

STATEMENT BY THE MEMBERS OF NATIONAL ARTS COUNCIL

In our opinion:

- (a) the accompanying financial statements of the National Arts Council (the "Council") are properly drawn up in accordance with the provisions of the National Arts Council Act (Cap. 193A) ("the Act") and the Statutory Board Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Council as at 31 March 2009, and of the results, changes in capital and reserves and cash flows of the Council for the financial year then ended;
- (b) the accounting and other records required by the Act to be kept by the Council have been properly kept in accordance with the provisions of the Act; and
- (c) the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Council during the financial year have been in accordance with the provisions of the Act.

On Behalf of the Members of the Council



EDMUND CHENG WAI WING

CHAIRMAN



LEE SUAN HIANG

CHIEF EXECUTIVE OFFICER

Singapore
22 June 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATIONAL ARTS COUNCIL

We have audited the accompanying financial statements of National Arts Council (the "Council") set out on pages 60 to 89, which comprise the balance sheet of the Council as at 31 March 2009, the income and expenditure statement, statement of changes in capital and reserves and cash flow statement of the Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with the National Arts Council Act (Cap 193A) (the "Act") and Statutory Board Financial Reporting Standards ("SB-FRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion,

- (i) the financial statements of the Council are properly drawn up in accordance with the provisions of the Act and SB-FRS so as to give a true and fair view of the state of affairs of the Council as at 31 March 2009 and the results, changes in capital and reserves and cash flows of the Council for the financial year ended on that date;
- (ii) proper accounting and other records have been kept, including records of assets of the Council whether purchased, donated or otherwise; and

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



ERNST & YOUNG LLP

PUBLIC ACCOUNTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

Singapore
22 June 2009

INCOME AND EXPENDITURE STATEMENT

FOR THE FINANCIAL YEAR 31 MARCH 2009

	Note	2008/09 \$	2007/08 \$
OPERATING INCOME			
Contributions and donations		5,370,912	4,103,132
Sale of tickets		888,513	970,635
Rental income		6,192,675	6,104,477
Services rendered		165,443	162,336
Miscellaneous income		246,067	338,178
		12,863,610	11,678,758
OPERATING EXPENDITURE			
Depreciation of investment property	16	488,318	488,316
Depreciation of property, plant and equipment	17	2,506,785	2,719,850
Grants and scholarships		10,341,289	9,620,019
Fees for services		5,763,119	633,845
Rental (land & building)		8,928,120	9,263,176
Rental (others)		961,246	847,594
Repairs and maintenance		1,807,036	1,602,330
Staff costs		11,065,972	11,712,984
Staff welfare and development		349,969	340,292
Office and other supplies		447,086	380,846
Utilities		567,215	267,958
Transport, postage and communication		1,625,203	1,415,933
Advertising, publicity and promotion		2,616,933	2,505,196
Subsidy to arts housing scheme and theatre rental		3,014,017	3,305,810
Other operating expenses		6,267,517	6,475,382
		56,749,825	51,579,531
OPERATING DEFICIT	4	(43,886,215)	(39,900,773)
NON-OPERATING INCOME			
Income from investments	5	404,377	755,099
Less:			
NON-OPERATING EXPENDITURE			
Loss on financial assets at fair value through income and expenditure		4,244,815	376,050
Management fees paid to fund managers		104,228	139,262
DEFICIT BEFORE GRANTS		(47,830,881)	(39,660,986)
GRANTS			
Operating grants from government	6	47,632,060	37,038,936
Deferred capital grants amortised			
– Government	7	2,862,331	3,322,880
– Non-government	8	4,488	4,488
		50,498,879	40,366,304
SURPLUS FOR THE FINANCIAL YEAR		2,667,998	705,318

BALANCE SHEET

AS AT 31 MARCH 2009

	Note	2008/09 \$	2007/08 \$
CAPITAL AND RESERVES			
Capital account	9	651,974	651,974
Share capital	10	2,210,186	276,726
Singapore Arts Endowment Fund	11	16,255,467	16,255,467
Accumulated surplus	12	21,250,729	18,582,731
		40,368,356	35,766,898
SUPPORT FOR THE ARTS FUND			
	13	73,773	101,432
TRUST FUNDS			
	14	14,376,784	14,361,994
Represented by:			
NON-CURRENT ASSETS			
Available-for-sale investment	15	50,000	50,000
Investment property	16	7,284,072	7,772,390
Property, plant and equipment	17	8,486,957	14,042,114
Total non-current assets		15,821,029	21,864,504
CURRENT ASSETS			
Cash and cash equivalents	18	39,697,277	16,711,124
Financial assets at fair value through income and expenditure	19	17,513,483	25,005,295
Expenditure prepaid for future events	20	1,043,757	1,042,663
Other receivables, deposits and prepayments	21	2,399,399	1,956,314
Total current assets		60,653,916	44,715,396
CURRENT LIABILITIES			
Deferred capital grants:			
Government	7	2,836,780	3,136,075
Non-government	8	4,488	4,488
Other payables	22	10,236,124	6,934,725
Financial liabilities at fair value through income and expenditure	19	49,844	–
Government grants received in advance	6	9,764,308	1,409,312
Income received in advance for future events	23	344,198	692,631
		23,235,742	12,177,231
NET CURRENT ASSETS		37,418,174	32,538,165
NON-CURRENT LIABILITIES			
Deferred capital grants:			
Government	7	12,450,214	18,252,559
Non-government	8	13,479	17,967
Obligations under defined benefit retirement plan	24	407,154	365,245
Total non-current liabilities		12,870,847	18,635,771
NET ASSETS OF THE COUNCIL		40,368,356	35,766,898
NET ASSETS OF SUPPORT FOR THE ARTS FUND			
	13	73,773	101,432
NET ASSETS OF TRUST FUNDS			
	14	14,376,784	14,361,994

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE FINANCIAL YEAR 31 MARCH 2009

	Note	Capital account \$	Share capital \$	Singapore Arts Endowment Fund \$	Accumulated Surplus \$	Total \$
Balance as at 1 April 2007		651,974	208,806	16,255,467	17,877,413	34,993,660
Issue of share capital	10	–	67,920	–	–	67,920
Surplus for the financial year		–	–	–	705,318	705,318
Balance as at 31 March 2008		651,974	276,726	16,255,467	18,582,731	35,766,898
Issue of share capital	10	–	1,933,460	–	–	1,933,460
Surplus for the financial year		–	–	–	2,667,998	2,667,998
Balance as at 31 March 2009		651,974	2,210,186	16,255,467	21,250,729	40,368,356

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

	Note	2008/09 \$	2007/08 \$
OPERATING ACTIVITIES			
Deficit before grants:		(47,830,881)	(39,660,986)
Adjustments for:			
Depreciation of investment property	16	488,318	488,316
Depreciation of property, plant and equipment	17	2,506,785	2,719,850
Gain on disposal of property, plant and equipment	4	(1,599)	(202)
Property, plant and equipment disposal/written off	4	132,199	261,259
Reversal of allowance for doubtful debts on other receivables	4	(8,462)	(12,664)
Bad debts written off	4	720	5,804
Accrual for obligations under defined benefit retirement plan	24	41,909	18,000
Allowance for trade receivables	28	35,867	37,745
Trade debts written off against allowance for doubtful receivables	28	–	4,220
Loss on financial assets/liabilities at fair value through income and expenditure		4,244,815	376,050
Unrealised loss/(gain) on forward currency contracts	19	20,758	(63,825)
Interest income	5	(173,122)	(405,140)
Amortisation of expenditure prepaid for future events	20	1,042,663	1,242,127
Deferred income recognised	23	(682,631)	(592,619)
Dividend income	5	(231,255)	(349,959)
Deficit before working capital changes		(40,413,916)	(35,932,024)
Other receivables, deposits and prepayments		(468,638)	(550,625)
Expenditures paid in advance		(1,043,757)	(1,042,663)
Other payables		3,119,045	(527,531)
Income received in advance	23	334,198	692,631
NET CASH USED IN OPERATING ACTIVITIES		(38,473,068)	(37,360,212)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,599	202
Purchase of property, plant and equipment	17	(338,538)	(227,145)
Proceeds from sale of financial assets at fair value through income and expenditure		16,999,322	15,318,068
Purchase of financial assets at fair value through income and expenditure		(13,733,206)	(17,977,456)
Interest received		180,517	489,531
Dividends received	5	231,255	349,959
NET CASH USED IN INVESTING ACTIVITIES		3,340,949	(2,046,841)
FINANCING ACTIVITIES			
Government grants received	6	56,184,812	42,187,107
Issue of shares to Minister for Finance	10	1,933,460	67,920
NET CASH FROM FINANCING ACTIVITIES		58,118,272	42,255,027
Net increase in cash and cash equivalents		22,986,153	2,847,974
Cash and cash equivalents at beginning of financial year	18	16,711,124	13,863,150
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	18	39,697,277	16,711,124

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The registered office and principal place of business of the National Arts Council (the "Council") is at 140 Hill Street, #03-01, MICA Building, Singapore 179369. The financial statements are expressed in Singapore dollars.

During the current financial year, the Council issued 1,933,460 (2008: 67,920) shares to the Minister for Finance, a body corporate incorporated under the Minister for Finance (Incorporation) Act (Cap. 183), under the debt-equity framework.

The principal activities of the Council are:

- (a) to promote the appreciation, understanding and enjoyment of the arts;
- (b) to support and assist in the establishment and development of arts organisations;
- (c) to organise and promote artistic activities; and
- (d) to establish and maintain arts theatres and other arts facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Council for the financial year ended 31 March 2009 ("FY 2008"), which are presented in Singapore dollars ("S\$"), have been prepared on a historical cost basis and in accordance with SB-FRS.

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

2.2 CHANGES IN ACCOUNTING POLICIES

On 1 April 2008, the Council has adopted all new or revised FRS which are effective for the financial period beginning on or after 1 January 2008.

The following are the FRS that are relevant to the Council:

Amendments to SB-FRS 1: Presentation of Financial Statements (Capital Disclosures)
SB-FRS 107 : Financial Instruments: Disclosures

The adoption of the above pronouncements in the current financial year has no significant impact on the Council, except for SB-FRS 1 and SB-FRS 107 as indicated below.

(a) Amendments to SB-FRS 1, Presentation of Financial Statements (Capital Disclosures)

The amendment to SB-FRS 1 requires the Council to make new disclosures to enable users of the financial statements to evaluate the Council's objectives, policies and processes for managing capital. The required disclosures have been made accordingly in Note 30.

(b) SB-FRS 107, Financial Instruments: Disclosures

SB-FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about market risk (including sensitivity analysis), credit risk and liquidity risk. The required disclosures have been made accordingly in Notes 29 and 30.

2.3 SB-FRS AND INTERPRETATION OF SB-FRS (“INT SB-FRS”) NOT YET EFFECTIVE

The Council has not applied the following SB-FRS and INT SB-FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
SB-FRS 1	Amendment to SB-FRS (revised), Presentation of Financial Statements (revised)	1 January 2009
SB-FRS 2	Inventories (revised)	1 January 2009
SB-FRS 7	Cash Flow Statements (revised)	1 January 2009
SB-FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors (revised)	1 January 2009
SB-FRS 11	Construction Contracts (revised)	1 January 2009
SB-FRS 19	Employee Benefits (revised)	1 January 2009
SB-FRS 23	Borrowing costs (revised)	1 January 2009
SB-FRS 27	Consolidated and Separate Financial Statements (revised)	1 January 2009
SB-FRS 32	Amendments to SB-FRS 32 Financial Instruments: Presentation and SB-FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
SB-FRS 34	Interim Financial Reporting (revised)	1 January 2009
SB-FRS 36	Impairment of Assets (revised)	1 January 2009
SB-FRS 39	Amendments to SB-FRS 39 Financial Instruments: Recognition and Measurement and SB-FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets	1 July 2008
SB-FRS 39	Amendments to INT SB-FRS 109 and SB-FRS 39 – Embedded Derivatives	30 June 2009
SB-FRS 39	Amendments to SB-FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
SB-FRS 101	First-time Adoption of Financial Reporting Standards (revised)	1 January 2009
SB-FRS 101	Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
SB-FRS 102	Amendments relating to vesting conditions and cancellations (revised)	1 January 2009
SB-FRS 105	Non-current Assets Held for Sale and Discontinued Operations (revised)	1 January 2009
SB-FRS 106	Exploration for and Evaluation of Mineral Resources (revised)	1 January 2009
SB-FRS 107	Amendments to SB-FRS 107 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 January 2009
SB-FRS 108	Operating Segments (revised)	1 January 2009
General amendments	Improvements to SB-FRSs	1 January 2009
INT SB-FRS 113	Customer Loyalty Programmes	1 July 2008
INT SB-FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT SB-FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT SB-FRS 118	Transfers of Assets from Customers	1 July 2009

2.4 FOREIGN CURRENCY

Transactions in foreign currencies are measured in the functional currencies of the Council and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Subsequent to recognition, renovations, plant and machinery, furniture and fixtures and stage related and musical equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Renovations	– 12.5%
Plant and machinery	– 12.5%
Office equipment, furniture, vehicles and audio visual equipment	– 12.5% to 33 ⅓%
Stage related and musical equipment	– 12.5% to 20%

Depreciation is not provided on works of art and works-in-progress.

Property, plant and equipment costing less than \$2,000 each are charged to the income and expenditure statement in the year of purchase.

For property, plant and equipment purchased during the financial year, a full year's depreciation is provided. No depreciation is charged for property, plant and equipment disposed of during the year.

Property, plant and equipment belonging to the former National Theatre Trust, Singapore Cultural Foundation and the Arts Division of the Ministry of Information, Communications and the Arts ("MICA") were transferred to the Council at net book value when it was established and are depreciated over the remaining estimated useful lives of the assets.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the income and expenditure statement in the year the asset is derecognised.

2.6 INVESTMENT PROPERTY

Investment property is property held either to earn rental income or capital appreciation or both. These do not include properties held for sale in the ordinary course of business, or used in the production nor those used for the supply of goods or services or for administrative purposes.

Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at fair value and gains or losses arising from changes in the fair value of investment property are included in the income and expenditure statement in the year in which they arise.

Depreciation is provided on a straight-line basis so as to write off the cost of the investment property over its estimated useful life of 30 years.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Council assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Council makes an estimate of the asset's recoverable amount.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSET (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income and expenditure statement except for assets that are previously revalued where the revaluation was taken to capital and reserves. In this case the impairment is also recognised in capital and reserves up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income and expenditure statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 FINANCIAL ASSETS

Financial assets are recognised on the balance sheet when, and only when, the Council becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through income or expenditure, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income and expenditure statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Council commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial assets at fair value through income and expenditure

Financial assets at fair value through income and expenditure are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through income and expenditure are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income and expenditure statement. Net gains or net losses on financial assets at fair value through income and expenditure include exchange differences, interest and dividend income.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income and expenditure statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.8 FINANCIAL ASSETS (cont'd)

Available-for-sale assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary items and interest calculated using the effective interest method are recognised in the income and expenditure statement. The cumulative gain or loss previously recognised in equity is recognised in the income and expenditure statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.9 IMPAIRMENT OF FINANCIAL ASSETS

The Council assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income and expenditure statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Council considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income and expenditure statement.

Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income and expenditure statement is transferred from equity to the income and expenditure statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income and expenditure statement. Reversals of impairment losses on debt instruments are recognised in the income and expenditure statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income and expenditure statement.

Certain equity shares held by the Council are classified as available-for-sale and are stated at cost less impairment given that there is no reliable measure of their fair value. Dividends on available-for-sale equity instruments are recognised in the income and expenditure statement when the Council's right to receive payments is established.

2.10 DERECOGNITION OF FINANCIAL ASSETS

A financial asset is derecognised when the contractual rights to receive the cash flows of the financial asset have expired.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 TRADE DEBTORS AND OTHER RECEIVABLES

Trade debtors, including deposits and other debtors are classified and accounted for as loans and receivables under SB-FRS 39 Financial Instruments: Recognition and Measurement. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is recognised in the income and expenditure statement.

2.13 PROVISIONS

Provisions are recognised when the Council has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 GOVERNMENT GRANTS

Government grants for the establishment of the Council are taken to the capital account.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the income and expenditure statement over the expected useful life of the relevant asset by equal annual instalments.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in income and expenditure statement in the period in which they become receivable.

2.15 FINANCIAL LIABILITIES

Financial liabilities are recognised on the balance sheet when, and only when, the Council becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income and expenditure statement when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income and expenditure statement. Net gains or losses on derivatives include exchange differences.

2.16 EMPLOYEE BENEFITS

Defined contribution plan

The Council makes contribution to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.17 RETIREMENT BENEFIT COSTS

Defined benefit retirement obligation due to a pensionable officer is recognised in the balance sheet in accordance with the Pensions Act (Cap. 225). The pension amount payable is based on the last drawn salary of the respective officer and the officer's cumulative service period served with the Council at the time of retirement. The Council does not need to bear any medical liabilities for the pensionable officer upon retirement. The provision for pension due to the pensionable officer is determined based on the expected payments to be made by the Council in respect of services provided by the pensionable officer up to the balance sheet date.

2.18 LEASES

As lessee

Finance leases, which transfer to the Council substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income and expenditure statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Council will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income and expenditure statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Council retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19.

2.19 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable;

- (i) Income derived from sale of tickets, advertisements and rental of theatres and other facilities is recognised when services have been rendered;
- (ii) Contributions and donations received for events held in the financial year under review are recognised as income when received;
- (iii) Contributions and donations received for future events are recognised as income in the financial year in which the events take place to match the related expenditure;
- (iv) Interest income is recognised using the effective interest method; and
- (v) Dividend income is recognised when the right to receive payment has been established.

2.20 PREPAID EXPENDITURE

Expenditure incurred for future events are recognised as prepayments and will be recognised as expenditure in the financial year in which events take place.

2.21 SINGAPORE ARTS ENDOWMENT FUND

The Singapore Arts Endowment Fund was established under Section 13 of the National Arts Council Act. The Fund comprises all monies transferred to the National Arts Council upon its formation, donations and gifts accepted by the Council for the Fund, such contributions to the Fund as the Minister for Information, Communications and the Arts may specify from monies provided by Parliament and such other monies as the Council may decide to transfer to the Fund. Income from investment of the Fund is applied towards the development and promotion of arts in Singapore and accounted for in the income and expenditure statement of the Council. The assets of the Fund are pooled with the assets of the Council in the balance sheet.

2.22 SUPPORT FOR THE ARTS FUND

The Support for the Arts Fund was established on 1 July 2003 for the development and promotion of arts in Singapore. Monies received by the Fund are channelled to arts programmes, projects and sub-funds as indicated by the donor.

The Support for the Arts Fund has been designated as an institution of a public character under Section 37(2) of the Income Tax Act on 1 August 2003 for a period of 5 years and it has been renewed for a period of 3 years from 1 August 2008. The net asset of the Support for the Arts Fund is shown as a separate line in the balance sheet. Upon dissolution of the Support for the Arts Fund or when the Council ceases to exist, the remaining monies in the Fund shall be donated to charitable organisations which have been designated as institutions of a public character under Section 37(2) of the Income Tax Act and registered under the Charities Act Cap. 37, as decided by the Council administering the Fund.

2.23 TRUST FUNDS

Trust funds are set up to account for monies held in trust for external parties. Income and expenditure of these funds are taken directly to the funds and the net assets relating to these funds are shown separately in the balance sheet. Trust funds are accounted for on an accrual basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Council's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In the current financial year, management has not made any critical judgements that have a significant effect on the amount recognised in the financial statements.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Depreciation charge

The cost of investment property and plant and equipment is depreciated on a straight-line basis over the investment property and plant and equipment's estimated economic useful lives. Management estimates the useful lives of these investment property and plant and equipment to be within 3 to 30 years. The carrying amounts of the Council's investment property and plant and equipment at the balance sheet date are disclosed in Notes 16 and 17 to the financial statements respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)**KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)****(b) Impairment of property, plant and equipment**

Where there are indications of impairment of its assets, the Council estimates the carrying amount of these assets to determine the extent of the impairment loss, if any.

The recoverable amounts of these assets are determined based on the higher of fair value less cost to sell and value in use.

Value in use calculations require the Council to estimate the future cash flows expected to arise from the usage of its assets and a suitable discount rate in order to calculate present value. Based on management's value in use calculations, no provision for impairment loss is required.

(c) Provision for pension benefits

Provision for pension benefits of the Council as at 31 March 2009 was \$407,154 (2007/08: \$365,245). The provision has been determined based on certain assumptions and estimates disclosed in Note 24 and revisions to the assumptions and estimates could impact the provision made.

4. OPERATING DEFICIT

	2008/09 \$	2007/08 \$
The following items are included in arriving at operating deficit:		
Council members' allowances	139,219	152,087
Costs of defined contribution plans included in staff costs	1,062,273	1,134,783
Cost of obligations in respect of defined benefit retirement plan included in staff costs (Note 24)	41,909	18,000
Gain on disposal of property, plant and equipment	(1,599)	(202)
Property, plant and equipment disposal/written off	132,199	261,259
Bad debts written off	720	5,804
Reversal of allowance for doubtful debts on other receivables	(8,462)	(12,664)

5. INCOME FROM INVESTMENTS

	2008/09 \$	2007/08 \$
Interest income	173,122	405,140
Dividend income	231,255	349,959
	404,377	755,099

6. GOVERNMENT GRANTS RECEIVED IN ADVANCE

	Operating grant		RCP grant ⁽¹⁾		Development grant		Total grant	
	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$
Balance as at 1 April	1,138,175	1,502,368	195,489	197,982	75,648	1,689,729	1,409,312	3,390,079
Add: Receipts/(payments) during the year								
Grants received for the current year	64,053,909	38,532,535	16,090,000	9,200,000	–	18,463	80,143,909	47,750,998
Refund of Central Vote Fund to MICA	(234,700)	–	–	–	–	–	(234,700)	–
Payment to The Old Parliament House Ltd	(2,000,000)	(2,000,000)	–	–	–	–	(2,000,000)	(2,000,000)
Payment to Arts Groups	(21,724,397)	(9,052,020)	–	–	–	–	(21,724,397)	(9,052,020)
Refund of development grant to MICA	–	–	–	–	–	(1,630,539)	–	(1,630,539)
Grants received for the prior year	–	5,610,335	–	1,508,333	–	–	–	7,118,668
Total receipts/(payment) during the year	40,094,812	33,090,850	16,090,000	10,708,333	–	(1,612,076)	56,184,812	42,187,107
	41,232,987	34,593,218	16,285,489	10,906,315	75,648	77,653	57,594,124	45,577,186
Less: Transfers								
Transfer to operating grant	–	10,737	–	–	(75,648)	–	(75,648)	10,737
Transfer from development grant	75,648	–	–	–	–	–	75,648	–
Transfer to payables (Note 22)	(182,354)	–	–	–	–	–	(182,354)	–
Transfer to deferred capital grant (Note 7)	(15,402)	(19,002)	–	–	–	(2,005)	(15,402)	(21,007)
Transfer to income and expenditure	(31,527,767)	(27,836,443)	(16,104,293)	(9,202,493)	–	–	(47,632,060)	(37,038,936)
Total transfer	(31,649,875)	(27,844,708)	(16,104,293)	(9,202,493)	(75,648)	(2,005)	(47,829,816)	(37,049,206)
Less: Grants received for the prior year	–	(5,610,335)	–	(1,508,333)	–	–	–	(7,118,668)
Balance as at 31 March	9,583,112	1,138,175	181,196	195,489	–	75,648	9,764,308	1,409,312

⁽¹⁾ To establish Singapore as a global city for the arts, the Government launched the Renaissance City Plan (RCP I) with a budget of \$50 million for financial years 2000 – 2004. This was followed by RCP II with a budget of \$24 million for financial years 2005 – 2006 and \$15.5 million for financial year 2007; and RCP III with a budget of \$116.25 million for financial years 2008 – 2012.

Transfer to deferred capital grants from operating/development grants relates to purchase of plant and equipment out of the operating/development grants.

The balance of \$9,583,112 (2007/08: \$1,138,175) in operating grants as at 31 March 2009 relates to amounts earmarked for expenditures in the subsequent financial year.

The balance of \$181,196 (2007/08: \$195,489) in RCP grants as at 31 March 2009 relates to amounts earmarked for expenditures in the subsequent financial year.

7. DEFERRED CAPITAL GRANTS (GOVERNMENT)

	2008/09 \$	2007/08 \$
Balance as at 1 April	21,388,634	24,690,507
Less:		
Works-in-progress transferred to MICA	(3,254,711)	–
Capital grants utilised during the financial year	–	2,005
Amount transferred from operating grants	15,402	19,002
Total grants transferred during the financial year (Note 6)	15,402	21,007
	18,149,325	24,711,514
Less: Deferred capital grants amortised	(2,862,331)	(3,322,880)
Balance as at 31 March	15,286,994	21,388,634
Current liability	2,836,780	3,136,075
Non-current liability	12,450,214	18,252,559
Balance as at 31 March	15,286,994	21,388,634

During the year, the Council transferred development costs of \$3,254,711 incurred for the development of School of the Arts, following the transfer of the management of School of the Arts to MICA.

8. DEFERRED CAPITAL GRANTS (NON-GOVERNMENT)

	2008/09 \$	2007/08 \$
Balance as at 1 April	22,455	26,943
Less: Deferred capital grants amortised	(4,488)	(4,488)
Balance as at 31 March	17,967	22,455
Current liability	4,488	4,488
Non-current liability	13,479	17,967
Balance as at 31 March	17,967	22,455

9. CAPITAL ACCOUNT

The Capital Account comprises reserves and certain assets of the former National Theatre Trust, Singapore Cultural Foundation and the Arts Division of MICA which were transferred to the Council for its establishment.

10. SHARE CAPITAL

	2008/09 \$	2007/08 \$
Balance as at 1 April	276,726	208,806
Issued during the financial year	1,933,460	67,920
Balance as at 31 March	2,210,186	276,726

The share capital of the Council consists of 2,210,186 (2007/08: 276,726) shares held by the Minister for Finance, a body corporate incorporated under the Minister for Finance (Incorporation) Act (Cap. 183), under the debt-equity framework.

11. SINGAPORE ARTS ENDOWMENT FUND

	2008/09 \$	2007/08 \$
Balance as at 1 April and 31 March	16,255,467	16,255,467

12. ACCUMULATED SURPLUS

Of the \$21,250,729 (2007/08: \$18,582,731) in the accumulated surplus, \$2,827,530 and \$1,532,504 (2007/08: \$4,027,357 and \$1,309,046) have been earmarked for Arts Housing Properties and Theatres respectively.

13. SUPPORT FOR THE ARTS FUND

	2008/09 \$	2007/08 \$
Balance as at 1 April	101,432	245,582
Add:		
Donations received during the financial year	1,268,000	9,643,432
Donations received on behalf of MICA	–	965,686
Less:		
Disbursement to Special Accounts	(1,000)	(5,289,548)
Disbursements to Talent Development Fund (Note 14)	(200,000)	(320,000)
Disbursements to Shell-NAC Arts Scholarship (Note 14)	–	(100,000)
Disbursement for future programmes	(270,000)	(505,000)
Disbursement for past programme	(80,000)	–
Grants and scholarships	(150,000)	(150,000)
Disbursements to MICA	–	(965,686)
Fees for Services	(579,659)	(3,423,034)
Repairs and maintenance	(15,000)	–
	73,773	101,432
Represented by:		
Cash	73,773	101,432

14. TRUST FUNDS

These are funds set up to account for contributions received from external parties for specific purposes as described as follows:

The Council administers these funds on behalf of the external parties.

The various trust funds are:

	Association of Asian Performing Arts Festivals		Chen Chong Swee Art Scholarship		Georgette Chen Arts Scholarship		Gifted Young Musicians Bursary Scheme		Lee Huei Min Trust Fund		Rotary NAC Training Grant	
	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$
Balance as at 1 April	-	-	888,190	857,028	2,420,115	2,376,268	70,209	69,111	56,474	55,816	-	21,137
Add: Income												
Contributions and donations	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income	75,950	-	31,803	28,113	58,478	66,818	2,760	1,118	194	658	-	3,814
Fair value (loss)/gain on investments at fair value through income and expenditure	-	-	(80,043)	3,049	(169,063)	3,049	-	-	-	-	-	-
	75,950	-	839,950	888,190	2,309,530	2,446,135	72,969	70,229	56,668	56,474	-	24,951
Less: Expenditure												
Release of fund/bank charges	13,073	-	1	-	2	20	-	20	1,953	-	-	-
Scholarships	2,381	-	-	-	30,000	26,000	15,000	-	-	-	-	24,951
Balance as at 31 March	60,496	-	839,949	888,190	2,279,528	2,420,115	57,969	70,209	54,715	56,474	-	-
Represented by:												
Investments at fair value through income and expenditure	-	-	322,570	397,972	422,610	581,233	-	-	-	-	-	-
Fixed deposits	-	-	457,886	446,718	1,728,803	1,690,051	51,824	51,437	-	-	-	-
Accrued interest	-	-	6,463	8,725	22,024	32,028	518	129	-	-	-	-
Cash and bank balances	60,496	-	53,030	34,775	106,091	116,803	5,627	18,643	54,715	56,474	-	-
Net assets	60,496	-	839,949	888,190	2,279,528	2,420,115	57,969	70,209	54,715	56,474	-	-

14. TRUST FUND (cont'd)

	Shell-NAC Arts Scholarship		Singapore Dance Theatre Endowment Fund		Talent Development Fund		Violin Loan Scheme		Total	
	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$	2008/09 \$	2007/08 \$
Balance as at 1 April	109,521	140,532	9,608,384	9,394,083	578,351	496,984	630,750	630,679	14,361,994	14,041,638
Add: Income										
Contributions										
and donations	–	100,000	1,168,583	–	200,000	320,000	–	–	1,368,583	420,000
Interest and other income	161	1,229	398,499	364,905	2,262	6,107	315	1,059	570,422	473,821
Fair value (loss)/gain on										
investments at fair value										
through income										
and expenditure	–	–	(964,405)	54,037	–	–	–	–	(1,213,511)	60,135
	109,682	241,761	10,211,061	9,813,025	780,613	823,091	631,065	631,738	15,087,488	14,995,594
Less: Expenditure										
Release of fund/bank										
charges	8,279	–	364,562	204,641	170,501	244,740	3,549	988	561,920	450,409
Scholarships	101,403	132,240	–	–	–	–	–	–	148,784	183,191
Balance as at 31 March	–	109,521	9,846,499	9,608,384	610,112	578,351	627,516	630,750	14,376,784	14,361,994
Represented by:										
J B Guadagnini violin	–	–	–	–	–	–	540,184	540,184	540,184	540,184
Investments at fair value										
through income and										
expenditure	–	–	3,584,860	9,215,100	–	–	–	–	4,330,040	10,194,305
Fixed deposits	–	–	4,826,146	–	–	–	–	–	7,064,659	2,188,206
Accrued interest	–	–	27,946	77,572	–	–	–	–	56,951	118,454
Withholding tax	–	–	–	7,560	–	–	–	–	–	7,560
Cash and bank balances	–	109,521	1,407,547	308,152	610,112	578,351	87,332	90,566	2,384,950	1,313,285
Net assets	–	109,521	9,846,499	9,608,384	610,112	578,351	627,516	630,750	14,376,784	14,361,994

14. TRUST FUNDS (cont'd)

The investments of the Trust Funds have been classified as investments at fair value through income and expenditure.

The investment in quoted debt securities bear interest at fixed rates, giving rise to fair value interest rate risk. Their effective rates range from 4.19% to 5.06% (2007/08: 3.21% to 5.06%) per annum and the investments have maturity dates ranging from 6 September 2011 to 19 December 2011 (2007/08: 24 November 2008 to 19 December 2011).

The investment in quoted preference shares offers the Council the opportunity for returns through dividend income and fair value gains. They have no fixed maturity or coupon rates. The fair values of these investments are based on quoted closing market prices on the last day of the financial year.

ASSOCIATION OF ASIAN PERFORMING ARTS FESTIVALS

The Association of Asian Performing Arts Festivals was set up in 2004 with aims to recognise the growth of arts festivals in the Asian region; identify the potential advantages a regional festival network offers in co-sharing, commissioning, touring works, spin-offs in joint marketing efforts; providing a platform to connect with other networks and to access funding beyond the region.

CHEN CHONG SWEE ART SCHOLARSHIP

This scholarship is established to help promising practising visual artists pursue post-graduate studies or research programmes overseas.

GEORGETTE CHEN ARTS SCHOLARSHIP

This scholarship is established to provide assistance to first, second and third year arts students pursuing full-time studies in fine arts, theatre, dance, music and arts management at Nanyang Academy of Fine Arts, LaSalle-SIA College of the Arts and Polytechnics.

GIFTED YOUNG MUSICIANS BURSARY SCHEME

This scheme was set up by Rotary Club of Singapore East with the support of Braddell Heights Community Centre to provide financial assistance to gifted young musicians (below the age of 18) to pursue music studies overseas.

LEE HUEI MIN TRUST FUND

The HSBC's Youth Excellence Initiative was set up with the objective to provide funding support towards young Singaporean talents to develop and realise their potential to the fullest, and achieve international recognition for themselves, and more importantly, for Singapore. Lee Huei Min became the first young talent to benefit from HSBC's \$250,000 donation. NAC administers the funds on behalf of HSBC.

ROTARY-NAC TRAINING GRANT

The fund provided financial assistance to practising artists who wish to pursue short-term training courses in fine arts, photography, music, dance, theatre and literature either locally or overseas. The grant quantum is up to 50% of total cost of training. The Scheme which was launched in the mid-1990s was discontinued on 1 April 2008 as agreed by the sponsor, Rotary Club.

SHELL-NAC ARTS SCHOLARSHIP

This scholarship is awarded to outstanding practising artists and students to pursue overseas undergraduate and post-graduate studies in visual, performing and literary arts. It was discontinued in 2007 and has ceased with the last scholarship instalments disbursed to the scholars in 2008, as agreed by the sponsor, Shell Eastern Petroleum (Pte) Ltd.

SINGAPORE DANCE THEATRE ENDOWMENT FUND

This fund helps to meet the operating costs of the Singapore Dance Theatre Ltd.

TALENT DEVELOPMENT FUND

This fund was established to raise funds from private individuals and corporations, to assist outstanding young talents with potential to pursue a professional career in the arts. The fund is used to provide the identified beneficiaries with assistance for specialised professional training, participation in major international competitions and arts events and for other forms of assistance to facilitate their artistic development.

VIOLIN LOAN SCHEME

Launched in 2000, this Scheme aims to support Singapore violinists who have the potential and commitment to pursue an international solo music career with the use of a fine instrument, so as to contribute to the international advancement of Singapore violinists. The Scheme owns a J B Guadagnini violin, c.1750.

15. AVAILABLE-FOR-SALE INVESTMENT

This represents a 5% equity interest in Singapore Freeport Pte Ltd, a company incorporated in Singapore, which is set up to promote a free trade zone for the arts.

As the fair value of the investment cannot be reliably estimated, the investment is stated at cost.

16. INVESTMENT PROPERTY

	2008/09 \$	2007/08 \$
COST		
At beginning and end of the financial year	14,617,726	14,617,726
ACCUMULATED DEPRECIATION		
At beginning of the financial year	6,845,336	6,357,020
Depreciation charge for the financial year	488,318	488,316
At end of the financial year	7,333,654	6,845,336
NET BOOK VALUE	7,284,072	7,772,390

The property rental income of the Council for the year ended 31 March 2009 from its investment property, which is leased out under operating lease, amounted to \$937,800 (2007/08: \$627,480). Direct operating expenses (including repair and maintenance) arising on the rental-earning investment property amounted to \$113,497 (2007/08: \$403,327).

The fair value of the investment property as at 31 March 2009 of \$14,500,000 is based on market value, being the amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

The investment property held by the Council as at the end of year is as follows:

Description and Location	Existing Use	Tenure	Land area (sq. m.)
90 Goodman Road, Singapore	School	30 years from 22 March 1994	30,000

17. PROPERTY, PLANT AND EQUIPMENT

	Works of art \$	Works-in-progress \$	Renovations \$	Plant and machinery \$	Office equipment, furniture, vehicles and audio visual equipment \$	Stage related and musical equipment \$	Total \$
COST							
At 1 April 2007	251,996	3,442,805	31,128,837	2,566,881	4,691,795	3,348,152	45,430,466
Additions	–	111,634	–	–	88,168	27,343	227,145
Disposals/written off	–	(25,000)	–	(3,107)	(532,753)	(75,371)	(636,231)
At 31 March 2008							
and 1 April 2008	251,996	3,529,439	31,128,837	2,563,774	4,247,210	3,300,124	45,021,380
Additions	–	8,286	–	12,032	28,186	290,034	338,538
Disposals/written off	–	(112,914)	–	(4,944)	(391,027)	(470,034)	(978,919)
Transfer to MICA	–	(3,254,711)	–	–	–	–	(3,254,711)
At 31 March 2009	251,996	170,100	31,128,837	2,570,862	3,884,369	3,120,124	41,126,288
ACCUMULATED DEPRECIATION							
At 1 April 2007	–	–	18,912,757	2,500,064	4,031,513	3,190,054	28,634,388
Depreciation for the year	–	–	2,443,289	16,377	214,849	45,335	2,719,850
Disposals/written off	–	–	–	(2,471)	(333,871)	(38,630)	(374,972)
At 31 March 2008 and 1 April 2008	–	–	21,356,046	2,513,970	3,912,491	3,196,759	30,979,266
Depreciation for the year	–	–	2,274,327	17,561	146,840	68,057	2,506,785
Disposals/written off	–	–	–	(4,625)	(390,982)	(451,113)	(846,720)
At 31 March 2009	–	–	23,630,373	2,526,906	3,668,349	2,813,703	32,639,331
NET BOOK VALUE							
At 31 March 2009	251,996	170,100	7,498,464	43,956	216,020	306,421	8,486,957
At 31 March 2008	251,996	3,529,439	9,772,791	49,804	334,719	103,365	14,042,114

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2008/09 \$	2007/08 \$
Cash and bank balances	33,697,277	15,660,124
Fixed deposits placed with financial institutions	6,000,000	1,051,000
	39,697,277	16,711,124

The fixed deposits bear interest at rates ranging from 0.60% to 0.61% (2007/08: 0.65%) per annum. The fixed deposits have an average tenure of approximately 185 days (2007/08: 1 day) and can be readily converted into cash.

19. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH INCOME AND EXPENDITURE

Financial assets/liabilities include quoted debt securities, equity shares and derivatives held at fair value through income and expenditure.

	2008/09 \$	2007/08 \$
ASSETS		
Debt securities (quoted)	14,271,076	19,677,775
Equity shares (quoted)	3,213,321	5,263,695
Derivatives	29,086	63,825
	17,513,483	25,005,295
LIABILITIES		
Derivatives	49,844	–

The investment in quoted debt securities bears interest at fixed rates. Their effective interest rates range from 1.65% to 3.93% (2007/08: 3.21% to 4.19%) per annum and have maturity dates of between 25 August 2009 and 1 March 2010 (2007/08: 6 June 2008 and 19 December 2011).

The investment in quoted equity shares offers the Council the opportunity for returns through dividend income and fair value gains. They have no fixed maturity or coupon rates. The fair value of these investments is based on quoted closing market prices on the last day of the financial year.

Derivatives refer to forward currency contracts which are used to hedge the Council's investments denominated in foreign currencies for which they existed at the balance sheet date.

During the financial year, a net fair value loss of \$20,758 (2007/08: net gain of \$63,825) with respect to the outstanding contracts was recognised in the income and expenditure statement.

The contractual/notional amount of forward currency contracts at 31 March 2009 is \$5,358,576 (2007/08: \$8,631,546).

20. EXPENDITURE PREPAID FOR FUTURE EVENTS

This consists of amounts paid in 2008 for events which will be held in 2009.

	2008/09 \$	2007/08 \$
Balance as at 1 April	1,042,663	1,242,127
Charged to income and expenditure	(1,042,663)	(1,242,127)
Expenditure paid in advance	1,043,757	1,042,663
Balance as at 31 March	1,043,757	1,042,663

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	2008/09 \$	2007/08 \$
Receivables from hirers and tenants	778,720	396,852
Interest receivable	24,791	30,958
Prepayments	134,456	176,529
Contributions and donations receivable	625,000	257,000
Amount receivable from Tote Board	350,000	420,500
Recoverable of seconded staff costs	137,880	240,962
Other receivables	348,552	433,513
	2,399,399	1,956,314

Amounts in the table above are stated net of impairment losses.

RECEIVABLES FROM HIRERS AND TENANTS

Receivables from hirers and tenants are non-interest bearing and are generally on 30 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The allowance for doubtful receivables is determined by reference to past default experience.

22. OTHER PAYABLES

	2008/09 \$	2007/08 \$
Deposits received	898,898	644,271
Building fund for arts housing properties	450,900	–
Accrual for fees due to council members	139,219	157,500
Accrual for staff performance bonus	1,094,922	1,373,804
Accrual for unconsumed employee leave entitlements	470,061	474,033
Amount payable – operating expenses	1,077,019	401,288
Amount payable to arts groups	3,482,775	2,800,813
Amount payable to Central Provident Fund	358,224	374,630
Amount payable for major events	1,307,438	–
Amount payable to MICA (Note 6)	182,354	–
Other payables	139,415	244,680
Other accruals	634,899	463,706
	10,236,124	6,934,725

23. INCOME RECEIVED IN ADVANCE FOR FUTURE EVENTS

	2008/09 \$	2007/08 \$
Balance as at 1 April	692,631	592,619
Credited to income and expenditure statement	(682,631)	(592,619)
Donations and contributions received in advance	334,198	692,631
Balance as at 31 March	344,198	692,631

This consists of donations and contributions received in advance in 2008 for events which will be held in 2009.

24. OBLIGATIONS UNDER DEFINED BENEFIT RETIREMENT PLAN

	2008/09 \$	2007/08 \$
Balance as at 1 April	365,245	347,245
Charged to income and expenditure (Note 4)	41,909	18,000
Balance as at 31 March	407,154	365,245

There is currently 1 (2007/08: 1) employee of the Council who is under a pension scheme other than CPF. The pension amount to be paid to the employee upon retirement under this defined benefit retirement plan is dependent on, among other factors, the number of years of service, the retirement benefits options and the last drawn salary and is recognised in the balance sheet based on an estimate of the pension liability as determined by management.

Pension payable to the pensionable officer prior to the establishment of the Council on 15 October 1991 will be borne by Accountant – General's Department and is excluded from the amount stated above.

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Council's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, the Council entered into the following significant transactions with related parties (i.e. entities in which the members of the Council have control or significant influence) which are not state-controlled entities:

	2008/09 \$	2007/08 \$
Compass fees	30,738	43,635
Course/Membership fees	945	250
Fees for service rendered	73,525	49,493
Freight expense	91,287	–
Management fee	32,100	–
Performance fees	89,374	22,074
Purchase of tickets	370	–
Utilities	6,255	–
Grants disbursed	2,776,304	812,300
Rental of venues	221,978	386,166
Donations disbursed for special account	–	532,880
Contributions and donations	(315,037)	(525,000)
Donations received for special account	–	(532,880)
Rental income	575,297	(287,201)

KEY MANAGEMENT PERSONNEL COMPENSATION

	2008/09 \$	2007/08 \$
Short-term benefits	2,156,624	2,548,479
Post-employment benefits	68,563	73,965
	2,225,187	2,622,444

The Council adopts the guidelines set by the Public Service Division and takes into consideration individual officer's performance in determining the remuneration of key management personnel.

26. CAPITAL EXPENDITURE AND OTHER COMMITMENTS

	2008/09 \$	2007/08 \$
Capital expenditure approved by the Council but not contracted	180,000,000	–
Artists' performance fees committed	680,564	34,156

27. OPERATING LEASE ARRANGEMENTS**THE COUNCIL AS LESSEE**

	2008/09 \$	2007/08 \$
Minimum lease payments under operating leases recognised as an expense in the financial year	8,928,120	9,263,176

At the balance sheet date, the Council has outstanding commitments under non-cancellable operating leases which fall due as follows:

Not later than one year	7,203,481	8,749,296
Later than one year but not later than five years	8,738,943	9,634,201
Later than five years	6,805,319	6,944,175
Total	22,747,743	25,327,672

Operating lease payments represent rental payable by the Council for its office premises, arts housing properties and theatres. Leases are negotiated and rentals are fixed for an average term of 3 years.

THE COUNCIL AS LESSOR

The Council received rental income from the rental of arts housing properties, theatres and equipment as well as rental of cafeteria and office space which are disclosed in the income and expenditure statement. The rental of these premises are mainly ad-hoc and on a short term basis.

As at the balance sheet date, the Council has contracted with tenants from the arts housing properties and cafeteria for the future minimum lease payments as follows:

	2008/09 \$	2007/08 \$
Not later than one year	3,096,972	3,974,901
Later than one year but not later than five years	488,758	3,493,771
Total	3,585,730	7,468,672

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Council's principal financial instruments comprise cash and cash equivalents, investments at fair value through income and expenditure, other receivables, deposits and other payables. The Council has other financial assets and liabilities such as receivables from theatres and tenants and other payables, which arise directly from its activities.

The main risks arising from the Council's financial instruments are credit risk, foreign currency risk, market price risk, interest rate risk, and liquidity risk. The Council's policies for managing each of these risks are summarised below.

CREDIT RISK

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Council's exposure to credit risk arises primarily from receivables from hirers and tenants and other receivables.

As of the balance sheet date, the carrying amount of the financial assets (net of impairment provision) represents the maximum credit exposure of the Council. The major classes of financial assets of the Council and their corresponding carrying values are tabulated as follows:

	2008/09 \$	2007/08 \$
Available-for-sale investment	50,000	50,000
Cash and cash equivalents	39,697,277	16,711,124
Financial assets at fair value through income and expenditure	17,513,483	25,005,295
Receivables from hirers and tenants	778,720	396,852
Other receivables and deposits	1,486,223	1,382,933
	59,525,703	43,546,204

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

The ageing of the Council's receivables from hirers and tenants as at the balance sheet date is as follows:

	2008/09 \$	2007/08 \$
Current	545,980	335,399
Past due 1 – 6 months	162,201	37,705
Past due > 6 – 12 months	58,398	11,529
Past due > 12 months	12,141	12,219
	778,720	396,852

Financial assets that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Council. Cash and cash equivalents that are current and not impaired are placed with reputable financial institutions. Funds for investments are only placed with reputable fund managers.

Financial assets that are past due but not impaired

The Council has receivables from hirers and tenants amounting to \$232,740 (2007/08: \$61,453) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	2008/09 \$	2007/08 \$
1 – 6 months	162,201	37,705
> 6 – 12 months	58,398	11,529
> 12 months	12,141	12,219
At end of the year	232,740	61,453

Financial assets that are past due and impaired

As at the balance sheet date, receivables from hirers and tenants are the major financial assets of the Council that are subject to impairment. Impairment was performed on an individual basis. The carrying amount of the Council's receivables from hirers and tenants and the corresponding impairment provision are shown as follows:

	2008/09 \$	2007/08 \$
Receivables from hirers and tenants	106,227	78,822
Less: Allowance for impairment	(106,227)	(78,822)
	–	–

Movements in allowance for impairment during the financial year are as follows:

At beginning of the financial year	78,822	57,961
Recovered for the financial year	(8,462)	(12,664)
Bad debts written off against allowance	–	(4,220)
Charge to the income and expenditure statement	35,867	37,745
At end of the financial year	106,227	78,822

The allowance accounts in respect of receivables from hirers and tenants are used to record impairment losses. The receivables amount will remain outstanding in the financial books until management considers that the receivables are irrecoverable after all possible collections efforts are exerted. Management approval is required before any amount of the trade receivables could be written off.

For the financial year ended 31 March 2009, a bad debt of \$720 (2007/08: \$5,804) was written off directly in the income and expenditure statement.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

FOREIGN CURRENCY, MARKET PRICE AND INTEREST RATE RISKS

Exposure to foreign currency, market price and interest rate risks relates primarily to the Council's investment portfolio managed by reputable fund management companies. These fund managers adhere to the Council's investment guidelines but have discretion in managing the funds. The fund managers do not have to seek approval from the Council for investment decisions made within the investment guidelines set out by the Council. Portfolio diversification is adopted and financial derivatives may be used by fund managers for hedging purposes.

Foreign currency risk

The Council is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated investments managed by the fund management companies.

The fund managers manage the foreign exchange exposure using forward foreign currency contracts to hedge their future foreign exchange exposure. Such contracts provide for the fund managers to sell currencies at predetermined forward rates, and buy either foreign currencies or Singapore dollars depending on forecast requirements, with settlement dates that range from one month to three months.

Market price risk

The Council's market price risk is associated with the investments managed by the fund management companies and managed through portfolio diversification.

The market price risk associated with these investments is the potential loss resulting from a decrease in market prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Council's financial instruments will fluctuate because of changes in market interest rates.

The Council is not subject to significant interest rate risk as the Council's income and operating cash flows are substantially independent of changes in market interest rates. The Council's interest-bearing assets consist mainly of fixed income securities and short-term fixed deposits. The Council does not have any interest-bearing financial liabilities.

LIQUIDITY RISK

The Council has minimal exposure to liquidity risk as its operations are funded by government grants. The Council has ensured sufficient liquidity through the holding of highly liquid assets in the form of cash and cash equivalents at all times to meet its financial obligations.

29. FINANCIAL INSTRUMENTS

(A) CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

31.3.2009	Loans and receivables \$	Available- for-sale \$	Fair value through income and expenditure \$	Non- financial assets \$	Total \$
ASSETS					
Available-for-sale investment	–	50,000	–	–	50,000
Investment property	–	–	–	7,284,072	7,284,072
Property, plant and equipment	–	–	–	8,486,957	8,486,957
Cash and cash equivalents	39,697,277	–	–	–	39,697,277
Financial assets at fair value through income and expenditure	–	–	17,513,483	–	17,513,483
Prepayments	–	–	–	1,178,213	1,178,213
Other receivables and deposits	2,264,943	–	–	–	2,264,943
	41,962,220	50,000	17,513,483	16,949,242	76,474,945
LIABILITIES					
31.3.2009		Fair value through income and expenditure \$	Liabilities at amortised cost \$	Non- financial liabilities \$	Total \$
Deferred capital grants	–	–	–	15,304,961	15,304,961
Other payables	–	–	10,236,124	–	10,236,124
Financial liabilities at fair value through income and expenditure	–	49,844	–	–	49,844
Grants received in advance	–	–	–	9,764,308	9,764,308
Income received in advance for future events	–	–	–	344,198	344,198
Obligations under defined benefit retirement plan	–	–	407,154	–	407,154
	49,844	10,643,278	25,413,467	36,106,589	

29. FINANCIAL INSTRUMENTS (cont'd)

(A) CLASSIFICATION OF FINANCIAL INSTRUMENTS (cont'd)

31.3.2008	Loans and receivables \$	Available- for-sale \$	Fair value through income and expenditure \$	Non- financial assets \$	Total \$
ASSETS					
Available-for-sale investment	–	50,000	–	–	50,000
Investment property	–	–	–	7,772,390	7,772,390
Property, plant and equipment	–	–	–	14,042,114	14,042,114
Cash and cash equivalents	16,711,124	–	–	–	16,711,124
Financial assets at fair value through income and expenditure	–	–	25,005,295	–	25,005,295
Prepayments	–	–	–	1,219,192	1,219,192
Other receivables and deposits	1,779,785	–	–	–	1,779,785
	18,490,909	50,000	25,005,295	23,033,696	66,579,900
LIABILITIES					
			Liabilities at amortised cost \$	Non- financial liabilities \$	Total \$
31.3.2008					
Deferred capital grants			–	21,411,089	21,411,089
Other payables			6,934,725	–	6,934,725
Grants received in advance			–	1,409,312	1,409,312
Income received in advance for future events			–	692,631	692,631
Obligations under defined benefit retirement plan			365,245	–	365,245
			7,299,970	23,513,032	30,813,002

(B) FAIR VALUES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Council has carried all investment securities that are classified as fair value through income and expenditure financial assets and all derivative instruments at their fair values.

The fair value of the investment securities is based on quoted closing market prices on the last day of the financial year.

The fair value of forward currency contract is determined by reference to open market forward rates.

Financial instruments whose carrying amounts approximate fair value

The carrying amounts of the following financial assets and liabilities approximate their respective fair values due to their short-term nature: cash and cash equivalents, other receivables, deposits and other payables.

Financial instruments carried at other than fair value

Available-for-sale investment amounting to \$50,000 (2007/08: \$50,000) for the Council is stated at cost because the fair value cannot be obtained directly from the quoted market price or indirectly using valuation techniques supported by observable market data.

The Council has no intention to dispose of their interests in the above investment in the foreseeable future.

29. FINANCIAL INSTRUMENTS (cont'd)**(C) MARKET RISK SENSITIVITY ANALYSIS**

The Council has used a sensitivity analysis technique that measures the estimated change to the income and expenditure and equity of either an instantaneous increase or decrease of 15% in quoted investment prices or a 5% strengthening or weakening in Singapore dollar against all other currencies, from the rates applicable at 31 March 2009, for each class of financial instrument with all other variables constant.

Foreign currency risk

Under this assumption, with a 5% strengthening or weakening of Singapore dollar against all other currencies, the effect on income is as follows:

	2008/09 \$	2007/08 \$
EFFECT OF STRENGTHENING OF SINGAPORE DOLLAR		
Decrease in surplus	(391,401)	(464,545)
Decrease in capital and reserves	(391,401)	(464,545)
EFFECT OF WEAKENING OF SINGAPORE DOLLAR		
Increase in surplus	391,401	464,545
Increase in capital and reserves	391,401	464,545

Market price risk

The Council's investment risk is managed by reputable fund management institutions, through portfolio diversification. The investment objectives, risk tolerance threshold and performance of the funds are reviewed regularly by the Audit and Finance Committee.

The effect of the market price of investments increase or decrease by 15% on surplus is as follows:

	2008/09 \$	2007/08 \$
EFFECT OF AN INCREASE IN 15% OF QUOTED PRICES		
Increase in surplus	2,622,574	3,741,136
Increase in capital and reserves	2,622,574	3,741,136
EFFECT OF A DECREASE IN 15% OF QUOTED PRICES		
Decrease in surplus	(2,622,574)	(3,741,136)
Decrease in capital and reserves	(2,622,574)	(3,741,136)

30. CAPITAL MANAGEMENT

The Council's capital management objective is to maintain a capital base to ensure that the Council has adequate financial resources to continue as a going concern. The Council reviews its strategic focus, and makes adjustments to its activities with consideration to the changes in economic conditions. New development projects are funded by equity injection based on the debt-equity formula agreed with MICA.

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2009 were authorised for issue by the members of the Council on 22 June 2009.