

## Auditor's Report

### **Auditor's Report to the Chairman of the Singapore Corporation of Rehabilitative Enterprises**

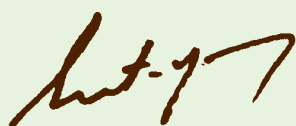
We have audited the accompanying financial statements of the Singapore Corporation of Rehabilitative Enterprises (the "Corporation") set out on pages 38 to 49. These financial statements comprise the balance sheets of the Corporation as at 31 December 2003, the statement of income and expenditure, statement of changes in capital account and accumulated surplus of the Corporation and the cash flow statement of the Corporation for the year ended 31 December 2003, and notes thereto. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. 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 Singapore Corporation of Rehabilitative Enterprises Act. (Chapter 298) and the Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2003 and of the results and changes in capital account and accumulated surplus of the Corporation and cash flow for the year ended on that date;
- (b) proper accounting and other records have been kept;
- (c) the financial statements are prepared on a basis similar to that adopted for the preceding year; and
- (d) the financial statements are in agreement with the accounting and other records.

During the course of our audit, nothing came to our notice that caused us to believe that the receipt, expenditure and investment of moneys and the acquisition and disposal of assets by the Corporation during the year have not been in accordance with the provisions of the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298).



**ERNST & YOUNG**  
Certified Public Accountants

31 March 2004  
Singapore


# Balance Sheet

as at 31 December 2003

|                               | Note | 2003<br>S\$       | 2002<br>S\$       |
|-------------------------------|------|-------------------|-------------------|
| <b>CAPITAL ACCOUNT</b>        | 3    | 1,661,262         | 1,661,262         |
| <b>ACCUMULATED SURPLUS</b>    | 4    | 38,900,131        | 37,647,913        |
|                               |      | <u>40,561,393</u> | <u>39,309,175</u> |
| Represented by:               |      |                   |                   |
| <b>FIXED ASSETS</b>           | 5    | 8,649,030         | 2,205,419         |
| <b>INVESTMENTS</b>            | 6    | 21,733,806        | 26,448,540        |
| <b>CURRENT ASSETS</b>         |      |                   |                   |
| Stocks                        | 7    | 253,253           | 254,223           |
| Trade Debtors                 |      | 4,232,345         | 4,075,646         |
| Other Debtors and Prepayments | 8    | 583,641           | 437,382           |
| Short-Term Investments        | 6    | 6,281,375         | 5,565,800         |
| Fixed Deposits                | 14   | 750,376           | 2,115,316         |
| Cash and Bank Balances        | 14   | 320,975           | 483,874           |
|                               |      | <u>12,421,965</u> | <u>12,932,241</u> |
| <b>CURRENT LIABILITIES</b>    |      |                   |                   |
| Trade Creditors               |      | 517,175           | 550,955           |
| Other Creditors and Accruals  | 9    | 1,726,233         | 1,726,070         |
|                               |      | <u>2,243,408</u>  | <u>2,277,025</u>  |
| <b>NET CURRENT ASSETS</b>     |      | <u>10,178,557</u> | <u>10,655,216</u> |
|                               |      | <u>40,561,393</u> | <u>39,309,175</u> |



**KONG MUN KWONG**  
Chairman  
31 March 2004



**WONG SENG YOONG**  
Chief Executive Officer  
31 March 2004

## Income and Expenditure Statement

for the Year Ended 31 December 2003

|  | Note | 2003<br>S\$       | 2002<br>S\$        |
|--|------|-------------------|--------------------|
| <b>OPERATING INCOME</b>  |      |                   |                    |
| Sales of Services  |      | 9,884,960         | 9,786,062          |
| Sales of Goods   |      | 2,425,496         | 2,683,092          |
| Leased Workshops' Labour Charges   | 10   | 2,380,778         | 2,543,429          |
| Rental income  |      | 470,158           | 497,625            |
| Corporate Sponsorship  | 11   | 54,968            | 340                |
| Job Placement Fees   |      | –                 | 4,551              |
| Miscellaneous  |      | 8,425             | 1,205              |
|  |      | <u>15,224,785</u> | <u>15,516,304</u>  |
| <b>LESS: OPERATING EXPENSES</b>  |      |                   |                    |
| Material Costs   |      | 2,096,338         | 2,242,844          |
| Manpower Cost  | 12   | 6,273,589         | 5,803,550          |
| Inmates Earnings   |      | 2,801,812         | 2,700,307          |
| Utilities  |      | 2,273,932         | 1,957,400          |
| Distribution costs   |      | 466,178           | 324,283            |
| Office Rental  |      | 109,569           | 329,596            |
| Depreciation   | 5    | 621,397           | 734,095            |
| General Office Expenses  |      | 383,303           | 399,233            |
| Grant, Contributions and Donations                                       |      | 260,185           | 173,507            |
| Staff Welfare  |      | 148,435           | 109,725            |
| Inmates' Training Cost   |      | 519,865           | 152,406            |
| Liquidated Damages   |      | 101,087           | 80,170             |
| Advertising  |      | 35,452            | 41,273             |
| Travelling   |      | 69,643            | 55,059             |
| Staff Training   |      | 147,071           | 99,155             |
| Fixed Assets Written Off   |      | 39,235            | 83,265             |
| Audit Fee  |      | 35,000            | 35,000             |
| Entertainment  |      | 40,239            | 75,331             |
| Board Members' Allowance   |      | 44,616            | 40,000             |
| Maintenance of Office and Workshops                                      |      | 384,257           | 387,222            |
| Bad debt Written Off   |      | –                 | 56,351             |
| Community Awareness Project  |      | 80,150            | 186,023            |
| Other Operating Expenses   |      | 166,644           | 165,805            |
|  |      | <u>17,097,997</u> | <u>16,231,600</u>  |
|  |      | (1,873,212)       | (715,296)          |
| <b>OPERATING DEFICIT</b>   |      |                   |                    |
| <b>NON-OPERATING INCOME</b>  |      |                   |                    |
| Interest Income from Bank Deposits                                       |      | 11,350            | 57,718             |
| Income from Investments  | 13   | 1,181,535         | 1,024,159          |
| Writeback of/(provision for) impairment in value of investment           | 6(b) | 2,169,040         | (1,055,156)        |
| Gains on disposal of Fixed Assets  |      | 38,790            | 1,469              |
|  |      | <u>3,400,715</u>  | <u>28,190</u>      |
| <b>LESS: NON-OPERATING EXPENSES</b>                                      |      |                   |                    |
| Loss on Sale of Investments  |      | 64,829            | 249,205            |
| Consultation Fees (Project)  |      | 210,456           | 89,410             |
| Relocation Expenses  |      | –                 | 203,851            |
| Management fees, administrative and other expenses paid to fund managers |      | –                 | 72,946             |
|  |      | <u>275,285</u>    | <u>615,412</u>     |
|  |      | 3,125,430         | (587,222)          |
| <b>NON-OPERATING SURPLUS/(DEFICIT)</b>                                   |      |                   |                    |
| <b>SURPLUS/(DEFICIT) FOR THE YEAR</b>                                    |      |                   |                    |
|  |      | <u>1,252,218</u>  | <u>(1,302,518)</u> |

The accounting policies and explanatory notes on pages 42 through 49 form an integral part of the financial statements.

# Statement of Changes in Capital Account and Accumulated Surplus

for the Year Ended 31 December 2003

|   | Note | 2003<br>S\$       | 2002<br>S\$       |
|---|------|-------------------|-------------------|
| <b>CAPITAL ACCOUNT</b>                  |      |                   |                   |
| Balance at Beginning and at End of Year | 3    | <u>1,661,262</u>  | <u>1,661,262</u>  |
| <b>ACCUMULATED SURPLUS</b>              |      |                   |                   |
| Balance at Beginning of Year            |      | 37,647,913        | 38,950,431        |
| Net Surplus/(Deficit) for the Year      |      | 1,252,218         | (1,302,518)       |
| Balance at End of Year                  | 4    | <u>38,900,131</u> | <u>37,647,913</u> |
| <b>TOTAL</b>                            |      | <u>40,561,393</u> | <u>39,309,175</u> |

## Cash Flow Statement

for the Year Ended 31 December 2003

|   | 2003<br>S\$        | 2002<br>S\$        |
|---|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                    |                    |
| Surplus/(Deficit) for the Year before Government Grants               | 1,252,218          | (1,302,518)        |
| Adjustments for:  |                    |                    |
| Depreciation  | 621,397            | 734,095            |
| Provision for Unutilised Leave  | 27,948             | 172,919            |
| Provision for Linen Loss  | 85,000             | 77,000             |
| (Written back of)/provision for Impairment in value<br>of investments | (2,169,040)        | 1,055,156          |
| Loss on Sale of Investments   | 64,829             | 249,205            |
| Loss on Sale of Fixed Assets  | 445                | 81,796             |
| Income from Investments   | (1,181,535)        | (1,024,159)        |
| Interest Income from Bank Deposits                                    | (11,350)           | (57,718)           |
| Amortisation of Fixed Income Securities                               | 72,734             | 37,321             |
| <b>(DEFICIT)/SURPLUS BEFORE WORKING CAPITAL CHANGES</b>               | <u>(1,237,354)</u> | <u>23,097</u>      |
| <b>CHANGES IN WORKING CAPITAL</b>                                     |                    |                    |
| Decrease in Stocks  | 970                | 53,624             |
| Increase in Trade Debtors   | (156,699)          | (199,424)          |
| Increase in Other Debtors and Prepayments                             | (117,700)          | (3,188)            |
| (Decrease)/Increase in Trade Creditors                                | (33,780)           | 183,252            |
| Increase in Other Creditors and Accruals                              | 163                | 371,181            |
| <b>NET CHANGES IN WORKING CAPITAL</b>                                 | <u>(1,544,400)</u> | <u>428,542</u>     |
| Liquidated Damages Paid for Linen Loss                                | (112,949)          | (116,070)          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                             | <u>(1,657,349)</u> | <u>312,472</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                    |                    |
| Purchase of Fixed Assets  | (7,104,243)        | (309,228)          |
| Proceeds from Sale of Fixed Assets                                    | 38,790             | 1,470              |
| Purchase of Shares and Bonds  | (6,663,639)        | (6,023,125)        |
| Proceeds from Bonds upon Maturity and Sale of Investments             | 12,694,275         | 2,785,926          |
| Interest Income   | 787,134            | 594,033            |
| Dividend Income   | 377,193            | 186,516            |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                          | <u>129,510</u>     | <u>(2,764,408)</u> |
| Net Decrease in Cash and Cash Equivalents                             | (1,527,839)        | (2,451,936)        |
| Cash and Cash Equivalents as at Beginning of Year (Note 48)           | 2,599,190          | 5,051,126          |
| <b>CASH AND CASH EQUIVALENTS AS AT END OF YEAR (NOTE 48)</b>          | <u>1,071,351</u>   | <u>2,599,190</u>   |



# Notes To The Financial Statements

## 1. CORPORATE INFORMATION

The main office of Singapore Corporation of Rehabilitative Enterprises (the "Corporation"), established under the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298), is located at 407 Upper Changi Road North, 20km (within Prison HQ Complex), Singapore 507658.

The principal activities of the Corporation are to rehabilitate and help reintegrate offenders to become responsible and contributing members of society.

The Corporation operates in Singapore and had 127 employees (2002:130) as at 31 December 2003.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

The financial statements, expressed in Singapore dollars, have been prepared in accordance with the historical cost convention. The financial statements are prepared in accordance with Singapore Financial Reporting Standards and the provisions of the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298). In previous year, the financial statements were prepared in accordance with Singapore Statements of Accounting Standards (SAS). The transition from SAS to FRS did not result in any significant change in accounting policies.

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

### (b) Basis of Recognising Income

Income from services is taken into account when services have been rendered.

Dividend income is recognised when received and refund of dividend tax withheld is recognised upon the receipt of the Annual Dividend Statements or the subsidiary income tax certificates.

Interest income on bank deposits is recognised on the accrual basis.

Income from sale of goods under the industrial and workshop activities is recognised upon passing of title to the customers which generally coincides with the delivery or acceptance.

### (c) Grants

Government grants and contributions from other organizations for the establishment of the Corporation are taken to the capital account.

**(d) Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the cost of assets over their estimated useful lives. The estimated useful lives have been taken as follows:

|                                  |              |
|----------------------------------|--------------|
| Furniture, fixtures and fittings | 10 years     |
| Plant, equipment and machinery   | 5 or 8 years |
| Motor vehicles                   | 5 years      |

No depreciation is charged for projects-in-progress in the current year as these assets have not been fully completed and are not used during the year.

Fixed assets costing less than \$200 each are charged to the Income and Expenditure Statement in the year of purchase.

Fully depreciated assets are retained in the books until they are written off.

**(e) Stocks**

Stocks are stated at the lower of cost and net realisable value, cost being determined on a weighted average basis. Net realisable value is the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow moving items.

In respect of work-in-progress and manufactured stocks, cost includes raw materials, direct labour and appropriate proportion of manufacturing overheads.

**(f) Investment securities**

Marketable equity securities are held on a long-term basis and are stated at the lower of cost and market value determined on a portfolio basis. Bonds and other unquoted securities are held at cost. Provision is made for impairment loss, if any.

Amortisation of premium or discount on bonds is provided on an individual counter basis. Premiums paid or discounts received upon acquisition are amortised on a straight-line basis over the period from the date of purchase to maturity of the related security.

**(g) Trade and other debtors**

Trade debtors, which generally have 30-90 days terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**(h) Trade and other creditors**

Liabilities for trade and other amounts payable, which are settled on 30-90 days terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Corporation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Provisions

Provisions are recognised when the Corporation 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.

### (j) Employee benefits

#### *Defined contribution plan*

As requested by law, the Corporation makes contributions to the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

#### *Employee leave entitlement*

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

### (k) Impairment

The carrying amounts of the Corporation's assets other than stocks and trade and other debtors 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 income and expenditure statement whenever the carrying amount of an asset 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 income and expenditure statement.

### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, balances with financial institutions and corporate papers.

## 3. CAPITAL ACCOUNT

This amount represents the value of assets amounting to \$1,443,262 taken over from the former Prison Industries and a capital grant of \$218,000 received from the Singapore Government for the establishment of the Corporation.



#### 4. ACCUMULATED SURPLUS

Of the \$38,900,131 (2002:\$37,647,913) in the accumulated surplus \$9,981,467 (2002:\$3,166,651) has been utilised for the purchase of fixed and other non-liquid assets or committed for future projects.

#### 5. FIXED ASSETS

|                           | Furniture,<br>Fixtures and<br>Fittings<br>S\$ | Plant,<br>Equipment<br>and Machinery<br>S\$ | Motor<br>Vehicles<br>S\$ | Project<br>in progress<br>S\$ | Total<br>S\$      |
|---------------------------|---|---|--------------------------|-------------------------------|-------------------|
| <b>Cost</b>               |   |   |                          |                               |                   |
| At 1.1.2003               | 4,354,444                                     | 11,256,259                                  | 796,368                  | –                             | 16,407,071        |
| Additions                 | 369,786                                       | 676,169                                     | 5,877                    | 6,052,411                     | 7,104,243         |
| Disposals                 | (13,799)                                      | (127,824)                                   | (376,897)                | –                             | (518,520)         |
| At 31.12.2003             | <u>4,710,431</u>                              | <u>11,804,604</u>                           | <u>425,348</u>           | <u>6,052,411</u>              | <u>22,992,794</u> |
| <b>Depreciation</b>       |   |   |                          |                               |                   |
| At 1.1.2003               | 3,210,188                                     | 10,384,245                                  | 607,219                  | –                             | 14,201,652        |
| Depreciation for the year | 358,626                                       | 224,007                                     | 38,764                   | –                             | 621,397           |
| Disposals                 | (13,152)                                      | (120,180)                                   | (345,953)                | –                             | (479,285)         |
| At 31.12.2003             | <u>3,555,662</u>                              | <u>10,488,072</u>                           | <u>300,030</u>           | <u>–</u>                      | <u>14,343,764</u> |
| Depreciation for 2002     | <u>458,025</u>                                | <u>239,168</u>                              | <u>36,903</u>            | <u>–</u>                      | <u>734,096</u>    |
| <b>Net Book Value</b>     |   |   |                          |                               |                   |
| At 31.12.2003             | <u>1,154,769</u>                              | <u>1,316,532</u>                            | <u>125,318</u>           | <u>6,052,411</u>              | <u>8,649,030</u>  |
| At 31.12.2002             | <u>1,144,256</u>                              | <u>872,014</u>                              | <u>189,149</u>           | <u>–</u>                      | <u>2,205,419</u>  |

#### 6. INVESTMENTS

|  | 2003<br>S\$        | 2002<br>S\$        |
|--|--------------------|--------------------|
| <b>(a) Investments Comprise:</b>   |                    |                    |
| Quoted Investments at Cost   |                    |                    |
| Equities   | 9,827,419          | 12,475,862         |
| Bonds  | 19,808,564         | 21,395,314         |
| Short-Term Deposits at Bank  | –                  | 1,933,006          |
|  | <u>29,635,983</u>  | <u>35,804,182</u>  |
| Less: Provision [(Note 6(b))]  | <u>(1,620,802)</u> | <u>(3,789,842)</u> |
| Total investments held   | 28,015,181         | 32,014,340         |
| Less: Unquoted Bonds Maturing in the Next<br>Financial Year Classified as Short-Term Investments | <u>(6,281,375)</u> | <u>(5,565,800)</u> |
|  | <u>21,733,806</u>  | <u>26,448,540</u>  |

## 6. INVESTMENTS (CONT'D)

Investments consist of marketable securities managed by professional fund managers and the Investment Committee set up by the Corporation:

|  | 2003<br>S\$       | 2002<br>S\$       |
|--|-------------------|-------------------|
| Investments managed by professional funds managers | –                 | 19,342,259        |
| Investments managed by Investment Committee        | 29,635,983        | 16,461,923        |
|  | <u>29,635,983</u> | <u>35,804,182</u> |
| Fair values of quoted investments                  |                   |                   |
| Equities   | 8,206,616         | 8,673,540         |
| Bonds  | 20,181,290        | 22,363,411        |
|  | <u>28,387,906</u> | <u>31,036,951</u> |
| Details of the bonds are as follows:–              |                   |                   |
| Government Securities                              | 7,380,776         | 6,512,428         |
| Corporate Securities                               | 12,427,788        | 14,882,886        |
|  | <u>19,808,564</u> | <u>21,395,314</u> |

The effective interest rate of the Government Securities ranges from 3.50% to 5.07% (2002: 3.41% to 5.07%) and the average maturity date ranges from 11 February 2004 to 1 September 2016 (2002:30 November 2005 to 20 September 2009).

The effective interest rate of the Corporate Securities ranges from 1.05% to 5.05% (2002:1.438% to 6%) and the average maturity date ranges from 14 January 2004 to 9 May 2016 (2002: 15 January 2003 to 9 November 2004).

### (b) Movements In Provision For Impairment In Value Of Quoted Equities Were As Follows

|                                       | 2003<br>S\$      | 2002<br>S\$      |
|---------------------------------------|------------------|------------------|
| Balance as at Beginning of the Year   | 3,789,842        | 2,734,686        |
| Provision for diminution written back | (2,169,040)      | –                |
| Provision for the Year                | –                | 1,055,156        |
| Balance as at End of the Year         | <u>1,620,802</u> | <u>3,789,842</u> |

During the current financial year, the agreements with the professional fund managers have lapsed and the investments have been transferred back to the Corporation and are managed by the Investment Committee.

**7. STOCKS**

|                               | <b>2003</b>    | <b>2002</b>    |
|-------------------------------|----------------|----------------|
|                               | <b>S\$</b>     | <b>S\$</b>     |
| Raw Materials at cost         | 166,326        | 181,763        |
| Work-in-Progress              | 60,200         | 42,157         |
| Manufactured Articles at cost | 26,727         | 30,303         |
|                               | <u>253,253</u> | <u>254,223</u> |

**8. OTHER DEBTORS AND PREPAYMENTS**

|   | <b>2003</b>    | <b>2002</b>    |
|---|----------------|----------------|
|   | <b>S\$</b>     | <b>S\$</b>     |
| Other Debtors and Prepayments consist of: |                |                |
| Interest receivable                       | 228,138        | 196,955        |
| Tax refundable                            | 143,503        | 146,128        |
| Deposits                                  | 38,001         | 31,199         |
| Prepayments                               | 12,994         | 11,063         |
| Other debtors                             | 161,005        | 52,037         |
|   | <u>583,641</u> | <u>437,382</u> |

**9. OTHER CREDITORS AND ACCRUALS**

|   | <b>2003</b>      | <b>2002</b>      |
|---|------------------|------------------|
|   | <b>S\$</b>       | <b>S\$</b>       |
| Other Creditors and Accruals consist of:                |                  |                  |
| Advances from Government for Payments to Halfway Houses | 378,058          | 379,161          |
| Deposits received                                       | 109,455          | 69,851           |
| Accruals  | 1,134,480        | 998,034          |
| Reimbursement to Singapore Aftercare Association        | 44,750           | 226,830          |
| Others  | 59,490           | 52,194           |
|   | <u>1,726,233</u> | <u>1,726,070</u> |

**10. LEASED WORKSHOPS' LABOUR CHARGES**

These are charges for inmates' services rendered to firms under the Private Sector Participation Scheme.

**11. CORPORATE SPONSORSHIP**

In the Corporate Assistance for Rehabilitation ("CARE") Scheme to encourage organisations in the private sector to play an active role in community service by contributing towards the training of the inmates. Contributions are for funding training courses.

## 12. MANPOWER COSTS

Manpower costs included the following for the years ended 31 December:-

|                                      | <b>2003</b><br><b>S\$</b> | <b>2002</b><br><b>S\$</b> |
|--------------------------------------|---------------------------|---------------------------|
| Salaries, wages and bonuses          | 5,538,605                 | 5,095,762                 |
| Central Provident Fund contributions | 734,984                   | 707,788                   |
|                                      | <u>6,273,589</u>          | <u>5,803,550</u>          |

## 13. INCOME FROM INVESTMENTS

|  | <b>2003</b><br><b>S\$</b> | <b>2002</b><br><b>S\$</b> |
|--|---------------------------|---------------------------|
| Income from Investments consists of:   |                           |                           |
| Dividend Income from Quoted Equities   | 374,568                   | 294,852                   |
| Interests from Fixed Income Securities | 806,967                   | 719,300                   |
| Interests Income from Bank Deposits    | -                         | 10,007                    |
|  | <u>1,181,535</u>          | <u>1,024,159</u>          |

## 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprises fixed deposits and cash and bank balances with the following balance sheet amounts:

|                        | <b>2003</b><br><b>S\$</b> | <b>2002</b><br><b>S\$</b> |
|------------------------|---------------------------|---------------------------|
| Fixed Deposits         | 750,376                   | 2,115,316                 |
| Cash and Bank Balances | 320,975                   | 483,874                   |
|                        | <u>1,071,351</u>          | <u>2,599,190</u>          |

## 15. CAPITAL COMMITMENTS

|   | <b>2003</b><br><b>S\$</b> | <b>2002</b><br><b>S\$</b> |
|---|---------------------------|---------------------------|
| Capital commitments not provided for in the financial statements: |                           |                           |
| Approved by the Board and contracted for                          | <u>1,079,184</u>          | <u>707,009</u>            |

## 16. CONTINGENT LIABILITIES

|   | <b>2003</b><br><b>S\$</b> | <b>2002</b><br><b>S\$</b> |
|---|---------------------------|---------------------------|
| Guarantees in respect of sales contracts not provided for in the Financial Statements | <u>831,110</u>            | <u>555,858</u>            |

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Corporation's financial instruments are market risk, interest risk, liquidity risk and credit risk. The Corporation/Investment & Finance Committee reviews and agrees policies for managing these risks and they are summarised below:

#### Market risk

The Corporation has investments in quoted equity shares and bonds, which are subject to market risks as the market values of these investments are affected by changes in market prices. The Corporation manages its exposure to market risks by maintaining portfolio of equities with different risk profiles. These amounts are managed by the Investment & Finance Committee of the Corporation.

#### Interest rate risk

The Corporation has cash balances placed with reputable banks and financial institutions which generate interest income for the Corporation. The Corporation manages its interest rates risks by placing such balances on varying maturities and interest rate terms.

#### Liquidity risk

In the management of liquidity risks, the Corporation monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Corporation's operations and mitigate the effects of fluctuation in cash flows.

#### Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Corporation's financial contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Corporation. It is the Corporation's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Company does not expect to incur material credit losses on its risk management or other financial instruments.

The carrying amount of trade and other debtors, fixed deposits and cash and bank balances represent the Corporation's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. Surplus funds are placed with reputable banks and/or invested in quoted equities and bonds.

#### Fair values

Disclosure on the nature of financial instrument and their significant terms and conditions that could affect the amount, timing and certainty of future cash flow is presented in respective Notes to these financial statements, where applicable.

The following methods and assumptions are used to determine the fair value of each of the financial instruments for which it is practicable to estimate that value:–

- (i) Cash and bank balances, fixed deposits with financial institutions, and other debtors and creditors

The carrying amounts of these amounts approximate fair value due to their short-term nature.

- (ii) Trade debtors and trade creditors

The carrying amounts of these amounts approximate their fair value because these are subject to normal trade credit terms.

- (iii) Quoted investments

The fair value of quoted investments is estimated based on quoted market prices for these investments.