49,395

These are grants from the ministries, statutory boards, A*Star and other sources for research activities. The balance in this account represents grants received but not utilised at the end of the financial year. These grants are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred Capital Grants

	Ministries	
	2010 **$'000**	**2009** **$'000**
Group		
At 1 April	827,503	909,401
Add:		
Grants received for capital expenditure and development project transferred from		
– Operating grants (note 25)	27,698	13,111
– Research grants (note 17)	15,345	12,128
– Development grants (note 15)	93,251	32,000
– Accumulated surplus	7	–
– Other grants	9,214	1,172
Assets donated by various organisations	–	–
Adjustments/Reclassifications	427	294
	145,942	58,705
Less:		
Grants taken to income and expenditure statement		
Amortisation charge for the year	149,218	139,843
On disposal of fixed assets	510	774
	149,728	140,617
Adjustments/Reclassifications	(8)	(14)
At 31 March	823,725	827,503

Deferred capital grants amortised (non-ministry) refers to amortisation of grants received from statutory boards and other organisations.

Statutory boards		Others		Total	
2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
49,039	47,761	5,543	5,562	882,085	962,724
–	–	–	–	27,698	13,111
3,377	6,933	292	299	19,014	19,360
–	–	–	–	93,251	32,000
27	388	–	–	34	388
5,368	4,599	1,093	143	15,675	5,914
–	–	25	496	25	496
21	36	–	–	448	330
8,793	11,956	1,410	938	156,145	71,599
10,694	10,523	725	938	160,637	151,304
518	141	1	19	1,029	934
11,212	10,664	726	957	161,666	152,238
8	14	–	–	–	–
46,612	49,039	6,227	5,543	876,564	882,085

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred Capital Grants *(cont'd)*

	Ministries	
	2010 **$'000**	**2009** **$'000**
University Company		
At 1 April	827,482	909,401
Add:		
Grants received for capital expenditure and development project transferred from		
– Operating grants	26,683	13,111
– Research grants (note 17)	15,345	12,128
– Development grants (note 15)	93,251	31,978
– Accumulated surplus	7	–
– Other grants	9,214	1,172
Assets donated by various organisations	–	–
Adjustments/Reclassifications	427	294
	144,927	58,683
Less:		
Grants taken to income and expenditure statement		
Amortisation charge for the year	149,115	139,842
On disposal of fixed assets	510	774
	149,625	140,616
Adjustments/Reclassifications	(8)	(14)
At 31 March	822,792	827,482

	Statutory boards		Others		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
	49,039	47,761	5,543	5,562	882,064	962,724
	–	–	–	–	26,683	13,111
	3,377	6,933	292	299	19,014	19,360
	–	–	–	–	93,251	31,978
	27	388	–	–	34	388
	5,368	4,599	1,093	143	15,675	5,914
	–	–	25	496	25	496
	21	36	–	–	448	330
	8,793	11,956	1,410	938	155,130	71,577
	10,694	10,523	725	938	160,534	151,303
	518	141	1	19	1,029	934
	11,212	10,664	726	957	161,563	152,237
	8	14	–	–	–	–
	46,612	49,039	6,227	5,543	875,631	882,064

NOTES TO THE FINANCIAL STATEMENTS

19 Capital Account

The capital account represents the revaluation of the freehold land alienated to Nanyang Technological University (details are set out in note 3).

20 Endowment Fund

The fund comprises donations, grants, gifts, testamentary disposition and proceeds from gifts of movable or immovable properties. The objectives of this fund include the provision of facilities for teaching, training and research, the advancement and dissemination of knowledge and the promotion of research.

The Government has undertaken to match all donations to the Nanyang Technological University Endowment Fund. Such government grants are accounted for on an accrual basis.

21 Funds Managed on behalf of the Ministry

Pursuant to the Tuition Fee Loan (TFL), Study Loan (SL) and Overseas Student Program Loan – 50% funded by MOE (OSP) schemes, the University Company acts as agent for these loans schemes and the Ministry as the financier providing the advances.

	Group and University Company	
	2010 $'000	**2009 $'000**
Advances from the Ministry:		
At 1 April	191,582	178,920
Advances received	36,690	20,385
Interest income	206	3,984
Advances repaid	–	(8,527)
Bad debts recovered	168	804
Interest expense	(206)	(3,984)
	228,440	191,582
Represented by:		
Cash and bank balances	(5,850)	206
TFL, SL and OSP	234,290	191,376
Net assets	228,440	191,582

Cash and bank balances of $5,850,000 are paid on behalf of the Ministry in 2010 while $206,000 are held on behalf of the Ministry in 2009 for the purpose of extending study loans to students.

NOTES TO THE FINANCIAL STATEMENTS

21 Funds Managed on behalf of the Ministry *(cont'd)*

Students on TFL, SL and OSP are to commence repayment upon graduation. Students are given an option to repay by monthly instalments of minimum amount of $100 over a period of up to 20 years (for TFL and SL) and 5 years (for OSP) after the borrowers' graduation. Interest is charged at the average prime rates of three local banks prevailing on the first day of each quarter, or such other rates as may be determined from time to time. Interest charged in 2010 is 4.75% (2009: 4.75%) per annum.

The interest on the TFL, SL and OSP is remitted in full to the Ministry on half yearly basis.

22 Interest Income

	Group	
	2010 $'000	**2009 $'000**
Interest received/receivable		
– fixed deposits (placed with financial institutions)	3,131	4,562
– bank balances	4	14
– finance leases	591	670
	3,726	5,246

23 Profit/(Loss) on Investments

	Group	
	2010 $'000	**2009 $'000**
Interest income	3,205	3,259
Dividend income	1,352	6,192
Fair value gain/(loss) on financial assets through income and expenditure	42,401	(264,290)
Fair value gain/(loss) on derivative financial instruments	19,006	(21,097)
	65,964	(275,936)

24 Deficit Before Grants from Ministries

The following items have been included in arriving at deficit before grants from ministries:

	Group	
	2010 $'000	**2009 $'000**
Allowance for doubtful receivables	(159)	273
Exchange (gain)/loss	64	(229)
Operating lease expense	2,103	1,109
Contribution to defined contribution plans included in expenditure on manpower	34,540	34,098
Government grants – Job Credit Scheme, offset against staff costs	(9,995)	(7,174)

NOTES TO THE FINANCIAL STATEMENTS

25 Operating Grants from Ministry

	Note	Group 2010 $'000	Group 2009 $'000
Operating grants received and receivable during the year		555,919	509,216
Payment for goods and services tax on tuition fees and tuition grants		(43,525)	(39,550)
Amounts transferred to			
– deferred capital grants	18	(27,698)	(13,111)
– grant received in advance	14	(541)	–
Provision for attrition		4,101	(5,202)
Operating grants taken to income and expenditure statement		488,256	451,353

26 Taxation

The University Company is registered as a charitable institution by virtue of Section 13M(2)(b) of the Income Tax Act, Chapter 134.

The subsidiaries of the Group have unutilised capital allowances and unabsorbed tax losses of approximately $27,000 (2009: $21,000) and $1,548,000 (2009: $790,000) respectively which are available for offset against future taxable income. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the subsidiaries can utilise the benefit.

The unabsorbed tax losses and unutilised capital allowances of the subsidiaries are subject to agreement by the tax authorities and compliance with the tax regulations in the respective countries in which certain subsidiaries operate. These temporary differences do not expire under current tax legislation.

	Group 2010 $'000	Group 2009 $'000
Current tax expense		
Current year	977	–
Reconciliation of effective tax		
Surplus before income tax	208,120	–
Income tax using Singapore tax rates of 17%	35,380	–
Income not subject to tax	(34,403)	–
	977	–

NOTES TO THE FINANCIAL STATEMENTS

27 Commitments

The Group has the following commitments as at 31 March 2010:

Operating lease commitments

The future lease payments contracted at the reporting date but not recognised as liabilities are analysed as follows:

	2010 $'000	2009 $'000
Not later than one year	1,410	1,110
Later than one year but not later than five years	1,576	181

The Group and the University Company leases personal computers and servers under operating leases. The leases typically run for a period of 3 years.

Since the Group does not participate in the residual value of the computers and servers, it was determined that substantially all the risks and rewards of the computers are with the suppliers. As such, the Group determined that the leases are operating leases.

Capital commitments

	2010 $'000	2009 $'000
Contracted but not provided for	474,208	400,994
Authorised but not contracted for	811,741	804,139

The capital commitments are funded from grants from ministries, subject to satisfying certain terms and conditions.

	2010 $'000	2009 $'000
Purchase of unquoted equity investments		
– contracted but not provided for	36,844	44,260

Joint Program in Hospitality Management with Cornell University

Under the agreement with Cornell University, Nanyang Technological University (NTU) will establish a joint program in hospitality management with Cornell University through the Cornell-Nanyang Institute of Hospitality Management (CNI). The CNI programs include degree and non-degree programs, short courses, research and other related academic activities. NTU has provided a Standby Letter of Credit of USD 1.0 million renewable up to 30 June 2010 to cover tuition fees and reimbursable expenses due to Cornell University.

NOTES TO THE FINANCIAL STATEMENTS

27 Commitments *(cont'd)*

Agreements entered into with Massachusetts Institute of Technology (MIT) and the National University of Singapore (NUS)

The University Company has entered into two Singapore-MIT Alliance (SMA) agreements with MIT and NUS to establish collaborative efforts in research and education in engineering, science and technology, including interface with business and industry. SMA-1 starts from 1 January 1999 and has ended in June 2009. SMA-2 was effective from 17 September 2004 and as at 31 March 2010, NTU's outstanding commitment under SMA-2 is estimated to be around USD8.8 million (2009: USD12 million) till the expiry of the agreement.

Collaboration with Stanford University

The University Company and Stanford University have entered into a collaborative Singapore Stanford Partnership (SSP) program for the development of postgraduate education and research in environmental science and engineering. The SSP program will offer Master of Science and Doctor of Philosophy degrees in environmental science and engineering whereby students will be integrated into the Stanford experience. As at 31 March 2010, NTU's outstanding commitments under the program are estimated to be USD 0.2 million (2009: USD 1.3 million) over the next 1 year (2009: 2 years).

28 Significant Related Party Information

Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year on terms agreed between the parties as follows:

	2010 $'000	2009 $'000
Related parties		
Purchase of goods and services	18,668	54,617
Sale of services	21,421	21,539
Key management personnel compensation		
Short-term employee benefits	3,475	3,579

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. At the balance sheet date, there is no significant concentration of credit risk other than grant receivables.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied customers. These customers are mainly statutory boards, ministries and companies who provided funding for our research activities. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Credit risk for other receivables including the various grant receivables is limited as these relate mainly to receivables from the Ministry.

The aging of trade receivables at the reporting date is:

	2010		2009	
	Gross $'000	Allowance for doubtful receivables $'000	Gross $'000	Allowance for doubtful receivables $'000
Group				
Not past due	13,501	–	13,666	–
Past due 1 – 30 days	617	–	700	8
Past due 31 – 150 days	3,581	22	1,067	86
More than 151 days	3,348	706	793	793
	21,047	728	16,226	887

	2010		2009	
	Gross $'000	Allowance for doubtful receivables $'000	Gross $'000	Allowance for doubtful receivables $'000
University Company				
Not past due	12,134	–	13,651	–
Past due 1 – 30 days	541	–	730	–
Past due 31 – 150 days	2,730	–	1,128	62
More than 151 days	3,239	674	1,003	793
	18,644	674	16,512	855

The movement in the allowance for doubtful receivables in respect of trade receivables during the year was as follows:

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments *(cont'd)*

Credit risk (cont'd)

	Group		University Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
At 1 April	887	614	855	614
Allowance made	(159)	273	(181)	241
At 31 March	728	887	674	855

Based on historical default rates, the Group believes that no allowance for doubtful receivables is necessary in respect of trade receivables not past due. These receivables are due from customers that have a good record with the Group.

Liquidity risk

The contracted undiscounted cash outflows on financial liabilities are expected to approximate their carrying amounts and settle within one year.

Interest risk

Surplus funds from the Group's operations are invested in bank deposits and with fund managers. The Group has no material exposure to interest rate risk from fixed deposits and borrowings as the interest rates are on a fixed rate basis. The Group's investments in fixed income securities that are managed by fund managers (classified as financial assets at fair value through income and expenditure) are exposed to interest rate risk.

Sensitivity analysis for interest risk

If movements in interest rates result in a 3% (2009: 3%) appreciation/depreciation in the value of the fixed income investments, all other variables being held constant, the Group's surplus would have been higher/lower by $4,218,000 (2009: $4,170,000).

Price risk

The Group is exposed to equity securities price risk from investments classified as financial assets at fair value through income and expenditure and available-for-sale financial assets. The market values of these investments are affected by, amongst others, changes in market prices as a result of changes in the global economic conditions, macro and micro economic factors affecting the country where the investments are quoted, and factors specific to the investee corporations.

To manage the price risk arising from investment in equity securities, the Group diversifies its portfolio across different markets and industries whenever it is appropriate.

Sensitivity analysis for price risk

If movements in financial markets result in a 5% (2009: 5%) appreciation/depreciation in the value of the quoted equity and other investments, all other variables being held constant, the Group's surplus would have been higher/lower by $7,916,000 (2009: $2,119,000).

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments *(cont'd)*

Sensitivity analysis for price risk (cont'd)

If movements in financial markets result in a 5% (2009: 5%) appreciation/depreciation in the value of the unquoted equity investments, all other variables being held constant, the Group's surplus would have been higher/lower by $18,981,000 (2009: $18,373,000).

Foreign currency risk

The Group's investments which are managed by fund managers may be in instruments denominated in foreign currencies. Currency exposure arising from such investments is managed by fund managers. Additional information is set out in note 8.

The net currency exposure of investments based on information provided to management is as follows:

	US Dollar $'000	Euro $'000	Others $'000
2010	273,332 (28%)	12,771 (1%)	13,191 (1%)
2009	139,336 (15%)	8,328 (1%)	17,827 (2%)

Sensitivity analysis for currency risk

If the relevant foreign currency changes against the Singapore dollar by 5% (2009: 5%), all other variables being held constant, the effects will be as follows:

	Income and expenditure	
	2010 $'000	**2009 $'000**
Increase/(Decrease)		
US dollar against Singapore dollar		
Strengthened	13,667	6,967
Weakened	(13,667)	(6,967)
Euro against Singapore dollar		
Strengthened	639	416
Weakened	(639)	(416)

Estimating the fair values

Financial assets at fair value through income and expenditure

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The fair values of unquoted equity investments are based on net asset values provided by fund managers using their valuation methodologies.

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments (*cont'd*)

Estimating the fair values (*cont'd*)

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including loan to a subsidiary, trade and other receivables, cash and cash equivalents, trade and other payables, and short-term borrowings) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

Interest rates used in determining fair values

The Group uses the government yield curve as of 31 March 2010 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2010 **% p.a.**	**2009** **% p.a.**
Finance lease receivables	2.44	2.72
Loans and borrowings	6.50	6.50
Receivables	6.50	6.50

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments *(cont'd)*

Fair value hierarchy (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 March 2010				
Available-for-sale financial assets	1,455	–	32	1,487
Financial assets at fair value through income and expenditure	298,924	119,921	259,690	678,535
Derivative financial assets	–	417	–	417
	300,379	120,338	259,722	680,439
Derivative financial liabilities	–	449	–	449
	–	449	–	449

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
University Company				
31 March 2010				
Available-for-sale financial assets	–	–	–	–
Financial assets at fair value through income and expenditure	298,924	119,921	259,690	678,535
Derivative financial assets	–	417	–	417
	298,924	120,338	259,690	678,952
Derivative financial liabilities	–	449	–	449
	–	449	–	449

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments *(cont'd)*

Fair value hierarchy (cont'd)

Assets measured at fair value based on Level 3:

	Financial assets designated at fair value through income and expenditure	Available-for-sale financial assets	Total
	Unquoted equity investments $'000	Unquoted equity investments $'000	$'000
Group			
At opening balance	262,637	72	262,709
Total gains or losses in income and expenditure	22,984	(893)	22,091
Subscriptions/Contributions	4,996	853	5,849
Redemptions/Distributions	(30,927)	–	(30,927)
Transfers out of Level 3	–	–	–
At closing balance	259,690	32	259,722
Total gains or losses for the period included in income and expenditure for assets held at the end of the reporting period	23,052	(893)	22,159
Gains or losses included in income and expenditure for the period (above) are presented as follows:			
Total gains or losses included in income and expenditure for the period			22,091
Total gains or losses for the period included in income and expenditure for assets held at the end of the reporting period			22,159

NOTES TO THE FINANCIAL STATEMENTS

29 Financial Instruments *(cont'd)*

Fair value hierarchy (cont'd)

	Financial assets designated at fair value through income and expenditure	Available-for-sale financial assets	Total
	Unquoted equity investments $'000	Unquoted equity investments $'000	$'000
University Company			
At opening balance	262,637	–	262,637
Total gain or loss in income and expenditure	22,984	–	22,984
Subscriptions/Contributions	4,996	–	4,996
Redemptions/Distributions	(30,927)	–	(30,927)
Transfers out of Level 3	–	–	–
At closing balance	259,690	–	259,690
Total gains or losses for the period included in income and expenditure for assets held at the end of the reporting period	23,052	–	23,052

Gains or losses included in income and expenditure for the period (above) are presented as follows:

Total gains or losses included in income and expenditure for the period	22,984
Total gains or losses for the period included in income and expenditure for assets held at the end of the reporting period	23,052

NOTES TO THE FINANCIAL STATEMENTS

30 Financial Risk Management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management

Risk management is integral to the activities of the Group. The Group has controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors its risk management processes to ensure that an appropriate balance between risk and control is achieved. Risk management processes are reviewed regularly to reflect changes in the Group's activities.

Credit risk

Trade and other receivables

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

The Group manages its credit risk with regular monitoring and following up actions for the debts outstanding from debtors. Additional information is set out in Notes 10 and 29.

Investments

Cash and deposits are placed with reputable financial institutions. Investment portfolios are managed by professional fund managers.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheet.

The credit risk is diversified over a range of institutions.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial Risk Management *(cont'd)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flow. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

In addition, the Group maintains the following lines of credit:

- $10 million bankers' guarantee facility that is unsecured.
- $220 million that can be drawn down to meet short-term financing needs.

Market risk – Price risk

The Group is exposed to price risk arising from investments invested through funds managed by external managers in the various asset classes. The Group manages its price risk through portfolio diversification across asset classes to manage exposure risk.

31 Charity Act and Regulations

As required for disclosure under Section 17(1) of the Charities (Institutions of a Public Character) Regulations 2008, the University Company has received total tax deductible donations of $28,599,000 (2009: $35,590,000) in the current financial year.

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