Institute of Southeast Asian Studies

FINANCIAL STATEMENTS

for the year ended 31 March 2006

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

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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 for the year ended 31 March 2006. These financial statements are the responsibility of the Institute's Board of Trustees. 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 the Institute's 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 financial statements are properly drawn up in accordance with the provisions of the Institute of Southeast Asian Studies Act, 1968 (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 2006 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, 28 July 2006

Balance Sheet

	Note	FY 2005/2006 $	FY 2004/2005 $
Accumulated operating surplus			
General Fund		**2,220,625**	2,127,752
Other Funds	3	**481,912**	332,691
Fair Value Reserve	2(b), 11	**278,841**	—
		2,981,378	2,460,443
Endowment Fund	4	**1,160,000**	1,160,000
Research Programmes Trust	5	**4,343,960**	4,343,960
ISEAS Research Fellowships	6	**527,420**	527,420
Specific and Special Projects	7	**26,664,597**	24,720,087
Kernial Singh Sandhu Memorial Fund	9	**1,011,400**	1,011,400
		33,707,377	31,762,867
		36,688,755	34,223,310
Non-current assets			
Property, plant and equipment	10	**1,782,634**	2,026,540
Available-for-sale investments	11	**26,766,939**	27,919,569
		28,549,573	29,946,109
Current assets			
Sundry debtors, deposits and prepayments	12	**731,368**	412,696
Fixed deposits	13	**7,830,000**	3,330,000
Cash and bank balances	13	**2,070,447**	3,294,248
		10,631,815	7,036,944

	Note	FY 2005/2006 $	FY 2004/2005 $
Less: current liabilities			
Sundry creditors and accruals	14	**705,933**	729,137
Grants received in advance		**4,066**	4,066
		709,999	733,203
Net current assets		**9,921,816**	6,303,741
Non-current liabilities			
Deferred capital grants	15	**(1,782,634)**	(2,026,540)
		36,688,755	34,223,310

PROF. WANG GUNGWU
Chairman
28 July 2006

MR K. KESAVAPANY
Director
28 July 2006

MRS Y.L. LEE
Executive Secretary
28 July 2006

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

Statement of Income and Expenditure

	Note	General Fund FY 2005/2006 $	FY 2004/2005 $
Operating Income			
Income	3	**—**	—
Publication sales (net)	16	**111,371**	(6,488)
Operating expenditure	3, 17	**(10,306,897)**	(10,301,729)
(Deficit)/surplus before depreciation		**(10,195,526)**	(10,308,217)
Depreciation of property, plant and equipment	10	**(298,510)**	(477,814)
Operating (deficit)/surplus		**(10,494,036)**	(10,786,031)
Non-operating income			
Gain on disposal of property, plant and equipment		**500**	200
Interest income	18	**247**	840
Miscellaneous income	19	**17,762**	9,730
(Deficit)/surplus before Government Grants		**(10,475,527)**	(10,775,261)
Government Grants			
Operating grants	20	**10,317,315**	10,327,177
Deferred capital grants amortised	15	**298,510**	477,814
		10,615,825	10,804,991
Operating surplus/(deficit) for the year		**140,298**	29,730

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
2005/2006	2004/2005	**2005/2006**	2004/2005
$	$	**$**	$
613,708	594,245	**613,708**	594,245
—	—	**111,371**	(6,488)
(464,487)	(776,103)	**(10,771,384)**	(11,077,832)
149,221	(181,858)	**(10,046,305)**	(10,490,075)
—	—	**(298,510)**	(477,814)
149,221	(181,858)	**(10,344,815)**	(10,967,889)
—	—	**500**	200
—	—	**247**	840
—	—	**17,762**	9,730
149,221	(181,858)	**(10,326,306)**	(10,957,119)
—	—	**10,317,315**	10,327,177
—	—	**298,510**	477,814
—	—	**10,615,825**	10,804,991
149,221	(181,858)	**289,519**	(152,128)

Statement of Changes in General Fund and Other Funds

		General Fund	
		FY	FY
		2005/2006	2004/2005
	Note	**$**	$
Balance as at 1 April			
As previously reported		**2,127,752**	2,098,022
Effect on adopting FRS 39 — adjusted prospectively	11	**—**	—
As restated		**2,127,752**	2,098,022
Derecognition of disposal of investments		**—**	—
Changes in fair value	11	**—**	—
Operating surplus/(deficit) for the year		**140,298**	29,730
Transfer to deferred capital grants	15	**(47,425)**	—
Balance as at 31 March		**2,220,625**	2,127,752

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 2005/2006 $	FY 2004/2005 $	**FY 2005/2006 $**	FY 2004/2005 $	**FY 2005/2006 $**	FY 2004/2005 $
332,691	514,549	**—**	—	**2,460,443**	2,612,571
—	—	**941,545**	—	**941,545**	—
332,691	514,549	**941,545**	—	**3,401,988**	2,612,571
—	—	**(941,545)**	—	**(941,545)**	—
—	—	**278,841**	—	**278,841**	—
149,221	(181,858)	**—**	—	**289,519**	(152,128)
—	—	**—**	—	**(47,425)**	—
481,912	332,691	**278,841**	—	**2,981,378**	2,460,443

Cash Flow Statement

	FY 2005/2006 $	FY 2004/2005 $
Cash flow from operating activities:		
Operating deficit before grants	**(10,326,306)**	(10,957,119)
Adjustments for:		
Depreciation of property, plant and equipment	**298,510**	477,814
Interest/investment income from other funds	**(214,956)**	(146,666)
Interest income from general fund	**(247)**	(840)
Property, plant and equipment expensed off	**6,713**	6,090
Gain on disposal of property, plant and equipment	**(500)**	(200)
Provision for impairment of sundry debtors no longer required	**—**	(932)
Provision for impairment of sundry debtors	**897**	—
Operating deficit before working capital changes	**(10,235,889)**	(10,621,853)
(Increase)/decrease in sundry debtors, deposits and prepayments	**(319,569)**	79,045
Decrease in sundry creditors and accruals	**(17,773)**	(135,373)
(Decrease)/increase in deferred subscription income	**(5,431)**	21,789
Donations/research grants/contributions/seminar registration fees received	**1,487,485**	1,098,449
Expenditure on specific and special projects	**(1,677,475)**	(1,613,933)
Net cash used in operating activities	**(10,768,652)**	(11,171,876)
Cash flow from investing activities:		
Purchase of property, plant and equipment	**(61,317)**	(243,987)
Proceeds from sale of property, plant and equipment	**500**	200
Interest received	**130,753**	33,273
Investment income received	**2,218,950**	1,571,890
Decrease/(increase) in available-for-sale investments	**1,431,471**	(1,562,234)
Net cash generated from/(used in) investing activities	**3,720,357**	(200,858)

	FY 2005/2006 $	FY 2004/2005 $
Cash flow from financing activities:		
Operating grants received from Singapore Government for capital purposes	**3,624**	2,160
Grants received in advance from Singapore Government	**—**	148,945
Funds on specific and special projects for capital items	**—**	1,879
Publication sales for capital item	**3,555**	—
Operating grants received	**10,317,315**	10,327,177
Net cash generated from financing activities	**10,324,494**	10,480,161
Net increase/(decrease) in cash and cash equivalents	**3,276,199**	(892,573)
Cash and cash equivalents at beginning of year	**6,624,248**	7,516,821
Cash and cash equivalents at end of year (Note 13)	**9,900,447**	6,624,248

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 for the year ended 31 March 2006 were authorised for issue on 28 July 2006.

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.

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"), 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 management's best knowledge of current events and actions, actual results may differ from those estimates.

2(b) CHANGE IN ACCOUNTING POLICIES

During 2004, the CCDG issued a series of new and revised FRS for which the Institute applies these new and revised standards from 1 January 2005. This includes the following new and revised standards, which are relevant to the Institute as a single entity:

FRS 1 (revised 2004)	Presentation of Financial Statements
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 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

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

A 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 financial instruments will not result in restating any comparatives.

Available-for-sale investments

Under FRS 39, funds with fund manager are now classified as "available-for-sale financial assets" and are initially recognised at fair value and subsequently measured at fair values at the balance sheet date with all gains and losses other than impairment losses are taken to equity and impairment losses are taken to income statement in the period in which they arise. On disposal, gains and losses previously taken to equity are included in the income statement.

Payables

In the prior years, the Institute's payables were stated at cost. 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.

Notes to the Financial Statements (*continued*)

2(c) FRS NOT EFFECTIVE

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

FRS 39 (revised)	Amendments to hedge accounting provisions of FRS 39 Financial Instruments: Recognition and Measurement
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 Institute does not anticipate that the adoption of other 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.

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 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:

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

For acquisitions during the financial year, depreciation is provided from the year of acquisition.

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

No depreciation is provided for property, plant and equipment disposed off during the year.

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

Notes to the Financial Statements (*continued*)

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

The Institute classifies its financial assets, other than hedging instruments, 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 management 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 2006, 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.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are provided against when objective evidence is received 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. Any change in their value is recognised in income statement. 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 is reversed. Any reversal is recognised in the income statement.

Loans and receivables are included in trade and other receivables in the balance sheet date.

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 income and expenditure statement 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 income and expenditure statement even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in income and expenditure statement 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 income and expenditure statement.

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash and 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.

Trade 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 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.

Notes to the Financial Statements (*continued*)

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.

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

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 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. All impairment losses are recognised in the statement of income and expenditure whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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 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 7.

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 objectives and policies are provided in Note 24.

Notes to the Financial Statements (*continued*)

3 OTHER FUNDS — OPERATING INCOME AND EXPENDITURE

	ISEAS Research Fellowships		Kernial Singh Sandhu Memorial Fund		Total	
	FY 2005/2006 $	FY 2004/2005 $	**FY 2005/2006 $**	FY 2004/2005 $	**FY 2005/2006 $**	FY 2004/2005 $
Operating income						
Interest income (Note 22)	**10,123**	4,635	**4,056**	561	**14,179**	5,196
Donations/contributions						
Received	**212,867**	447,579	—	—	**212,867**	447,579
Receivable	**185,885**	—	—	—	**185,885**	—
Investment income from Endowment Fund (Note 4, 23)	**107,825**	75,975	**92,952**	65,495	**200,777**	141,470
Total operating income	**516,700**	528,189	**97,008**	66,056	**613,708**	594,245
Operating expenditure						
Stipend	**357,740**	648,082	**—**	—	**357,740**	648,082
Housing subsidy	**73,115**	71,089	**—**	—	**73,115**	71,089
Research travel expenses	**6,598**	29,848	**—**	—	**6,598**	29,848
Supplies	**2,157**	7,608	**16,869**	19,476	**19,026**	27,084
Refund of unspent grant	**8,008**	—	**—**	—	**8,008**	—
Total operating expenditure	**447,618**	756,627	**16,869**	19,476	**464,487**	776,103
Operating surplus/ (deficit)	**69,082**	(228,438)	**80,139**	46,580	**149,221**	(181,858)
Accumulated operating surplus						
Add: Balance as at 1 April	**33,683**	262,121	**299,008**	252,428	**332,691**	514,549
Balance as at 31 March	**102,765**	33,683	**379,147**	299,008	**481,912**	332,691

4 **ENDOWMENT FUND**

Interest income from the Endowment Fund supports the ISEAS Research Fellowships. See Note 3.

	FY 2005/2006 $	FY 2004/2005 $
Balance as at 1 April	**1,160,000**	1,160,000
Investment income (Note 23)	**107,825**	75,975
Transfer to ISEAS Research Fellowships (Note 3)	**(107,825)**	(75,975)
Balance as at 31 March	**1,160,000**	1,160,000

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

5 **RESEARCH PROGRAMMES TRUST**

The Research Programmes Trust provides funds for continuation of programmes of research and publications on international and regional economic issues. The interest income is used to finance and support specific and special projects.

	FY 2005/2006 $	FY 2004/2005 $
Balance as at 1 April	**4,343,960**	4,343,960
Interest income (Note 22)	**6,215**	420
Investment income (Note 23)	**503,438**	354,298
Transfer to specific and special projects (Note 7)	**(509,653)**	(354,718)
Balance as at 31 March	**4,343,960**	4,343,960

The fund was placed in the Fund Management portfolio with Schroder Investment Management Ltd for 3 years from 1 August 2005.

Notes to the Financial Statements (*continued*)

6 ISEAS RESEARCH FELLOWSHIPS

These fellowships are supported from grants received from agencies and interest income earned from the Endowment Fund. 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).

7 SPECIFIC AND SPECIAL PROJECTS

Specific projects are on-going projects of research and seminars supported by grants received from foundations, agencies and other similar organisations. Special projects are planned major activities of the Institute.

	FY 2005/2006 $	FY 2004/2005 $
Balance as at 1 April	**24,720,087**	23,777,914
Donations/research grants/contributions/seminar registration fees received	**1,358,281**	1,073,756
Donations/contributions/seminar registration fees receivable	**129,204**	24,693
Interest income (Note 22)	**110,112**	26,817
Surplus on photo-copying account/computer facilities	**7,925**	38,330
Investment income (Note 23)	**1,514,735**	1,076,122
Investment and interest income transferred from Research Programmes Trust (Note 5)	**509,653**	354,718
Miscellaneous receipts	**4,578**	6,951
Publications and journals (non-government grant)	**91,220**	59,839
	3,725,708	2,661,226
	28,445,795	26,439,140
Expenditure during the year (Note 8)	**(1,781,198)**	(1,719,053)
Balance as at 31 March	**26,664,597**	24,720,087

8 SPECIFIC AND SPECIAL PROJECTS EXPENDITURE

	Note	FY 2005/2006 $	FY 2004/2005 $
Expenditure on manpower/research stipend			
— Salaries, bonuses and related expenses		**655,279**	524,133
— CPF contributions		**11,954**	20,791
Audit fees		**1,260**	1,260
Entertainment expenses		**1,002**	1,075
Housing subsidy		**21,514**	44,308
New furniture & equipment		**924**	2,047
Office stationery		**2,683**	3,147
Postage		**17,154**	23,483
Printing		**121,500**	82,416
Research travels/honoraria/expenses		**215,363**	76,512
Scholarship		**72,708**	250,044
Seminars, conferences, roundtables and workshops		**603,234**	637,486
Telecommunications		**449**	449
Transport expenses		**106**	249
Tax on foreign speakers		**4,740**	7,310
Refund of unspent grant		**2,375**	32,496
Miscellaneous expenses		**953**	97
Grant for Publications Unit		**48,000**	11,750
	7	**1,781,198**	1,719,053

9 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).

Notes to the Financial Statements (*continued*)

10 PROPERTY, PLANT AND EQUIPMENT

	Improvements to office building $	Computer items/ computerisation $	Office equipment and machinery $
Cost			
As at 1 April 2004	1,677,305	5,454,365	382,529
Additions	—	233,858	4,039
Disposals	—	(280,032)	(33,237)
As at 31 March 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**
Accumulated depreciation			
As at 1 April 2004	104,870	4,993,851	310,441
Charge for the year	33,546	397,717	24,733
Disposal	—	(280,032)	(33,237)
As at 31 March 2005	**138,416**	**5,111,536**	**301,937**
Charge for the year	**33,546**	**219,310**	**18,612**
Disposals	**—**	**(742)**	**—**
As at 31 March 2006	**171,962**	**5,330,104**	**320,549**
Net book value			
As at 31 March 2006	**1,505,343**	**79,168**	**35,738**
As at 31 March 2005	1,538,889	296,655	51,394

Electrical fittings $	Furniture and fixtures $	Motor vehicles $	Total $
147,739	110,576	381,698	8,154,212
—	—	—	237,897
—	—	—	(313,269)
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**
147,739	102,865	227,989	5,887,755
—	2,605	19,213	477,814
—	—	—	(313,269)
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**
—	**4,420**	**157,965**	**1,782,634**
—	5,106	134,496	2,026,540

Notes to the Financial Statements (*continued*)

11 AVAILABLE-FOR-SALE INVESTMENTS

Schroder Investment Management (Singapore) Ltd was appointed to invest and manage funds of $24,000,000 on behalf of the Institute for a period of 3 years commencing 1 August 2002. Upon expiry, the appointment was renewed for another 3 years commencing 1 August 2005 and the amount was increased to $26,500,000.

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

	FY 2005/2006 $	FY 2004/2005 $
Balance at 1 April	**27,919,569**	26,357,335
Effect of adopting FRS 39 — adjusted prospectively	**941,545**	—
	28,861,114	26,357,335
Withdrawal of funds	**(3,869,180)**	—
Income for the year	**1,496,164**	1,571,890
Expenses	**—**	(9,656)
Changes in fair value charged to fair value reserve	**278,841**	—
Balance at 31 March	**26,766,939**	27,919,569

	FY 2005/2006 $	FY 2004/2005 $
Investments in		
Unit trusts	**26,013,819**	—
Quoted equity shares	**—**	4,850,050
Quoted bonds	**—**	20,377,697
Financial derivatives	**22,373**	—
Cash and cash equivalents	**730,747**	2,691,822
Balance as at 31 March	**26,766,939**	27,919,569

	At fair value FY 2005/2006 $	At fair value FY 2004/2005 $	At carrying amount FY 2004/2005 $
Unit trusts	**26,013,819**	—	—
Quoted equity shares	**—**	5,802,052	4,850,050
Quoted bonds	**—**	20,367,240	20,377,697

Details of bonds for FY 2004/2005 were as follows:

	Average effective interest rate	Average maturity date	$
Government securities	3.42%	15 Jan 2009	8,678,647
Corporate securities	3.28%	30 Sep 2016	11,699,050
			20,377,697

12 SUNDRY DEBTORS, DEPOSITS AND PREPAYMENTS

	FY 2005/2006 $	FY 2004/2005 $
Sundry debtors	**599,988**	254,850
Provision for impairment of sundry debtors	**(7,204)**	(6,307)
	592,784	248,543
Deposits	**6,838**	3,492
Prepayments	**131,746**	160,661
	731,368	412,696

Notes to the Financial Statements (*continued*)

13 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 2005/2006 $	FY 2004/2005 $
Cash and bank balances	**2,070,447**	3,294,248
Fixed deposits	**7,830,000**	3,330,000
	9,900,447	6,624,248

The fixed deposits have an average maturity of 3 months (FY 2004/2005 — 3 months) from the end of the financial year with interest rates ranging from 1.65% to 3.22% (FY 2004/2005 — 1.14% to 1.65%) per annum.

14 SUNDRY CREDITORS AND ACCRUALS

	FY 2005/2006 $	FY 2004/2005 $
Deposits received	**13,543**	14,267
Sundry creditors	**688**	25,776
Accrued operating expenses	**617,974**	609,935
Deferred subscription income	**73,728**	79,159
	705,933	729,137

15 DEFERRED CAPITAL GRANTS

	FY 2005/2006 $	FY 2004/2005 $
Balance as at 1 April	**2,026,540**	2,266,457
Development grants utilised during the year	**—**	233,858
Transfer from operating grants (Note 20)	**3,624**	2,160
Transfer from Specific Projects	**—**	1,879
Transfer from publication sales (Note 16)	**3,555**	—
Transfer from accumulated operating surplus	**47,425**	—
	2,081,144	2,504,354
Grants taken to statement of income and expenditure to match depreciation of property, plant and equipment	**(298,510)**	(477,814)
Balance as at 31 March	**1,782,634**	2,026,540

16 PUBLICATION SALES (NET)

	FY 2005/2006 $	FY 2004/2005 $
Publication sales	**843,444**	725,986
Production and direct costs	**(726,798)**	(725,394)
	116,646	592
Bad debts	**(1,720)**	(7,080)
Transfer to deferred capital grants (Note 15)	**(3,555)**	—
	111,371	(6,488)

Notes to the Financial Statements (*continued*)

17 OPERATING EXPENDITURE — GENERAL FUND

	FY 2005/2006 $	FY 2004/2005 $
Expenditure on manpower		
Research staff		
— Salaries, bonuses and related expenses	**2,128,730**	2,363,493
— CPF contributions	**69,890**	85,900
Non-Research staff		
— Salaries, bonuses and related expenses	**3,084,019**	2,854,547
— CPF contributions	**227,602**	248,985
	5,510,241	5,552,925
Other operating expenditure		
Research		
Housing subsidy	**146,415**	136,200
Research vote	**636,067**	665,445
Seminars and workshops	**29,312**	49,520
Special conferences and meetings	**2,001**	17,812
Singapore APEC Study Centre	**3,837**	5,597
Scholarship fund	**92,090**	75,866
Education allowance	**31,562**	30,194
Counterpart Fund/I-Net	**18,900**	—
	960,184	980,634

	FY 2005/2006 $	FY 2004/2005 $
Institutional		
Advertising	**5,596**	—
Audit fees	**11,854**	40,950
Entertainment expenses	**4,295**	1,501
Insurance	**18,632**	17,734
Maintenance of premises	**137,400**	56,041
Cleaning of premises	**71,866**	69,960
Fire alarm system	**21,630**	21,630
Landscape	**4,961**	4,820
Security	**22,680**	22,680
Maintenance of equipment	**70,599**	45,075
Maintenance of aircon	**161,745**	161,217
Maintenance of vehicles	**16,927**	16,651
Medical/dental benefits	**41,679**	51,219
Miscellaneous expenses	**5,310**	7,815
New furniture and equipment expensed off	**6,713**	6,090
Office stationery	**60,665**	40,548
Postage	**5,724**	5,641
Printing	**15,019**	16,615
Public utilities	**305,497**	269,686
Rental of premises	**2,394,000**	2,394,427
Staff training	**1,212**	1,684
Staff welfare	**6,695**	6,734
Telecommunications	**73,882**	79,898
Transport expenses	**1,577**	1,719
Board of Trustees expenses	**5,365**	5,441
NEV Project	**—**	15,600
International Advisory Panel	**7,975**	14,115
Stamp duty	**—**	18,240
Car park taxes	**—**	8,294
	3,479,498	3,402,025

Notes to the Financial Statements (*continued*)

	FY 2005/2006 $	FY 2004/2005 $
Library		
Library acquisitions	**338,145**	293,998
Library digitization	**—**	40,000
	338,145	333,998
Computer unit		
Computer unit acquisitions	**18,829**	32,147
Total	**10,306,897**	10,301,729

18 INTEREST INCOME

	FY 2005/2006 $	FY 2004/2005 $
Interest from operating grant (Note 22)	**247**	840

19 MISCELLANEOUS INCOME

	FY 2005/2006 $	FY 2004/2005 $
Administrative fee	**1,800**	2,200
Rental of office space	**6,400**	6,000
Car park fees	**9,562**	1,530
	17,762	9,730

20 OPERATING GRANTS

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

	FY 2005/2006 $	FY 2004/2005 $
Balance as at 1 April	**158,121,815**	147,794,638
Add: Operating grants received during the year	**10,320,939**	10,335,528
Less: Transfer to deferred capital grants (Note 15)	**(3,624)**	(2,160)
Return of excess grant for rental in FY 2003/2004	**—**	(6,191)
	10,317,315	10,327,177
Balance as at 31 March	**168,439,130**	158,121,815

21 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 2005/2006 $	FY 2004/2005 $
Not later than one year	**2,207,371**	2,394,000
Later than one year and not later than five years	—	2,207,371
Later than five years	—	—

The leases on the Institute's office on which rentals are payable will expire on 2 March 2007 and the current rent payable on the lease is $199,500 per month.

Notes to the Financial Statements (*continued*)

22 INTEREST INCOME

	FY 2005/2006 $	FY 2004/2005 $
General Fund (Note 18)	**247**	840
ISEAS Research Fellowships (Note 3)	**10,123**	4,635
Kernial Singh Sandhu Memorial Fund (Note 3)	**4,056**	561
Research Programmes Trust (Note 5)	**6,215**	420
Specific and Special Projects (Note 7)	**110,112**	26,817
	130,753	33,273

23 INVESTMENT INCOME

	FY 2005/2006 $	**FY 2004/2005 $**
Endowment Fund (Note 4)	**107,825**	75,975
Research Programmes Trust (Note 5)	**503,438**	354,298
Kernial Singh Sandhu Memorial Fund (Note 3)	**92,952**	65,495
Specific and Special Projects (Note 7)	**1,514,735**	1,076,122
	2,218,950	1,571,890

On 1 August 2005, Schroder Investment Management (Singapore) Ltd was re-appointed to invest and manage funds of $26,500,000. As at maturity on 31 July 2005, investment income of $2,155,414 (FY 2004/2005 — $3,919,569) arising from the investments was credited to the respective funds in proportion to which the funds have contributed to the capital sum invested.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 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:

24.2 Market risk

24.2.1 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.

24.2.2 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.

24.2.3 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.

Notes to the Financial Statements (*continued*)

24.3 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.

24.4 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.

25 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.

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