

Financial Statements

National Heritage Board and its subsidiaries

For the year ended 31 March 2006

CONTENTS

Statement by the National Heritage Board	47
Auditors' report	48
Balance sheets	49
Income and expenditure statements	50
Statements of changes in reserves and funds	51
Consolidated cash flow statement	52
Notes to the financial statements	53
Making Waves Globally	75

Board Information

REGISTERED OFFICE

93 Stamford Road
Singapore 178897

BOARD MEMBERS

Professor Tommy Koh
Mrs Lim Siok Peng
Dr Kwok Kian Woon
Mr Koh Seow Chuan
Mr Lim Siam Kim
Associate Professor Tan Tai Yong
Mr Tang Tuck Weng
Mr Alfred Wong
Mr Gopinath Pillai
Mr Ken Low
Mr Chong Wing Hong
Mr Tony Soh
Mr Goh Geok Khim
Mr Daniel Teo
Ms Priscylla Shaw
Ms Noor Aisha Bte Abdul Rahman
Ms Chew Gek Khim
Ms Lee Suet Fern
Mrs Cheong – Chua Koon Hean
Mr Gautam Banerjee
Ms Zuraidah Ibrahim

BANKERS

Development Bank of Singapore
United Overseas Bank
Malayan Banking Berhad

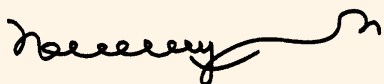
AUDITORS

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

Statement by the National Heritage Board

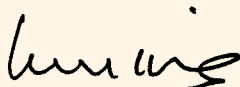
In our opinion, the accompanying financial statements of the National Heritage Board (the "Board") and consolidated financial statements of the Board and its subsidiaries (the "Group") are drawn up so as to show fairly the state of affairs of the Board and of the Group as at 31 March 2006, and the results and changes in reserves and funds of the Board and of the Group, and of the cash flows of the Group for the financial year ended on that date.

On behalf of the Board



TOMMY KOH

Chairman



LIM SIOK PENG

Chief Executive Officer

Dated: 12 August 2006

Auditors' Report to the Members of National Heritage Board

We have audited the accompanying financial statements of the National Heritage Board (the "Board") and the consolidated financial statements of the Board and its subsidiaries (the "Group") for the financial year ended 31 March 2006. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the accompanying financial statements of the Board and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the National Heritage Board Act, Cap. 196A (the Act) and accounting standards as specified by the Ministry of Finance so as to show fairly the state of affairs of the Board and of the Group as at 31 March 2006, and the results and changes in reserves and funds of the Board and of the Group, and of the cash flows of the Group for the financial year ended on that date;
- (b) the accounting and other records required by the Act to be kept by the Board and its subsidiaries 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 Board during the year have not been made in accordance with the provisions of the Act.



Foo Kon Tan Grant Thornton

Certified Public Accountants

Singapore, 12 August 2006

Balance Sheets

Financial statements for the year ended 31 March 2006

	Notes	The Board		The Group	
		2005/2006	2004/2005	2005/2006	2004/2005
		\$	\$	\$	\$
Capital	4	192,000	104,000	192,000	104,000
Heritage capital reserve	5	148,707,046	143,944,426	151,977,409	147,214,789
Accumulated surplus	6	10,434,311	7,665,159	10,747,648	7,806,665
Philatelic fund	7	4,980,677	3,118,548	4,980,677	3,118,548
		164,314,034	154,832,133	167,897,734	158,244,002
Represented by:					
Heritage materials	8	148,707,046	143,944,426	149,672,294	144,900,725
Property, plant and equipment	9	175,377,288	125,110,298	175,747,073	125,119,305
Subsidiaries	10	2	2	-	-
Held-to-maturity investments	11	1,426,525	2,343,260	1,992,500	3,469,610
		325,510,861	271,397,986	327,411,867	273,489,640
Current Assets					
Inventories, at cost		-	-	66,231	66,295
Donations receivable	12	20,000	-	20,000	-
Other receivables	13	1,656,471	2,589,405	1,716,197	2,674,729
Cash and cash equivalents	14	59,828,887	80,516,464	61,859,108	82,022,619
		61,505,358	83,105,869	63,661,536	84,763,643
Current Liabilities					
Other payables	15	(11,422,359)	(7,424,146)	(11,869,873)	(7,646,517)
Grants received in advance					
- Government	16	(20,871,418)	(53,147,835)	(20,871,418)	(53,147,835)
Donations received in advance					
- Non-Government	17	(15,031,120)	(13,989,443)	(15,057,090)	(14,104,631)
		(47,324,897)	(74,561,424)	(47,798,381)	(74,898,983)
		14,180,461	8,544,445	15,863,155	9,864,660
Net Current Assets					
Non-Current Liabilities					
Deferred capital grants	18	(175,377,288)	(125,110,298)	(175,377,288)	(125,110,298)
		(175,377,288)	(125,110,298)	(175,377,288)	(125,110,298)
		164,314,034	154,832,133	167,897,734	158,244,002

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

Income and Expenditure Statements

Financial statements for the year ended 31 March 2006

	Notes	The Board		The Group	
		2005/2006	2004/2005	2005/2006	2004/2005
		\$	\$	\$	\$
Operating income					
Archival services		746,548	710,178	746,548	710,178
Contributions and donations		2,262,713	2,096,128	2,262,713	2,140,664
Admission fees		801,614	653,649	816,931	673,841
Sponsorship from Singapore Post		-	-	404,340	390,000
Rental income		1,219,733	1,061,848	1,219,733	1,061,848
Interest income		654,782	170,678	764,402	251,804
Agency fees from Preservation of Monuments Board		311,762	332,466	311,762	332,466
Workshops/Seminars		192,864	257,787	238,068	300,070
Travelling Exhibition		7,841	31,610	7,841	31,610
Consultancy/Project Management		10,000	145,250	255,595	193,000
Others		72,165	253,303	95,658	269,844
Commission/Royalties/Consignment		632,266	132,637	680,405	181,324
Sales at Singapore Philatelic Museum		-	-	53,770	109,036
		6,912,288	5,845,534	7,857,766	6,645,685
Less:					
Operating expenditure					
Staff costs	19	16,710,617	17,554,572	17,406,346	18,197,350
Depreciation	9	18,771,875	20,374,173	18,797,137	20,381,661
Rental of premises		8,680,385	8,354,352	8,680,385	8,362,112
Utilities		2,469,538	2,402,959	2,537,632	2,472,488
Exhibition expenses		2,865,432	2,750,863	3,067,897	2,867,092
Repairs and maintenance		3,633,645	3,312,175	3,699,700	3,373,886
Other services and fees		4,019,904	4,711,627	4,061,236	4,788,137
Supplies and materials		2,938,650	2,623,818	2,947,619	2,713,539
Publicity and public relations	20	2,698,507	1,399,462	2,719,666	1,401,786
Security systems and services		722,605	733,490	722,605	733,490
Staff welfare and development		839,347	904,983	851,309	916,275
Transport, postage and communications	20	739,771	657,324	755,562	682,933
Freight charges		115,002	4,753	115,002	4,753
Audit fees		67,800	65,000	72,500	69,700
Board members' allowances		9,323	17,630	9,323	17,630
Foreign exchange (gain)/loss		(9,451)	(14,547)	(9,451)	(14,547)
Net book value of property, plant and equipment written off		25,229	-	25,229	3,473
		65,298,179	65,852,634	66,459,697	66,971,758
Operating deficit before grants		(58,385,891)	(60,007,100)	(58,601,931)	(60,326,073)
Grants					
Deferred capital grants amortised	18	18,797,104	20,374,173	18,797,104	20,374,173
Grant received from Government	16	42,357,939	42,136,543	42,357,939	42,136,543
Grants received on behalf of STPI	16	1,492,600	1,550,000	1,492,600	1,550,000
Grants received on behalf of MHF	16	3,113,505	1,130,610	3,113,505	1,130,610
		65,761,148	65,191,326	65,761,148	65,191,326
Less:					
Grants disbursed to STPI		(1,492,600)	(1,550,000)	(1,492,600)	(1,550,000)
Grants disbursed to MHF		(3,113,505)	(1,130,610)	(3,113,505)	(1,130,610)
		(4,606,105)	(2,680,610)	(4,606,105)	(2,680,610)
		61,155,043	62,510,716	61,155,043	62,510,716
Surplus for the year		2,769,152	2,503,616	2,553,112	2,184,643
Transfer from Philatelic Fund	7	-	-	387,871	846,032
Accumulated surplus at beginning		7,665,159	5,161,543	7,806,665	4,775,990
Accumulated surplus at end		10,434,311	7,665,159	10,747,648	7,806,665

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

Statements of Changes in Reserves and Funds

Financial statements for the year ended 31 March 2006

	Notes	Capital \$	Heritage capital reserve \$	Accumulated surplus \$	Philatelic fund \$	Total \$
The Board						
Balance as at 1 April 2004	-	138,695,417	5,161,543	3,964,580	147,821,540	
Acquisition of heritage materials	5	-	5,249,009	-	-	5,249,009
Surplus for the year	-	-	2,503,616	-	2,503,616	
Transfer to SPM	7	-	-	-	(888,095)	(888,095)
Interest earned on investments	7	-	-	-	42,063	42,063
Contributions from government		104,000	-	-	-	104,000
Balance as at 31 March 2005		104,000	143,944,426	7,665,159	3,118,548	154,832,133
Acquisition of heritage materials	5	-	4,762,620	-	-	4,762,620
Surplus for the year	-	-	-	2,769,152	-	2,769,152
Contributions to Philatelic Fund	7	-	-	-	2,250,000	2,250,000
Transfer to SPM	7	-	-	-	(442,226)	(442,226)
Interest earned on investments	7	-	-	-	54,355	54,355
Contributions from government		88,000	-	-	-	88,000
Balance as at 31 March 2006		192,000	148,707,046	10,434,311	4,980,677	164,314,034

The Group

Balance at 1 April 2004	-	141,965,780	4,775,990	3,964,580	150,706,350	
Acquisition of heritage materials	5	-	5,249,009	-	-	5,249,009
Surplus for the year	-	-	2,184,643	-	2,184,643	
Transfer to income and expenditure statement	7	-	-	846,032	(846,032)	-
Contributions from government		104,000	-	-	-	104,000
Balance as at 31 March 2005		104,000	147,214,789	7,806,665	3,118,548	158,244,002
Acquisition of heritage materials	5	-	4,762,620	-	-	4,762,620
Surplus for the year	-	-	-	2,553,112	-	2,553,112
Contributions to Philatelic Fund	7	-	-	-	2,250,000	2,250,000
Transfer to income and expenditure statement	7	-	-	387,871	(387,871)	-
Contributions from government		88,000	-	-	-	88,000
Balance as at 31 March 2006		192,000	151,977,409	10,747,648	4,980,677	167,897,734

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

Consolidated Cash Flow Statement

Financial statements for the year ended 31 March 2006

	2005/2006	2004/2005
	\$	\$
Cash Flows from Operating Activities		
Deficit before grants	(58,601,931)	(60,326,073)
Adjustments for:		
Interest income	(764,402)	(251,804)
Depreciation of property, plant and equipment	18,797,137	20,381,661
Property, plant and equipment written off	25,229	3,473
Contributions and donations transferred from Donations Received in Advance	(90,616)	(16,870)
Deficit before working capital changes	(40,634,583)	(40,209,613)
Increase in donations received in advance – non-government	1,403,063	1,673,664
Decrease/(Increase) in inventories	64	(8,305)
Decrease/(Increase) in other receivables	843,240	(1,191,156)
Increase in other payables	4,132,280	5,402,812
Net cash used in operating activities	(34,255,936)	(34,332,598)
Cash Flows from Investing Activities		
Proceeds from investments	2,336,804	317,958
Purchase of property, plant and equipment	(69,450,134)	(27,563,204)
Purchase of heritage materials	(3,175,226)	(2,826,966)
Increase in bank balances belonging to restricted fund (Note 14)	(935,580)	(216,123)
Net cash used in investing activities	(71,224,136)	(30,288,335)
Cash Flows from Financing Activities		
Government grants received	87,649,086	88,234,545
Grants released to STPI	(1,492,600)	(1,550,000)
Grants released to MHF	(3,113,505)	(1,130,610)
Contributions to Philatelic Fund	1,250,000	-
Contributions from government	88,000	104,000
Total cash from grants/capital contribution	84,380,981	85,657,935
Net (decrease)/ increase in cash and bank balances	(21,099,091)	21,037,002
Cash and cash equivalents at beginning of year	81,247,331	60,210,329
Cash and cash equivalents at end of year (Note 14)	60,148,240	81,247,331

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

Notes to the Financial Statements

Financial statements for the year ended 31 March 2006

1 General information

The financial statements of the Board and of the Group for the year ended 31 March 2006 were authorised for issue by members of the Board on the date of the Statement by the National Heritage Board.

The registered office of the National Heritage Board is at 93 Stamford Road, Singapore 178897 and its principal place of business is in Singapore.

2 Principal activities

The principal activities of the Board are:

- (a) to explore and present the heritage and nationhood of the people of Singapore in the context of their ancestral cultures, their links with South-East Asia, Asia and the World through the collection, preservation, interpretation and display of objects and records;
- (b) to promote public awareness, appreciation and understanding of the arts, culture and heritage, both by means of the Board's collections and by such other means as it considers appropriate;
- (c) to promote the establishment and development of organisations concerned with the national heritage of Singapore;
- (d) to provide a permanent repository of records of national or historical significance and to facilitate access thereto;
- (e) to conduct records management programmes for the Government;
- (f) to record, preserve and disseminate the history of Singapore through oral history methodology or other means; and
- (g) to advise the Government in respect of matters relating to the national heritage of Singapore. The Board manages the secretariat and accounting functions of the Preservation of Monuments Board. The Board is required by the Ministry of Information, Communications and the Arts ("MICA") to assist in managing the funding requirements of Malay Heritage Foundation ("MHF") and Singapore Tyler Print Institute ("STPI") and has been receiving operating and capital grants from MICA to fund the activities of MHF and STPI.

2 Principal activities (cont'd)

As requested by MICA, the Board will lease the principal places of business for STPI and MHF from the Singapore Land Authority through tenancy agreements. Renovation works funded by MICA are recorded in the Board's accounting records and the premises are leased out to STPI and MHF through sub-lease agreements.

The principal activities of the subsidiaries are as stated in Note 10.

3 Summary of significant accounting policies

(a) Basis of preparation

The financial statements are prepared in accordance with the accounting standards as specified by the Ministry of Finance and the provisions of the National Heritage Board Act, Cap. 196A. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Finance Circular Minutes issued by the Ministry of Finance on Accounting Standards for Statutory Boards adopts all the Singapore Financial Reporting Standards ("FRS"), except for FRS 24 Related Party Disclosures.

The accounting policies have been consistently applied by the Board during the financial year and are consistent with those used in the previous financial year.

Heritage materials received by the Board as donations are recognised at the valuation of the materials at the time of receipt as disclosed under "Heritage materials" in this note.

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 are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

(b) Change in accounting policies

During 2004, the Council on Corporate Disclosure and Governance issued a series of new and revised FRSs for which the Group applies these new and revised standards from 1 January 2005. This includes the following new and revised standards, which are relevant to the Board and the Group:

FRS 1 (revised 2004)	Presentation of Financial Statements
FRS 2 (revised 2004)	Inventories
FRS 8 (revised 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004)	Events after Balance Sheet Date
FRS 16 (revised 2004)	Property, Plant and Equipment
FRS 17 (revised 2004)	Leases
FRS 21 (revised 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 27 (revised 2004)	Consolidated and Separate Financial Statements
FRS 32 (revised 2004)	Financial Instruments: Disclosures and Presentation
FRS 36 (revised 2004)	Impairment of Assets
FRS 38 (revised 2004)	Intangible Assets
FRS 39 (revised 2004)	Financial Instruments: Recognition and Measurement
FRS 103	Business Combinations

(b) Change in accounting policies (cont'd)

The adoption of the above FRS did not result in substantial changes to the Board and the Group's accounting policies except as follows:

Adoption of FRS 32 and FRS 39

The specific transitional provisions contained within FRS 32 and FRS 39 required the simultaneous adoption of both standards.

In accordance with the transitional provisions of FRS 32, all revised disclosure and presentation rules regarding financial instruments have been applied retrospectively.

In accordance with the transitional provisions of FRS 39, the adoption of the revised rules regarding amounting for financial instruments did not result in restating any comparatives.

Payables

In the prior years, the Board and the Group's payables were stated at cost. These financial liabilities are not held for trading and have not been designated as fair value through profit or loss at inception on adoption of FRS 39.

In accordance with FRS 39, they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method (see policy on financial liabilities).

This change did not materially affect the financial statements for the year ended 31 March 2006.

(c) FRS not effective

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

FRS 1 (revised)	Presentation of Financial Statements – Capital Disclosures
FRS 32 (revised)	Financial Instruments: Presentation
FRS 39 (revised)	Financial Guarantee Contracts
FRS 39 (revised)	Amendments to hedge accounting provisions of FRS 39
FRS 40	Investment Property
FRS 106	Exploration for and Evaluation of Mineral Resources
FRS 107	Financial Instruments: Disclosures
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Board anticipate that the adoption of these FRSs and INT FRSs in future periods will have no material impact on the consolidated financial statements of the Group.

(d) Summary of significant accounting policies

Consolidation

The financial statements of the group include the financial statements of the Board and its subsidiaries made up to the end of the financial year. Details of its subsidiaries are given in Note 10. All inter-entity balances and significant inter-entity transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

Heritage materials

Heritage materials purchased by the Board are accounted for at cost. Heritage materials received by the Board as donations are recognised at the valuation determined by the valuation committee of the respective museums at the time of receipt of the materials.

Heritage materials are not depreciated as the residual values are estimated to approximate the acquisition cost or higher than the acquisition cost.

Archival materials transferred from the Government are stated at the nominal value of \$1 per item irrespective of media.

Philatelic collections comprising stamps and artworks are stated at cost.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Building improvements	3 to 10 years
Mechanical and electrical equipment	8 years
Audio visual and micrographic equipment	6 to 8 years
Furniture, fittings and office equipment	6 to 8 years
Computers	3 to 5 years
Vehicles	8 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantling, 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.

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

(d) Summary of significant accounting policies (cont'd)

Subsidiaries

A subsidiary is defined as a company in which the investing entity has a long-term equity interest of more than 50% and over whose financial and operating policy decisions the group controls.

Shares in the subsidiaries are stated at cost less provision for any impairment losses on an individual subsidiary basis at the Board's financial statements.

Financial assets

Financial assets include cash and financial instruments. Financial assets are assigned to the different categories by the Board 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 income and expenditure is not revocable.

All financial assets are recognised on their trade date - the date on which the Board commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Board has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in income and expenditure statements. 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 the impairment loss is reversed. Any reversal is recognised in the income and expenditure statements.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Board provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets.

Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income and expenditure statements.

Receivables are provided against when objective evidence is received that the Board will not be able to collect all amounts due to it in accordance with the original terms of the loans and 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.

(d) Summary of significant accounting policies (cont'd)

Impairment of assets

The carrying amounts of the Board and Group's 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. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is defined as the higher of value in use and net selling price.

Any impairment loss is charged to the income and expenditure statements unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

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 if no impairment loss had been recognised.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes freight and handling charges. Provision is made, where necessary, for obsolete, slow-moving and defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits, which are not subject to any significant risk of change in value.

Financial liabilities

The Board's and the Group's financial liabilities include other payables, grants and donations received in advance as reflected in the balance sheets.

Financial liabilities are recognised when the Board and the Group become parties to the contractual agreements of the instrument. All interest-related charges is recognised as expense in the income and expenditure statements.

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

Leases

Operating leases

Rentals on operating leases are charged to income statement 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.

(d) Summary of significant accounting policies (cont'd)

Provisions

Provisions are recognised when the Board and the Group have a present obligation (legal or constructive) resulting from a past event if 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.

The Board and the Group review the provisions annually and where in their opinion, the provision is adequate or excessive, due adjustment is made.

Employee benefits

Pension obligations

The Board and the Group contribute 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 Board's and the Group's contributions to CPF are charged to the income and expenditure statement in the period to which the contributions relate.

The Board provides an amount for pension payable to employees under a pension scheme. This pension amount payable to each employee upon retirement is dependent on the number of years of service that the pensioners have completed with the Board and the last drawn salary.

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.

Functional currency

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

Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income and expenditure statement in the period in which they arise.

Income recognition

Sales at the Singapore Philatelic Museum ("SPM") are recognised at the point of sale. Admission fees are recognised upon the sale of tickets to visitors at the museum. Rental income and agency fees are recognised over the lease and service period. Revenue from archival services are recognised when the services have been rendered.

Contributions, donations and other sponsorships (other than those for capital expenditure and heritage materials) are recognised as income when they are received.

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

(d) Summary of significant accounting policies (cont'd)

Grants

Grants from the Government and contributions from other organisations and persons in the form of depreciable assets for the establishment of the Board or utilised for the purchase of depreciable assets are taken to the Deferred Capital Grants Account. The deferred grants are recognised in the income and expenditure statement over the periods necessary to match the depreciation and the net book value of disposals and write-offs of the assets purchased with the related grants.

Grants from the Government utilised for the purchase of heritage materials and contributions from other organisations and persons in the form of heritage materials or donations of such materials are taken to the Capital Reserve.

Government grants and contributions from other organisations to meet the current year's operating expenses are recognised as income in the same year.

Both capital and operating grants are accounted for on an accrual basis.

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.

Disclosures on financial risk management are provided in Note 28.

4 Capital

The Ministry of Finance ("MOF") implemented a new debt-equity financing framework for statutory boards with effect from 1 September 2005. Under this framework, capital projects will be partially funded by MOF as equity injection, and remaining through loans.

5 Heritage capital reserve

	Notes	The Board		The Group	
		2005/2006	2004/2005	2005/2006	2004/2005
		\$	\$	\$	\$
Heritage materials:					
Balance at beginning		143,944,426	138,695,417	143,944,426	138,695,417
Acquisitions					
- from Government grants	8 & 16	2,897,365	2,432,379	2,897,365	2,432,379
- from Non-Government grants	8 & 17(a)	268,912	381,341	268,912	381,341
- donations	8	1,596,343	2,435,289	1,596,343	2,435,289
		4,762,620	5,249,009	4,762,620	5,249,009
Balance at end		148,707,046	143,944,426	148,707,046	143,944,426
Philatelic assets:					
Balance at beginning and at end		-	-	3,270,363	3,270,363
Total		148,707,046	143,944,426	151,977,409	147,214,789

5 Heritage capital reserve (cont'd)

The Heritage Capital Reserve comprises grants from the Government, contributions from other organisations and persons in the form of heritage materials for the establishment of the Board, grants and contributions utilised for the purchase of heritage materials, donations of heritage materials, and philatelic assets of SPM transferred from Infocomm Development Authority of Singapore ("IDA").

Archival materials were transferred from the Government to the Board at a nominal value of \$1 per item as worked out and approved by the Ministry of Finance in FY1996/1997.

6 Accumulated surplus

The accumulated surplus is fully committed for future capital and operating expenditure of the Board.

7 Philatelic fund

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Balance at beginning	3,118,548	3,964,580	3,118,548	3,964,580
Contribution received - government (Note 16)	1,000,000	-	1,000,000	-
Contribution received - non-government	1,250,000	-	1,250,000	-
Transfer to income and expenditure statements	-	-	(387,871)	(846,032)
Transfer to SPM	(442,226)	(888,095)	-	-
Interest earned on investments	54,355	42,063	-	-
Balance at end	4,980,677	3,118,548	4,980,677	3,118,548

During the financial year ended 31 March 2002, the Board took over the membership and management of the SPM and the management and administration of the Philatelic Fund amounting to \$5,272,471 from the IDA.

The Philatelic Fund is established for the purpose of promoting philately, managing the philatelic archival materials, and establishing and managing a postal museum, being the SPM. Any use of the Philatelic Fund not in accordance with the purposes and guidelines requires the prior approval of the Board.

8 Heritage materials

		Asian Civilisations Museum	Singapore History Museum	Singapore Art Museum	National Archives of Singapore	Art Bank Scheme	Government Institution Scheme	Total
	Notes	\$	\$	\$	\$	\$	\$	\$
The Board								
Cost/Valuation								
Balance as at 1 April 2004		46,035,481	28,365,985	61,029,178	1,162,021	455,925	1,646,827	138,695,417
Acquisitions								
- from Government grants	5&16	1,800,760	-	154,130	470,289	7,200	-	2,432,379
- from Non-Government grants	5&17(a)	321,675	-	59,666	-	-	-	381,341
Donations	5	218,130	1,350,089	867,070	-	-	-	2,435,289
Balance as at 31 March 2005		48,376,046	29,716,074	62,110,044	1,632,310	463,125	1,646,827	143,944,426
Acquisitions								
- from Government grants	5&16	647,845	115,357	1,689,886	439,977	4,300	-	2,897,365
- from Non-Government grants	5&17(a)	268,912	-	-	-	-	-	268,912
Donations	5	401,793	359,850	834,700	-	-	-	1,596,343
Balance as at 31 March 2006		49,694,596	30,191,281	64,634,630	2,072,287	467,425	1,646,827	148,707,046
Cost		26,995,858	3,456,701	25,319,449	1,596,568	467,425	1,646,827	59,482,828
Valuation at time of receipt		22,698,738	26,734,580	39,315,181	475,719	-	-	89,224,218
Total		49,694,596	30,191,281	64,634,630	2,072,287	467,425	1,646,827	148,707,046

8 Heritage materials (cont'd)

	Notes	Asian Civilisations Museum	Singapore History Museum	Singapore Art Museum	National Archives of Singapore	Art Bank Scheme	Government Institution Scheme	Philatelic Museum	Total
		\$	\$	\$	\$	\$	\$	\$	\$
The Group									
Cost/Valuation									
Balance as at 1 April 2004		46,035,481	28,365,985	61,029,178	1,162,021	455,925	1,646,827	943,053	139,638,470
Acquisitions									
- from Government grants	5&16	1,800,760	-	154,130	470,289	7,200	-	-	2,432,379
- from Non-Government grants	5&17(a)	321,675	-	59,666	-	-	-	-	381,341
- from Members' Funds of SPM		-	-	-	-	-	-	13,246	13,246
Donations	5	218,130	1,350,089	867,070	-	-	-	-	2,435,289
Balance as at 31 March 2005		48,376,046	29,716,074	62,110,044	1,632,310	463,125	1,646,827	956,299	144,900,725
Acquisitions									
- from Government grants	5&16	647,845	115,357	1,689,886	439,977	4,300	-	-	2,897,365
- from Non-Government grants	5&17(a)	268,912	-	-	-	-	-	-	268,912
- from Members' Funds of SPM		-	-	-	-	-	-	8,949	8,949
Donations	5	401,793	359,850	834,700	-	-	-	-	1,596,343
Balance as at 31 March 2006		49,694,596	30,191,281	64,634,630	2,072,287	467,425	1,646,827	965,248	149,672,294
Cost		26,995,858	3,456,701	25,319,449	1,596,568	467,425	1,646,827	965,248	60,448,076
Valuation at time of receipt		22,698,738	26,734,580	39,315,181	475,719	-	-	-	89,224,218
Total		49,694,596	30,191,281	64,634,630	2,072,287	467,425	1,646,827	965,248	149,672,294

Heritage materials of the former National Museum, National Archives and Oral History Department of the then Ministry of Information and the Arts were transferred to the Board on its establishment in 1993. The heritage materials comprising artworks and artefacts were valued by the Arts Appraisal Committee, Museum Curators or external valuers on a class basis (e.g. coins, ceramics) amounting to \$33,912,599 in 1993.

The Art Bank Scheme and the Government Institution Scheme are schemes to purchase artworks for the Government offices. The objectives of these schemes are to improve the ambience of the participating Government offices as well as to improve art appreciation amongst Government staff.

9 Property, plant and equipment

	Notes	Building improvements	Mechanical and electrical equipment	Audio visual and micrographic equipment	Furniture fittings and office equipment	Computers	Motor vehicle	Land	Work-in-progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
The Board										
Cost										
As at 1 April 2004		157,269,955	8,947,434	6,125,994	7,572,222	4,879,785	168,787	-	30,951,218	215,915,395
Additions		-	41,598	803,251	193,020	493,237	-	1,945,423	24,085,227	27,561,756
Transfer from works-in-progress		12,700,207	3,045,498	194,748	-	6,000	-	-	(15,946,453)	-
Written off		-	(38,279)	-	(15,433)	(163,150)	-	-	-	(216,862)
As at 31 March 2005		169,970,162	11,996,251	7,123,993	7,749,809	5,215,872	168,787	1,945,423	39,089,992	243,260,289
Additions		156,800	334,499	871,404	814,614	2,644,779	-	-	64,241,998	69,064,094
Transfer from works-in-progress		7,335,278	-	91,500	-	-	-	-	(7,426,778)	-
Written off	18	-	(86,350)	(2,200)	(11,000)	(156,206)	-	-	-	(255,756)
As at 31 March 2006		177,462,240	12,244,400	8,084,697	8,553,423	7,704,445	168,787	1,945,423	95,905,212	312,068,627
Accumulated depreciation										
As at 1 April 2004		78,799,700	4,141,158	4,647,205	5,783,939	4,531,906	88,772	-	-	97,992,680
Depreciation for the year	18	16,820,172	1,595,945	693,226	798,977	383,021	17,985	64,847	-	20,374,173
Written off		-	(38,279)	-	(15,433)	(163,150)	-	-	-	(216,862)
As at 31 March 2005		95,619,872	5,698,824	5,340,431	6,567,483	4,751,777	106,757	64,847	-	118,149,991
Depreciation for the year	18	14,859,022	1,621,932	720,114	561,237	923,625	21,098	64,847	-	18,771,875
Written off	18	-	(64,762)	(275)	(11,000)	(154,490)	-	-	-	(230,527)
As at 31 March 2006		110,478,894	7,255,994	6,060,270	7,117,720	5,520,912	127,855	129,694	-	136,691,339
Net book value										
As at 31 March 2006		66,983,346	4,988,406	2,024,427	1,435,703	2,183,533	40,932	1,815,729	95,905,212	175,377,288
As at 31 March 2005		74,350,290	6,297,427	1,783,562	1,182,326	464,095	62,030	1,880,576	39,089,992	125,110,298

9 Property, plant and equipment (cont'd)

	Notes	Building improvements	Mechanical and electrical equipment	Audio visual and micrographic equipment	Furniture fittings and office equipment	Computers	Motor vehicle	Land	Work-in-progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
The Group										
Cost										
As at 1 April 2004		157,290,550	9,577,296	6,125,994	9,256,407	5,049,897	234,687	-	30,951,217	218,486,048
Additions		-	41,598	803,251	193,020	494,685	-	1,945,423	24,085,227	27,563,204
Transfer from works-in-progress		12,700,207	3,045,498	194,748	-	6,000	-	-	(15,946,453)	-
Written off		-	(38,279)	-	(26,313)	(200,100)	-	-	-	(264,692)
As at 31 March 2005		169,990,757	12,626,113	7,123,993	9,423,114	5,350,482	234,687	1,945,423	39,089,991	245,784,560
Additions		542,840	334,499	871,404	814,614	2,644,779	-	-	64,241,998	69,450,134
Transfer from works-in-progress		7,335,278	-	91,500	-	-	-	-	(7,426,778)	-
Written off		-	(86,350)	(2,200)	(69,185)	(158,054)	-	-	-	(315,789)
As at 31 March 2006		177,868,875	12,874,262	8,084,697	10,168,543	7,837,207	234,687	1,945,423	95,905,211	314,918,905
Accumulated depreciation										
As at 1 April 2004		78,817,012	4,771,020	4,647,205	7,459,287	4,695,617	154,672	-	-	100,544,813
Depreciation for the year		16,822,490	1,595,945	693,226	802,492	384,676	17,985	64,847	-	20,381,661
Written off		-	(38,279)	-	(26,313)	(196,627)	-	-	-	(261,219)
As at 31 March 2005		95,639,502	6,328,686	5,340,431	8,235,466	4,883,666	172,657	64,847	-	120,665,255
Depreciation for the year		14,879,404	1,621,932	720,114	564,716	925,026	21,098	64,847	-	18,797,137
Written off		-	(64,762)	(275)	(69,185)	(156,338)	-	-	-	(290,560)
As at 31 March 2006		110,518,906	7,885,856	6,060,270	8,730,997	5,652,354	193,755	129,694	-	139,171,832
Net book value										
As at 31 March 2006		67,349,969	4,988,406	2,024,427	1,437,546	2,184,853	40,932	1,815,729	95,905,211	175,747,073
As at 31 March 2005		74,351,255	6,297,427	1,783,562	1,187,648	466,816	62,030	1,880,576	39,089,991	125,119,305

Mechanical and electric equipment with net book value of \$2,219,365 at 31.3.2006 (31.3.2005 - \$3,329,049) are on loan to STPI under a loan agreement.

Included in the works-in-progress balance as at 31.3.2006 are amounts of \$95,643,818 (31.3.2005 - \$36,931,469) for the conversion of National Museum Building to Singapore History Museum.

10 Subsidiaries

	2005/2006	2004/2005
The Board	\$	\$
Unquoted equity shares, at cost	2	2

The subsidiaries are:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2005/2006	2004/2005	2005/2006	2004/2005	
		\$	\$			
The Museum Shop Pte Ltd ^(A)	Singapore	2	2	100	100	Dormant
Singapore Philatelic Museum ^(B)	Singapore	-	-	100	100	Philatelic
		2	2			

^(A) No audit is required as the company is dormant.

^(B) Audited by Foo Kon Tan Grant Thornton, Singapore.

11 Held-to-maturity Investments

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Held-to-maturity securities				
Statutory Board bonds	715,203	725,610	966,350	1,262,893
Statutory Board debentures	-	421,174	314,828	1,010,241
Singapore Government securities	711,322	1,196,476	711,322	1,196,476
Total carrying value of non-current investments	1,426,525	2,343,260	1,992,500	3,469,610

The maturity period of the debt instruments are as follows:

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Not later than one year	1,426,525	891,007	1,777,672	1,174,849
Later than one year and not later than five years	-	1,452,253	214,828	2,294,761
Later than five years	-	-	-	-
	1,426,525	2,343,260	1,992,500	3,469,610

11 Held-to-maturity Investments (cont'd)

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Traded value of statutory board bonds	738,400	717,100	987,995	1,252,485
Traded value of statutory board debentures	-	416,560	308,777	1,011,389
Traded value of Singapore Government Securities	700,524	1,186,270	-	1,186,270
	1,438,924	2,319,930	1,296,772	3,450,144

The fair values of the quoted debt instruments are determined by reference to the quoted bid prices on the stock exchange and are not materially different from their carrying values.

The held-to-maturity current investments have an effective interest rate of 3.74% (2005 - 4.07%) received semi-annually in arrears with maturity dates between 15.10.2006 to 21.9.2009.

12 Donations receivable

Donations receivable mainly relates to donations for the purchase of heritage materials not yet received.

13 Other receivables

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Tax receivable	14	14	14	14
Interest receivable	-	-	5,798	10,861
Deposits	17,991	9,161	18,541	9,711
GST recoverable	-	-	-	-
Other receivables	609,931	1,701,411	643,368	1,770,219
Prepayments	1,028,535	878,819	1,048,476	883,924
	1,656,471	2,589,405	1,716,197	2,674,729

14 Cash and cash equivalents

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Cash and bank balances	42,379,275	69,106,662	42,450,284	69,216,464
Fixed deposits	17,449,612	11,409,802	19,408,824	12,806,155
	59,828,887	80,516,464	61,859,108	82,022,619

The fixed deposits have an average maturity of 1 month (2005 – 5 months) from the end of the financial year with weighted average effective interest rate of 5.90% (2005 – 1.81%).

Included in cash and bank balances is an amount of \$1,710,868 (2005 - \$775,288) belonging to the Philatelic Fund.

For the purpose of the consolidated cash flow statement, the year-end cash and cash equivalents comprise the following:

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Cash and bank balances	40,668,407	68,331,374	40,739,416	68,441,176
Fixed deposits	17,449,612	11,409,802	19,408,824	12,806,155
	58,118,019	79,741,176	60,148,240	81,247,331

15 Other payables

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Accrual for other staff costs	1,782,374	2,259,326	1,795,968	2,274,223
Donations and operating grant payable to STPI	156,700	216,667	156,700	216,667
Donations payables - others	32,827	32,827	32,827	32,827
GST payable	101,700	100,343	101,700	100,343
Income received in advance	-	56,326	-	56,326
Amount payable to main contractors for the SHM re-development project	5,270,685	-	5,270,685	-
Other payables	3,900,087	4,595,321	4,334,007	4,802,795
Accrual for pension costs	177,986	163,336	177,986	163,336
	11,422,359	7,424,146	11,869,873	7,646,517

16 Grants received in advance - Government

The Board and The Group

	Notes	Total		Capital Grant		Operating Grant	
		2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
		\$	\$	\$	\$	\$	\$
Balance at beginning		53,147,835	39,724,578	46,683,647	34,649,055	6,464,188	5,075,523
Add							
Receipts		87,649,086	88,234,545	38,490,584	43,894,046	49,158,502	44,340,499
		140,796,921	127,959,123	85,174,231	78,543,101	55,622,690	49,416,022
Transfer to Heritage							
Capital Reserve	5	(2,897,365)	(2,432,379)	(2,457,388)	(1,962,090)	(439,977)	(470,289)
Transfer to Deferred							
Capital Grants	18	(69,064,094)	(27,561,756)	(67,809,535)	(26,856,348)	(1,254,559)	(705,408)
Transfer to Income							
and Expenditure							
Statement		(46,964,044)	(44,817,153)	(3,322,922)	(3,041,016)	(43,641,122)	(41,776,137)
Transfer to Philatelic							
Fund	7	(1,000,000)	-	-	-	(1,000,000)	-
Balance at end		20,871,418	53,147,835	11,584,386	46,683,647	9,287,032	6,464,188
Total grants received							
since establishment		748,555,153	660,906,067	358,540,613	320,050,029	390,014,540	340,856,038

Transfer to Heritage Capital Grants from operating grants relates to the purchases of heritage materials designated to be acquired from funds originating from the operating grants.

Transfer to Deferred Capital Grants from operating grants relates to the purchases of property, plant and equipment out of the operating grants.

Transfer to Philatelic Fund from operating grant relates to funding for the purchases of philatelic archival materials and for the purpose of promoting philately.

The balance of \$11,584,386 (2005 - \$46,683,647) in capital grants as at 31 March 2006 comprises amounts earmarked for projects-in-progress as well as amounts earmarked for projects where progress has been slightly delayed.

17 Donations received in advance - Non-Government

	Notes	The Board		The Group	
		2005/2006	2004/2005	2005/2006	2004/2005
		\$	\$	\$	\$
Balance at beginning		13,989,443	9,130,893	14,104,631	9,175,071
Add:					
Receipts		3,573,302	7,336,019	3,484,084	7,451,565
		17,562,745	16,466,912	17,588,715	16,626,636
Less:					
Transfer to Heritage Capital Reserve		(268,912)	(381,341)	(268,912)	(381,341)
Transfer to Income and Expenditure Statement		(2,262,713)	(2,096,128)	(2,262,713)	(2,140,664)
Balance at end		15,031,120	13,989,443	15,057,090	14,104,631

18 Deferred capital grants

		2005/2006	2004/2005
The Board and The Group	Notes	\$	\$
Balance at beginning		125,110,298	117,922,715
Add:			
Receipts for capital expenditure			
- from capital grants	16	67,809,535	26,856,348
- from operating grants	16	1,254,559	705,408
		69,064,094	27,561,756
Less:			
Transfer to income and expenditure statement			
- to match depreciation of the Board	9	18,771,875	20,374,173
- on write off of property, plant and equipment of the Board		25,229	-
		18,797,104	20,374,173
Balance at end		175,377,288	125,110,298

19 Staff costs

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Key management personnel				
Short-term employee benefits	1,487,481	1,486,267	1,770,504	1,744,833
Post-employment benefits	46,925	-	46,925	-
Other than key management personnel				
Short-term employee benefits	14,412,129	16,068,305	14,824,835	16,452,517
Post-employment benefits	764,082	-	764,082	-
	16,710,617	17,554,572	17,406,346	18,197,350

There is currently 1 (2005 - 1) employee of the Board who is under pension schemes other than the CPF scheme. This employee was previously employed in the various departments under the then Ministry of Communications and Information and was transferred to the Board on its establishment in 1993. The pension amount payable to this employee upon retirement under these schemes is dependent on, among other factors, the number of years of service that the pensioner has completed with the Board and the last drawn salary. Accrual for pension costs (Note 15) is made.

20 Publicity and public relations and transport, postages and communications

Publicity and public relations, and transport, postages and communications include the following expenses:

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Overseas travelling	301,473	238,392	304,835	241,609
Entertainment	97,871	73,413	107,373	84,343

21 Projects managed for other organisations

The Board and The Group

During the year, the Board manages projects that were funded by the ASEAN Committee on Culture and Information. Funds totalling \$1,274,329 (2005 - \$1,172,852) were received up to 31 March 2006 and the outstanding fund balance on these projects as at 31 March 2006 was \$6,712 (2005 - \$369,930). These projects are not reflected in the financial statements of the Board.

22 National Heritage Fund

The Board and The Group

NHB was an Institute of Public Character ("IPC") under Section 37(2)(c) of the Income Tax Act since its formation in 1993, under which it can grant tax deductions to its donors. Ministry of Finance felt that there should be a distinction between the charitable functions and the administrative functions of statutory boards to allow for greater transparency and public accountability. It was decided that IPC status should be granted to projects or auspices of funds managed by the statutory board itself. NHB was required to establish an omnibus fund to which IPC status will be transferred.

During FY2003/2004, the Board approved the set up of the Institute of Public Character (IPC) Fund - National Heritage Fund ("NHF"), as well as the governing instruments of the fund.

With effect from 1 August 2003, all donations in support of NHB's charitable objects would be made payable to NHF in order to enjoy tax deductions.

	2005/2006	2004/2005
	\$	\$
Donation income for NHF		
Balance at beginning	1,747,867	825,819
Donations received during the year	3,380,436	2,495,391
Less: expenditure during the year	(2,186,047)	(1,573,343)
Balance at end	2,942,256	1,747,867
Donations received in advance for NHF		
Donations during the year and balance at end	116,200	371,400

23 Income tax

The Board is exempted from income tax under Section 13(1)(e) of the Income Tax Act.

The subsidiary company, SPM, is registered as a charity under the Charity Act 1994. The company is exempted from tax as at least 80% of its income is applied for charitable purposes.

24 Capital expenditure commitments

	The Board		The Group	
	2005/2006	2004/2005	2005/2006	2004/2005
	\$	\$	\$	\$
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	2,290,003	681,261	2,290,003	1,024,061
Authorised but not yet contracted for	47,920,000	52,400,755	47,920,000	52,400,755

25 Operating lease commitments

	2005/2006	2004/2005
	\$	\$
The Board and The Group		
Minimum lease payments paid under operating leases	11,059,435	8,362,111
At the balance sheet date, the commitments in respect of operating leases with a term of more than one year were as follows:		
Within one year	5,046,540	5,280,078
Within two to five years	6,012,895	1,635,432

The operating lease commitments relate to leases paid for the rental of office premises at the various museums and rental of other heritage organisations. The leases on the office premises at various museums and other heritage organisations on which rental are payable will expire between 30 April 2006 and 28 February 2009 and the current rent payable on the leases range from \$100 to \$133,000 per month.

26 Contingent liabilities (unsecured)

	2005/2006	2004/2005
	\$	\$
The Board and The Group		
Banker's guarantee	258,015	258,015

27 Rental income commitment

At the balance sheet date, the commitments in respect of rental income with a term of more than one year were as follows:

	2005/2006	2004/2005
	\$	\$
The Board and The Group		
Within one year	391,492	671,899
Within two to five years	299,256	168,200

The rental income commitment relates to rental income received from tenants carrying out businesses in the various museums and office premises.

28 Financial risk management

28.1 Foreign exchange risk

The Board and the Group have exposures to foreign exchange risk as they purchase heritage materials and other assets in foreign currencies. These exposures are managed by obtaining matching government grants and donations in foreign currencies.

28.2 Interest rate risk

Interest-bearing financial assets of the Group are mainly cash and bank balances and government bonds. Hence, any future variations in interest rates will not have a material impact on the results of the Group. The Group does not have any interest-bearing financial liabilities.

28.3 Credit risk

The Board and the Group have no significant concentrations of credit risks. Cash and cash equivalents are placed with creditworthy financial institutions. The Board and the Group have adopted guidelines on extending credit terms to travel agencies which bring in visitors to their museums and continuously monitor credit worthiness by reviewing their financial status.

28.4 Liquidity risk

The Board and the Group have no exposures to liquidity risk as its operations are funded by government grants and donations.

29 Financial instruments

Fair values

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