Institute of Southeast Asian Studies

FINANCIAL STATEMENTS

for the year ended 31 March 2007

together with Auditors' Report

Audited Financial Statements

Address

30 Heng Mui Keng Terrace
Pasir Panjang
Singapore 119614

Auditors

Foo Kon Tan Grant Thornton
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

Contents

This page has been deliberately left blank.

Statement by Board of Trustees

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with the Institute of Southeast Asian Studies Act, 1968 and the accounting standards as specified by the Ministry of Finance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the Trustees, the accompanying balance sheet, statement of income and expenditure, changes in General Fund and Other Funds and cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Institute as at 31 March 2007 and of the income and expenditure, changes in General Fund and Other Funds and cash flow for the financial year then ended.

On behalf of the Trustees

PROF. WANG GUNGWU
Chairman
27 July 2007

MR K. KESAVAPANY
Director
27 July 2007

MRS Y. L. LEE
Executive Secretary
27 July 2007

Auditors' Report
to the Members of the Board of Trustees of the Institute of Southeast Asian Studies

We have audited the accompanying financial statements of the Institute of Southeast Asian Studies ("the Institute") which comprise the balance sheet as at 31 March 2007, the statement of income and expenditure, statement of changes in General Fund and Other Funds and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Trustees' responsibility for the financial statements

The Institute's Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Institute of Southeast Asian Studies Act, 1968 ("the Act") as specified by the Ministry of Finance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Trustees, 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 financial statements are properly drawn up in accordance with the provisions of the Act and the accounting standards as specified by the Ministry of Finance so as to give a true and fair view of the state of affairs of the Institute as at 31 March 2007 and of the income and expenditure, changes in General Fund and Other Funds and cash flows of the Institute for the year ended on that date; and

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

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

FOO KON TAN GRANT THORNTON
Certified Public Accountants

Singapore, 27 July 2007

Balance Sheet

	Note	FY 2006/2007 $	FY 2005/2006 (Restated) $
Accumulated surplus			
General Fund	3(a)	**2,245,782**	2,220,625
Other Funds	3(b)	**2,476,113**	1,009,332
Fair Value Reserve		**1,734,619**	278,841
		6,456,514	3,508,798
ISEAS Consolidated Endowment Fund	4	**18,278,178**	18,278,178
Specific Projects Fund	5	**13,793,515**	13,890,379
Kernial Singh Sandhu Memorial Fund	7	**1,011,400**	1,011,400
		33,083,093	33,179,957
		39,539,607	36,688,755
Non-current assets			
Property, plant and equipment	8	**1,732,169**	1,782,634
Available-for-sale investments	9	**29,533,015**	26,766,939
		31,265,184	28,549,573
Current assets			
Sundry debtors, deposits and prepayments	10	**912,683**	731,368
Fixed deposits	11	**7,830,000**	7,830,000
Cash and bank balances	11	**2,159,590**	2,070,447
		10,902,273	10,631,815

	Note	FY 2006/2007 $	FY 2005/2006 (Restated) $
Less: current liabilities			
Sundry creditors and accruals	12	**895,681**	705,933
Grants received in advance		**—**	4,066
		895,681	709,999
Net current assets		**10,006,592**	9,921,816
Non-current liabilities			
Deferred capital grants	13	**(1,732,169)**	(1,782,634)
		39,539,607	36,688,755

PROF. WANG GUNGWU	MR K. KESAVAPANY	MRS Y. L. LEE
Chairman	Director	Executive Secretary
27 July 2007	27 July 2007	27 July 2007

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of Income and Expenditure

		General Fund	
		FY	FY
		2006/2007	2005/2006
	Note	**$**	$
Operating Income			
Income	3(b)	**—**	—
Publication sales (net)	14	**(25,040)**	111,371
Operating expenditure	3(b), 15	**(10,487,956)**	(10,306,897)
Deficit before depreciation		**(10,512,996)**	(10,195,526)
Depreciation of property, plant and equipment	8	**(202,600)**	(298,510)
Operating deficit		**(10,715,596)**	(10,494,036)
Non-operating income			
Gain on disposal of property, plant and equipment		**—**	500
Interest income	17	**11,908**	247
Miscellaneous income	18	**14,907**	17,762
Deficit before Government Grants		**(10,688,781)**	(10,475,527)
Government Grants			
Operating grants	19	**10,511,338**	10,317,315
Deferred capital grants amortised	13	**202,600**	298,510
		10,713,938	10,615,825
Operating surplus for the year		**25,157**	140,298

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Other Funds		Total	
FY	FY	**FY**	FY
2006/2007	2005/2006	**2006/2007**	2005/2006
$	$	**$**	$
2,010,209	613,708	**2,010,209**	613,708
—	—	**(25,040)**	111,371
(543,428)	(464,487)	**(11,031,384)**	(10,771,384)
1,466,781	149,221	**(9,046,215)**	(10,046,305)
—	—	**(202,600)**	(298,510)
1,466,781	149,221	**(9,248,815)**	(10,344,815)
—	—	**—**	500
—	—	**11,908**	247
—	—	**14,907**	17,762
1,466,781	149,221	**(9,222,000)**	(10,326,306)
—	—	**10,511,338**	10,317,315
—	—	**202,600**	298,510
—	—	**10,713,938**	10,615,825
1,466,781	149,221	**1,491,938**	289,519

Statement of Changes in General Fund and Other Funds

	Note	General Fund FY 2006/2007 $	FY 2005/2006 $
Balance as at 1 April			
As previously reported		**2,220,625**	2,127,752
Transfer of fund from ISEAS Research Fellowships	3(b)	**—**	—
As restated		**2,220,625**	2,127,752
Derecognition of disposal of investments		**—**	—
Changes in fair value		**—**	—
Operating surplus for the year		**25,157**	140,298
Transfer to deferred capital grants	13	**—**	(47,425)
Balance as at 31 March		**2,245,782**	2,220,625

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Other Funds		Fair Value Reserve		Total	
FY 2006/2007	FY 2005/2006	**FY 2006/2007**	FY 2005/2006	**FY 2006/2007**	FY 2005/2006
$	$	**$**	$	**$**	$
1,009,332	332,691	**278,841**	941,545	**3,508,798**	3,401,988
—	527,420	**—**	—	**—**	527,420
1,009,332	860,111	**278,841**	941,545	**3,508,798**	3,929,408
—	—	**—**	(941,545)	**—**	(941,545)
—	—	**1,455,778**	278,841	**1,455,778**	278,841
1,466,781	149,221	**—**	—	**1,491,938**	289,519
—	—	**—**	—	**—**	(47,425)
2,476,113	1,009,332	**1,734,619**	278,841	**6,456,514**	3,508,798

Cash Flow Statement

	FY 2006/2007 $	FY 2005/2006 $
Cash flow from operating activities:		
Operating deficit before grants	**(9,222,000)**	(10,326,306)
Adjustments for:		
Depreciation of property, plant and equipment	**202,600**	298,510
Interest/investment income from other funds	**(1,402,126)**	(214,956)
Interest income from general fund	**(11,908)**	(247)
Property, plant and equipment written off	**5,297**	6,713
Gain on disposal of property, plant and equipment	**—**	(500)
Impairment on sundry debtors no longer required	**(385)**	—
Impairment on sundry debtors	**9,588**	897
Operating deficit before working capital changes	**(10,418,934)**	(10,235,889)
Increase in sundry debtors, deposits and prepayments	**(190,518)**	(319,569)
Increase/(decrease) in sundry creditors and accruals	**201,688**	(17,773)
Decrease in deferred subscription income	**(11,940)**	(5,431)
Donations/research grants/contributions/seminar registration fees received	**1,588,854**	1,487,485
Expenditure on specific projects	**(1,953,584)**	(1,677,475)
Net cash used in operating activities	**(10,784,434)**	(10,768,652)
Cash flow from investing activities:		
Purchase of property, plant and equipment	**(157,432)**	(61,317)
Proceeds from sale of property, plant and equipment	**—**	500
Interest received	**206,636**	130,753
Investment income received	**1,475,264**	2,218,950
(Increase)/decrease in available-for-sale investments	**(1,310,298)**	1,431,471
Net cash generated from investing activities	**214,170**	3,720,357

	FY 2006/2007 $	FY 2005/2006 $
Cash flow from financing activities:		
Operating grants received from Singapore Government for capital purposes	**152,135**	3,624
Publication sales for capital item	**—**	3,555
Return of balance to Accountant-General	**(4,066)**	—
Operating grants received	**10,511,338**	10,317,315
Net cash generated from financing activities	**10,659,407**	10,324,494
Net increase in cash and cash equivalents	**89,143**	3,276,199
Cash and cash equivalents at beginning of year	**9,900,447**	6,624,248
Cash and cash equivalents at end of year (Note 11)	**9,989,590**	9,900,447

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

The financial statements of the Institute of Southeast Asian Studies ("the Institute") for the year ended 31 March 2007 were authorised for issue in accordance with a resolution of the Board of Trustees on the date of the statement by the Board of Trustees.

The Institute of Southeast Asian Studies ("the Institute") was established in the Republic of Singapore under the Institute of Southeast Asian Studies Act, 1968.

The Institute is located at 30 Heng Mui Keng Terrace, Pasir Panjang, Singapore 119614.

The principal activities of the Institute are to promote research on Southeast Asia.

2(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Institute of Southeast Asian Studies Act, Cap. 141 and Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Council on Corporate Disclosure and Governance ("CCDG"), except for the non-disclosure of related party transactions with other state-controlled entities required by FRS 24 — Related Party Disclosures, as allowed under the Ministry of Finance Circular Minute No. M4/2005. The option was granted after consideration that the disclosure of Statutory Boards' related party transactions could be impractical, considering the range of Government-related entities and activities, all of which are subject to clearly established rules on the conduct of their financial transactions. Statutory Boards are not legally required to comply with FRS as they are not governed by the Companies Act.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates, if any, are based on the Board of Trustees' best knowledge of current events and actions, actual results may differ from those estimates.

In the process of applying the Institute's accounting policies which are described in Note 2(d) to the financial statements, the Board of Trustees has made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Board of Trustees estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. The carrying amount of the Institute's property, plant and equipment as at 31 March 2007 was $1,732,169 (FY 2005/2006 — $1,782,634). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Allowance for bad and doubtful debts

The Institute makes allowances for bad and doubtful debts based on an assessment of the recoverability of sundry debtors. Allowances are applied to sundry debtors where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of sundry debtors and doubtful debt expenses in the period in which such estimate has been changed.

2(b) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2006

On 1 April 2006, the Institute adopted the new or revised FRS and INT FRS that are mandatory for application on that date. This includes the following FRS and INT FRS, which are relevant to the Institute:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (Amendment)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

The adoption of the above FRS and INT FRS did not result in substantial changes to the Institute's accounting policies.

Notes to the Financial Statements (*continued*)

2(c) FRS NOT YET EFFECTIVE

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

FRS 1 (Amendment)	Amendments Relating to Capital Disclosure
FRS 32	Financial Instruments: Presentation
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment
INT FRS 111	FRS 102 — Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements

The Institute does not anticipate that the adoption of these FRS and INT FRS in future periods will have a material impact on the financial statements.

2(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Computer items/computerisation	3 years
Office equipment and machinery	5 years
Electrical fittings	5 years
Furniture and fixtures	5 years
Motor vehicles	10 years
Improvements to office building	50 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income and expenditure statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gains or losses resulting from their disposals are included in the statement of income and expenditure.

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property, plant and equipment.

For acquisitions and disposals during the financial year, depreciation is provided from the year of acquisition and no depreciation is provided in the year of disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Property, plant and equipment costing less than $1,000 each are charged to the statement of income and expenditure.

Any furniture bought before 1 April 1987 has been treated as written off.

Grants

Government grants and contributions from other organisations utilised for the purchase of property, plant and equipment are taken to Deferred Capital Grants Account. Deferred grants are recognised in

Notes to the Financial Statements (*continued*)

the income and expenditure statement over the periods necessary to match the depreciation of the property, plant and equipment purchased with the related grants.

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

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institute, the financial statements of the Institute are maintained substantially in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

General Fund and Other Funds

There are two categories of funds in the financial statements of the Institute, namely General Fund and Other Funds. Income and expenditure of the main activities of the Institute are accounted for in the General Fund. Other Funds are set up for specific purposes. Income and expenditure of these specific activities are accounted for in Other Funds to which they relate.

Assets related to these funds are pooled in the balance sheet.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by the Board of Trustees on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date — the date on which the Institute commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

As at 31 March 2007, the Institute carries loans and receivables and available-for-sale investments on its balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Institute provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables, if any, are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date of impairment is reversed. Any reversal is recognised in the statement of income and expenditure.

Receivables are provided against when there is objective evidence that the Institute will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables are included in sundry debtors, deposit and prepayments in the balance sheet.

Notes to the Financial Statements (*continued*)

Available-for-sale investments

Available-for-sale investments include non-derivative financial assets that do not qualify for inclusion in any other categories of financial assets. They are included in non-current assets unless the management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the statement of income and expenditure for the period.

When a decline in the fair value of available-for sale investments has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the statement of income and expenditure even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in the statement of income and expenditure shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously in the statement of income and expenditure.

Impairment losses recognised in the statement of income and expenditure for equity statement for equity investment classified as available-for-sale are not subsequently reversed through statement of income and expenditure.

Available-for-sale investments comprise investment funds managed by fund managers.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and bank deposits with a short maturity of three months or less.

Financial liabilities
The Institute's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Institute becomes a party to the contractual agreements of the instrument. All interest-related charges, if any, are recognised as an expense in "finance cost" in the statement of income and expenditure.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Leases
Operating leases
Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the statement of income and expenditure on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

Provisions
Provisions are recognised when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Notes to the Financial Statements (*continued*)

The Board of Trustees reviews the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employee benefits

Pension obligations

The Institute contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Institute's contributions to CPF are charged to the statement of income and expenditure in the period to which the contributions relate.

Employee leave entitlements

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

Impairment of assets

The carrying amounts of the Institute's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

An impairment loss is only reversed 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. All reversals of impairment are recognised in the statement of income and expenditure.

Functional and presentation currency

Items included in the financial statements of the Institute are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Institute ("the functional currency"). The financial statements of the Institute are presented in Singapore dollars, which is also the functional currency of the Institute.

Conversion of foreign currencies

Transactions in foreign currencies are measured in Singapore dollars and recorded at exchange rates closely approximating those ruling at transaction dates. Foreign currency denominated monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary denominated assets and liabilities are measured using the exchange rates ruling at the transaction dates. All resultant exchange differences are dealt with through the statement of income and expenditure, except for those related to project funds as disclosed in Note 5.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 23.

3(a) GENERAL FUND

Accumulated surplus — General Fund is an accumulation of surplus over the years from the unspent government grant and other income generated. Aside from the two months of working capital to be set aside, the Institute may use it when the need arises with the approval of the Ministry of Education.

Notes to the Financial Statements (*continued*)

3(b) OTHER FUNDS — OPERATING INCOME AND EXPENDITURE

	ISEAS Research Fellowships	
	FY 2006/2007 $	FY 2005/2006 $
Operating income		
Interest income (Note 21)	**10,476**	10,123
Donations/contributions		
Received	**471,695**	212,867
Receivable	**136,388**	185,885
Investment income (Note 4, 22)	**65,329**	107,825
Absorbed into ISEAS Consolidated Endowment Fund upon consolidation (Note 4)	**—**	—
Total operating income	**683,888**	516,700
Operating expenditure		
Stipend	**438,984**	357,740
Housing subsidy	**92,867**	73,115
Research travel expenses	**2,904**	6,598
Supplies	**2,833**	2,157
Refund of unspent grant	**—**	8,008
Total operating expenditure	**537,588**	447,618
Operating surplus	**146,300**	69,082
Accumulated surplus		
Add: Balance as at 1 April	**630,185**	33,683
Add: Transfer from ISEAS Research Fellowships	**—**	527,420
	630,185	561,103
Balance as at 31 March	**776,485**	630,185

Arising from the consolidation of funds, the ISEAS Research Fellowships Fund was merged with the Accumulated Surplus — Other Funds. In addition, surplus/deficit from ISEAS Consolidated Endowment Fund and Kernial Singh Memorial Fund are also allocated to the Accumulated Surplus — Other Funds. The surplus/deficit from ISEAS Consolidated Endowment Fund and Kernial Singh Memorial Fund are not allocated back to the principal funds.

Kernial Singh Sandhu Memorial Fund		ISEAS Consolidated Endowment Fund		Total	
FY 2006/2007	FY 2005/2006	**FY 2006/2007**	FY 2005/2006	**FY 2006/2007**	FY 2005/2006
$	$	**$**	$	**$**	$
7,833	4,056	**145,375**	97,450	**163,684**	111,629
—	—	**—**	—	**471,695**	212,867
—	—	**—**	—	**136,388**	185,885
56,883	92,952	**1,116,230**	1,320,467	**1,238,442**	1,521,244
—	—	**—**	(1,417,917)	**—**	(1,417,917)
64,716	97,008	**1,261,605**	—	**2,010,209**	613,708
—	—	**—**	—	**438,984**	357,740
—	—	**—**	—	**92,867**	73,115
—	—	**—**	—	**2,904**	6,598
5,840	16,869	**—**	—	**8,673**	19,026
—	—	**—**	—	**—**	8,008
5,840	16,869	**—**	—	**543,428**	464,487
58,876	80,139	**1,261,605**	—	**1,466,781**	149,221
379,147	299,008	**—**	—	**1,009,332**	332,691
—	—	**—**	—	**—**	527,420
379,147	299,008	**—**	—	**1,009,332**	860,111
438,023	379,147	**1,261,605**	—	**2,476,113**	1,009,332

Notes to the Financial Statements (*continued*)

4 ISEAS CONSOLIDATED ENDOWMENT FUND

Income earned from the investment of ISEAS Consolidated Endowment Fund supports the Institute's research fellowships. It also provides funds for the continuation of programmes of research and publications on international and regional economics issues.

	Endowment Fund		Research Programmes Trust	
	FY 2006/2007	FY 2005/2006	**FY 2006/2007**	FY 2005/2006
	$	$	**$**	$
Balance as at 1 April	**1,160,000**	1,160,000	**4,343,960**	4,343,960
Interest income (Note 21)	**—**	—	**—**	* 6,215
Investment income (Note 22)	**65,329**	*** 107,825	**244,647**	* 503,438
Transfer to Accumulated Surplus — Other Funds (Note 3(b))	**# (65,329)**	(107,825)	**# (244,647)**	—
Transfer to Specific Projects	**—**	—	**—**	(509,653)
Balance as at 31 March	**## 1,160,000**	1,160,000	**## 4,343,960**	4,343,960

Note:

Before Consolidation

* Income of Research Programmes Trust is allocated to Specific Projects Fund

** Income of Special Projects Fund goes back to its own fund

*** Income of Endowment Fund support the ISEAS Research Fellowships

After Consolidation

Income of Endowment Fund, Research Programmes Trust and Special Projects Fund are allocated to Accumulated Surplus — Other Funds

The principal sums of the Endowment Fund, Research Programmes Trust, and Special Projects Fund are merged into the ISEAS Consolidated Endowment Fund

Special Projects Fund		Total	
FY	FY	FY	FY
2006/2007	2005/2006	2006/2007	2005/2006
$	$	$	$
12,774,218	11,356,301	18,278,178	16,860,261
145,375	** 97,450	145,375	103,665
871,583	** 1,320,467	1,181,559	1,931,730
# (1,016,958)	—	(1,326,934)	(107,825)
—	—	—	(509,653)
## 12,774,218	12,774,218	18,278,178	18,278,178

Notes to the Financial Statements (*continued*)

The ISEAS Consolidated Endowment Fund was placed in the Fund Management portfolio with Schroder Investment (Singapore) Ltd for 3 years from 1 August 2005. Assets relating to the unutilised balance of the ISEAS Consolidated Endowment Fund are pooled in the balance sheet.

During the financial year, 3 funds were merged to form the ISEAS Consolidated Endowment Fund. Those funds are:

1) Endowment Fund
2) Research Programmes Trust
3) Special Projects Fund

5 **SPECIFIC PROJECTS FUND**

Specific projects are on-going projects of research and seminars supported by grants received from foundations, agencies and other similar organisations.

	FY 2006/2007 $	FY 2005/2006 $ (Restated)
Balance as at 1 April	**13,890,379**	13,363,786
Donations/research grants/contributions/seminar registration fees received	**1,242,680**	1,358,281
Donations/contributions/seminar registration fees receivable	**346,174**	129,204
Interest income (Note 21)	**20,698**	12,662
Interest income — Research Programmes Trust (Note 21)	**10,346**	6,215
Surplus on photo-copying account/computer facilities	**4,714**	7,925
Investment income (Note 22)	**133,035**	194,268
Investment income — Research Programmes Trust (Note 22)	**103,787**	503,438
Miscellaneous receipts	**5,411**	4,578
Publications and journals (non-government grant)	**99,799**	91,220
	1,966,644	2,307,791
	15,857,023	15,671,577
Expenditure during the year (Note 6)	**(2,063,508)**	(1,781,198)
Balance as at 31 March	**13,793,515**	13,890,379

6 SPECIFIC PROJECTS EXPENDITURE

	Note	FY 2006/2007 $	FY 2005/2006 $
Expenditure on manpower/research stipend			
— Salaries, bonuses and related expenses		**762,030**	655,279
— CPF contributions		**2,078**	11,954
Advertisement		**1,200**	—
Audit fees		**1,260**	1,260
Entertainment expenses		**1,004**	1,002
Housing subsidy		**37,042**	21,514
Medical benefits		**30**	—
New furniture & equipment		**—**	924
Office stationery		**926**	2,683
Postage		**21,682**	17,154
Printing		**162,722**	121,500
Research travels/honoraria/expenses		**383,187**	215,363
Scholarship		**152,193**	72,708
Seminars, conferences, roundtables and workshops		**482,347**	603,234
Telecommunications		**387**	449
Transport expenses		**1,104**	106
Tax on foreign speakers		**1,055**	4,740
Refund of unspent grant		**—**	2,375
Miscellaneous expenses		**19**	953
Grant for Publications Unit		**53,242**	48,000
	5	**2,063,508**	1,781,198

7 KERNIAL SINGH SANDHU MEMORIAL FUND

This memorial fund is initiated to commemorate the past achievements of the Institute's late director, Professor K.S. Sandhu and the usage of the fund will be in accordance with the work of the Institute. From FY 1994/1995, income and expenditure of this fund is accounted for in the statement of income and expenditure — Other Funds (see Note 3(b)).

Notes to the Financial Statements (*continued*)

8 PROPERTY, PLANT AND EQUIPMENT

	Improvements to office building $	Computer items/ computerisation $	Office equipment and machinery $
Cost			
As at 1 April 2005	1,677,305	5,408,191	353,331
Additions	—	1,823	2,956
Disposals	—	(742)	—
As at 31 March 2006	**1,677,305**	**5,409,272**	**356,287**
Additions	**—**	**117,035**	**20,215**
Disposals	**—**	**(25,364)**	**(5,389)**
As at 31 March 2007	**1,677,305**	**5,500,943**	**371,113**
Accumulated depreciation			
As at 1 April 2005	138,416	5,111,536	301,937
Charge for the year	33,546	219,310	18,612
Disposal	—	(742)	—
As at 31 March 2006	**171,962**	**5,330,104**	**320,549**
Charge for the year	**33,546**	**117,572**	**22,654**
Disposals	**—**	**(25,364)**	**(5,389)**
As at 31 March 2007	**205,508**	**5,422,312**	**337,814**
Net book value			
As at 31 March 2007	**1,471,797**	**78,631**	**33,299**
As at 31 March 2006	1,505,343	79,168	35,738

Electrical fittings $	Furniture and fixtures $	Motor vehicles $	Total $
147,739	110,576	381,698	8,078,840
—	2,400	47,425	54,604
—	—	(179,954)	(180,696)
147,739	**112,976**	**249,169**	**7,952,748**
14,885	**—**	**—**	**152,135**
—	**(965)**	**—**	**(31,718)**
162,624	**112,011**	**249,169**	**8,073,165**
147,739	105,470	247,202	6,052,300
—	3,086	23,956	298,510
—	—	(179,954)	(180,696)
147,739	**108,556**	**91,204**	**6,170,114**
2,977	**1,895**	**23,956**	**202,600**
—	**(965)**	**—**	**(31,718)**
150,716	**109,486**	**115,160**	**6,340,996**
11,908	**2,525**	**134,009**	**1,732,169**
—	4,420	157,965	1,782,634

Notes to the Financial Statements (*continued*)

9 AVAILABLE-FOR-SALE INVESTMENTS

Schroder Investment Management (Singapore) Ltd was re-appointed to invest and manage funds of $26,500,000 on behalf of the Institute for a period of 3 years commencing 1 August 2005.

The investment objective is for the preservation of capital sum with a performance benchmark of 3 months SIBOR + 2.5%.

	FY 2006/2007 $	FY 2005/2006 $
Balance at 1 April	**26,766,939**	28,861,114
Withdrawal of funds	**—**	(3,869,180)
Income for the year	**1,310,298**	1,496,164
Changes in fair value charged to fair value reserve	**1,455,778**	278,841
Balance as at 31 March	**29,533,015**	26,766,939

	FY 2006/2007 $	FY 2005/2006 $
Investments in unit trusts	**25,108,661**	26,013,819
Financial derivatives	**(5,581)**	22,373
Cash and cash equivalents	**4,429,935**	730,747
Balance as at 31 March	**29,533,015**	26,766,939

10 SUNDRY DEBTORS, DEPOSITS AND PREPAYMENTS

	FY 2006/2007 $	FY 2005/2006 $
Sundry debtors	**758,819**	599,988
Impairment on sundry debtors	**(16,407)**	(7,204)
	742,412	592,784
Deposits	**5,040**	6,838
Prepayments	**165,231**	131,746
	912,683	731,368

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances and fixed deposits. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	FY 2006/2007 $	FY 2005/2006 $
Cash and bank balances	**2,159,590**	2,070,447
Fixed deposits	**7,830,000**	7,830,000
	9,989,590	9,900,447

The fixed deposits have an average maturity of 3 months (FY 2005/2006 — 3 months) from the end of the financial year with interest rates ranging from 1.60% to 2.75% (FY 2005/2006 — 1.65% to 3.22%) per annum.

Notes to the Financial Statements (*continued*)

12 SUNDRY CREDITORS AND ACCRUALS

	FY 2006/2007 $	FY 2005/2006 $
Deposits received	**4,938**	13,543
Sundry creditors	**4,316**	688
Accrued operating expenses	**824,639**	617,974
Deferred subscription income	**61,788**	73,728
	895,681	705,933

13 DEFERRED CAPITAL GRANTS

	FY 2006/2007 $	FY 2005/2006 $
Balance as at 1 April	**1,782,634**	2,026,540
Transfer from operating grants (Note 19)	**152,135**	3,624
Transfer from publication sales (Note 14)	**—**	3,555
Transfer from accumulated surplus	**—**	47,425
	1,934,769	2,081,144
Grants taken to statement of income and expenditure to match depreciation of property, plant and equipment	**(202,600)**	(298,510)
Balance as at 31 March	**1,732,169**	1,782,634

14 PUBLICATION SALES (NET)

	FY 2006/2007 $	FY 2005/2006 $
Publication sales	**816,275**	843,444
Production and direct costs	**(827,602)**	(726,798)
	(11,327)	116,646
Bad and doubtful debts	**(13,713)**	(1,720)
Transfer to deferred capital grants (Note 13)	**—**	(3,555)
	(25,040)	111,371

15 OPERATING EXPENDITURE — GENERAL FUND

	FY 2006/2007 $	FY 2005/2006 $
Expenditure on manpower		
Research staff		
— Salaries, bonuses and related expenses	**1,804,588**	2,128,730
— CPF contributions	**46,304**	69,890
Non-Research staff		
— Salaries, bonuses and related expenses	**3,324,499**	3,084,019
— CPF contributions	**226,273**	227,602
	5,401,664	5,510,241
Other operating expenditure		
Research		
Housing subsidy	**131,276**	146,415
Research vote	**570,622**	636,067
Seminars and workshops	**49,723**	29,312
Special conferences and meetings	**9,968**	2,001
Singapore APEC Study Centre	**7,586**	3,837
Scholarship fund	**69,142**	92,090
Education allowance	**32,525**	31,562
Counterpart Fund/I-Net	**37,800**	18,900
	908,642	960,184

Notes to the Financial Statements (*continued*)

	FY 2006/2007 $	FY 2005/2006 $
Institutional		
Advertising	**—**	5,596
Audit fees	**12,443**	11,854
Entertainment expenses	**3,281**	4,295
Insurance	**19,885**	18,632
Maintenance of premises	**203,934**	137,400
Cleaning of premises	**70,150**	71,866
Fire alarm system	**21,951**	21,630
Landscape	**10,262**	4,961
Security	**41,002**	22,680
Maintenance of equipment	**194,242**	70,599
Maintenance of air-con	**212,062**	161,745
Maintenance of vehicles	**16,982**	16,927
Medical/dental benefits	**45,011**	41,679
Miscellaneous expenses	**8,645**	5,310
New furniture and equipment expensed off	**5,297**	6,713
Office stationery	**31,604**	60,665
Postage	**4,869**	5,724
Printing	**12,839**	15,019
Public utilities	**327,968**	305,497
Rental of premises	**2,412,793**	2,394,000
Staff training	**2,510**	1,212
Staff welfare	**10,546**	6,695
Telecommunications	**83,522**	73,882
Transport expenses	**1,873**	1,577
Board of Trustees expenses	**761**	5,365
International Advisory Panel	**18,550**	7,975
Stamp duty	**20,078**	—
	3,793,060	3,479,498

	FY 2006/2007 $	FY 2005/2006 $
Library		
Library acquisitions	**331,632**	338,145
Computer unit		
Computer unit acquisitions	**52,958**	18,829
Total	**10,487,956**	10,306,897

16 KEY MANAGEMENT PERSONNEL

	FY 2006/2007 $	FY 2005/2006 $
Short-term benefits	**1,227,651**	1,188,165

17 INTEREST INCOME

	FY 2006/2007 $	FY 2005/2006 $
Interest from operating grant (Note 21)	**11,908**	247

18 MISCELLANEOUS INCOME

	FY 2006/2007 $	FY 2005/2006 $
Administrative fee	**1,200**	1,800
Rental of office space	**4,400**	6,400
Car park fees	**9,307**	9,562
	14,907	17,762

Notes to the Financial Statements (*continued*)

19 OPERATING GRANTS

The operating grants received from the Singapore Government since the inception of the Institute are as follows:

	FY 2006/2007 $	FY 2005/2006 $
Balance at as 1 April	**168,439,130**	158,121,815
Add: Operating grants received during the year	**10,663,473**	10,320,939
Less: Transfer to deferred capital grants (Note 13)	**(152,135)**	(3,624)
	10,511,338	10,317,315
Balance as at 31 March	**178,950,468**	168,439,130

20 OPERATING LEASE COMMITMENTS

At balance sheet date, the Institute was committed to making the following lease rental payments under non-cancellable operating leases for office:

	FY 2006/2007 $	FY 2006/2007 $
Not later than one year	**2,635,063**	2,207,371
Later than one year and not later than five years	**5,064,705**	—
Later than five years	**—**	—

The leases on the Institute's office on which rentals are payable will expire on 2 March 2010 and the current rent payable on the lease is $219,589 per month.

21 INTEREST INCOME

	FY 2006/2007 $	FY 2005/2006 $
General Fund (Note 17)	**11,908**	247
ISEAS Consolidated Endowment Fund (Note 3(b), 4)		
Special Projects Fund	**145,375**	97,450
ISEAS Research Fellowships (Note 3(b))	**10,476**	10,123
Kernial Singh Sandhu Memorial Fund (Note 3(b))	**7,833**	4,056
Specific Projects Fund (Note 5)	**20,698**	12,662
Specific Projects Fund — Research Programmes Trust (Note 5)	**10,346**	6,215
	206,636	130,753

22 INVESTMENT INCOME

	FY 2006/2007 $	FY 2005/2006 $
ISEAS Consolidated Endowment Fund (Note 4)		
— Endowment Fund	**65,329**	107,825
— Research Programmes Trust	**244,647**	—
— Special Projects Fund	**871,583**	1,320,467
	1,181,559	1,428,292
Kernial Singh Sandhu Memorial Fund (Note 3(b))	**56,883**	92,952
Specific Projects Fund (Note 5)	**133,035**	194,268
Specific Projects Fund — Research Programmes Trust (Note 5)	**103,787**	503,438
	1,475,264	2,218,950

On 1 August 2005, Schroder Investment Management (S) Ltd was re-appointed to invest and manage funds of $26,500,000.

Notes to the Financial Statements (*continued*)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 Financial risk factors

The main risks arising from the Institute's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board of Trustees reviews and agrees for managing each of these risks and they are summarised below:

23.2 Market risk

23.2.1 Currency risk

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

The Institute has exposure to fluctuations in foreign exchange rate primarily as a result of currency deposits and transactions denominated in foreign currencies. The Institute has foreign exchange rate risk exposure mainly in United States dollars. Transaction risk is calculated in each foreign currency and includes foreign currency denominated assets and liabilities. The Institute does not use derivative financial instruments to hedge such risk.

23.2.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Institute's exposure to movements in market interest rates relates primarily to its fixed deposits and investment funds managed by the fund manager.

23.2.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Institute holds quoted bonds and investment funds managed by the fund manager, hence, is exposed to movements in market prices.

23.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amount of investment, trade and other receivables, fixed deposits and bank balances represent the Institute's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. The Institute has no significant concentrations of credit risk. Cash is placed with reputable financial institutions of good standing.

23.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Institute ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

24 FINANCIAL INSTRUMENTS

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Institute does not anticipate that the carrying amounts recorded in the balance sheet date would be significantly different from the values that would eventually be received or settled.

Notes to the Financial Statements (*continued*)

25 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

	As restated FY 2005/2006 $	As reported FY 2005/2006 $
Balance sheet		
Accumulated Surplus — Other Funds	1,009,332	481,912
Endowment Fund	—	1,160,000
Research Programmes Trust	—	4,343,960
ISEAS Research Fellowships	—	527,420
Specific and Special Projects	—	26,664,597
ISEAS Consolidated Endowment Fund	18,278,178	—
Specific Projects Fund	13,890,379	—

INSTITUTE OF SOUTHEAST ASIAN STUDIES
30 Heng Mui Keng Terrace • Pasir Panjang Road • Singapore 119614
Telephone: 6778 0955 • Facsimile: 6778 1735
ISEAS homepage: http://www.iseas.edu.sg