audited financial statements

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") for the year ended 31 December 2004 set out on pages 51 to 64. 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 2004 and of the results and changes in capital account and accumulated surplus of the Corporation and cash flows 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 2005

Singapore

balance sheet

as at 31 December 2004

	Note	2004 S$	2003 S$
CAPITAL ACCOUNT	3	1,661,262	1,661,262
ACCUMULATED SURPLUS	4	36,937,348	38,900,131
		38,598,610	40,561,393
Represented by:			
FIXED ASSETS	5	14,660,084	8,649,030
INVESTMENTS	6	11,472,203	21,733,806
CURRENT ASSETS			
Stocks	7	102,044	253,253
Trade Debtors		5,651,981	4,232,345
Other Debtors	8	314,275	583,641
Short-Term Investments	6	6,756,877	6,281,375
Fixed Deposits		2,651,730	750,376
Cash and Bank Balances		173,253	320,975
		15,650,160	12,421,965
CURRENT LIABILITIES			
Trade Creditors		1,557,283	517,175
Other Creditors and Accruals	9	1,626,554	1,726,233
		3,183,837	2,243,408
NET CURRENT ASSETS		12,466,323	10,178,557
		38,598,610	40,561,393

KONG MUN KWONG
Chairman

31 March 2005

WONG SENG YOONG
Chief Executive Officer

31 March 2005

The accounting policies and explanatory notes on pages 56 through 64 form an integral part of the financial statements.

income and expenditure statement

for the year ended 31 December 2004

	Note	2004 S$	2003 S$
OPERATING INCOME			
Sales of Services		14,995,342	9,884,960
Sales of Goods		1,842,758	2,425,496
Leased Workshops' Labour Charges	10	2,406.855	2,380,778
Rental Income		572,972	470,158
Corporate Sponsorship		-	54,968
Miscellaneous		24,581	8,425
		19,842,508	15,224,785
LESS : OPERATING EXPENSES			
Material Costs		6,325,711	2,096,338
Manpower Cost	11	6,522,239	6,273,589
Inmates Earnings		2,773,773	2,801,812
Utilities		2,540,927	2,273,932
Distribution Costs		980,944	466,178
Office Rental		110,166	109,569
Depreciation	5	1,465,549	621,397
General Office Expenses		471,800	383,303
Grant, Contributions and Donations		303,668	260,185
Staff Welfare		127,507	148,435
Inmates' Training Costs		236,006	519,865
Liquidated Damages		98,630	101,087
Advertising		32,892	35,452
Travelling		85,920	69,643
Staff Training		157,065	147,071
Fixed Assets/ Obsolete Stock Written Off		980,494	39,235
Audit fees		38,500	35,000
Entertainment		25,276	40,239
Board Members' Allowance		42,500	44,616
Maintenance of Office and Workshops		184,972	384,257
Community Awareness Project		40,374	80,150
Other Operating Expenses		108,176	166,644
		23,653,089	17,097,997
OPERATING DEFICIT		(3,810,581)	(1,873,212)
NON-OPERATING INCOME			
Interest Income from Bank Deposits		22,741	11,350
Income from Investments	12	1,269,526	1,181,535
Write Back of Impairment of Investments	6(b)	557,244	2,169,040
Gains on Disposal of Fixed Assets		346,787	38,790
Sponsorship for Innovative Project		11,024	-
		2,207,322	3,400,715
LESS : NON-OPERATING EXPENSES			
Loss on Sale of Investments		-	64,829
Consultation Fees (Project)		179,596	210,456
Relocation Expenses		179,928	-
		359,524	275,285
NON-OPERATING SURPLUS		1,847,798	3,125,430
(DEFICIT)/ SURPLUS FOR THE YEAR		(1,962,783)	1,252,218

The accounting policies and explanatory notes on pages 56 through 64 form an integral part of the financial statements.

statement of changes in capital account and accumulated surplus

for the year ended 31 December 2004

	Note	2004 S$	2003 S$
CAPITAL ACCOUNT			
Balance at Beginning and End of the Year	3	1,661,262	1,661,262
ACCUMULATED SURPLUS			
Balance at Beginning of the Year		38,900,131	37,647,913
Net (Deficit)/ Surplus for the Year		(1,962,783)	1,252,218
Balance at End of the Year	4	36,937,348	38,900,131
TOTAL		38,598,610	40,561,393

The accounting policies and explanatory notes on pages 56 through 64 form an integral part of the financial statements.

cash flow statement

for the year ended 31 December 2004

	2004 S$	2003 S$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficit)/ Surplus for the year before Government Grants	(1,962,783)	1,252,218
Adjustments for:		
Depreciation	1,465,549	621,397
Provision for Unutilised Leave	17,144	27,948
Provision for Linen Loss	85,000	85,000
Written Back of Impairment of Investments	(557,244)	(2,169,040)
Loss on Sale of Investments	-	64,829
Loss on Disposal of Fixed Assets	566,292	445
Income from Investments	(1,269,526)	(1,181,535)
Interest Income from Bank Deposits	(22,741)	(11,350)
Amortisation of Fixed Income Securities	(13,828)	72,734
(DEFICIT) BEFORE WORKING CAPITAL CHANGES	(1,692,137)	(1,237,354)
CHANGES IN WORKING CAPITAL		
Decrease in Stocks	151,209	970
(Increase) in Trade Debtors	(1,419,636)	(156,699)
Decrease/ (Increase) in Other Debtors	377,169	(117,700)
Increase/ (Decrease) in Trade Creditors	1,040,108	(33,780)
(Decrease)/ Increase in Other Creditors and Accruals	(36,915)	163
NET CHANGES IN WORKING CAPITAL	(1,580,202)	(1,544,400)
Liquidated Damages Paid for Linen Loss	(92,430)	(112,949)
NET CASH FROM OPERATING ACTIVITIES	(1,672,632)	(1,657,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,389,682)	(7,104,243)
Proceeds from Sale of Fixed Assets	346,787	38,790
Purchase of Shares and Bonds	-	(6,663,639)
Proceeds from Bonds Upon Maturity and Sale of Investments	10,357,172	12,694,275
Interest Income	693,403	787,134
Dividend Income	418,584	377,193
NET CASH USED IN INVESTING ACTIVITIES	3,426,264	129,510
Net Increase/ (Decrease) in Cash and Cash Equivalents	1,753,632	(1,527,839)
Cash and Cash Equivalents As At Beginning of Year (Note 13)	1,071,351	2,599,190
CASH AND CASH EQUIVALENTS AS AT END OF YEAR (NOTE 13)	2,824,983	1,071,351

The accounting policies and explanatory notes on pages 56 through 64 form an integral part of the financial statements.

notes to the financial statements

31 December 2004

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 (2003: 127) as at 31 December 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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).

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

(b) Income Recognition

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.

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

(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 to 10 years
Motor vehicles	-	5 years
Computers	-	3 years

No depreciation is charged for projects-in-progress.

Fixed Assets costing less than $500 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 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 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.

notes to the financial statements

31 December 2004

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

(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.

(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 $36,937,348 (2003: $38,900,131) in the accumulated surplus $14,885,676 (2003: $9,981,467) has been utilised for the purchase of fixed and other non-liquid assets or committed for future projects.

5. FIXED ASSETS

	Furniture, Fixtures and Fittings S$	Plant, Equipment and Machinery S$	Motor Vehicles S$	Project in progress S$	Total S$
Cost					
At 1.1.2004	4,710,431	11,804,604	425,348	6,052,411	22,992,794
Additions	2,052,497	6,256,832	80,352	-	8,389,681
Disposals	(4,274,682)	(7,981,067)	(247,884)	-	(12,503,633)
Transfer	-	6,052,411	-	(6,052,411)	-
At 31.12.2004	2,488,246	16,132,780	257,816	-	18,878,842
Depreciation					
At 1.1.2004	3,555,662	10,488,072	300,030	-	14,343,764
Depreciation for the year	228,492	1,189,014	48,043	-	1,465,549
Disposals	(3,571,722)	(7,780,220)	(238,613)	-	(11,590,555)
At 31.12.2004	212,432	3,896,866	109,460	-	4,218,758
Depreciation for 2003	358,626	224,007	38,764	-	621,397
Net Book Value					
At 31.12.2004	2,275,814	12,235,914	148,356	-	14,660,084
At 31.12.2003	1,154,769	1,316,532	125,318	6,052,411	8,649,030

6. INVESTMENTS

	2004 S$	2003 S$
(a) Investments comprise:		
Quoted Investments at Cost		
Equities	6,200,246	9,827,419
Bonds	13,092,392	19,808,564
	19,292,638	29,635,983
Less: Provision (Note 6(b))	(1,063,558)	(1,620,802)
Total Investments Held	18,229,080	28,015,181
Less: Unquoted Bonds Maturing in the Next Financial Year Classified as Short-Term Investments	(6,756,877)	(6,281,375)
	11,472,203	21,733,806

Investments consist of marketable securities managed by the Investment Committee set up by the Corporation.

	2004 S$	2003 S$
Fair Values of Quoted Investments		
Equities	5,136,688	8,206,616
Bonds	13,391,506	20,181,290
	18,528,194	28,387,906

Details of the Bonds are as follows:-

	2004 S$	2003 S$
Government Securities	6,916,297	7,380,776
Corporate Securities	6,176,095	12,427,788
	13,092,392	19,808,564

6. INVESTMENTS (CONT'D)

The effective interest rate of the Government Securities ranges from 3.50% to 5.07% (2003: 3.5% to 5.07%) and the average maturity date ranges from 1 February 2005 to 1 September 2016 (2003: 11 February 2005 to 1 September 2016).

The effective interest rate of the Corporate Securities ranges from 2.88% to 5.05% (2003: 1.05% to 5.05%) and the average maturity date ranges from 19 July 2005 to 10 May 2016 (2003: 14 January 2004 to 9 May 2016).

(b) Movement in Allowance for Impairment in Value of Quoted Equities were as follows:

	2004 S$	**2003** S$
Balance at Beginning of the Year	1,620,802	3,789,842
Written Back During the Year	(557,244)	(2,169,040)
Balance At End of the Year	1,063,558	1,620,802

7. STOCKS

	2004 S$	**2003** S$
Raw Materials at Cost	92,656	166,326
Work-In-Progress	1,174	60,200
Manufactured Articles at Cost	8,214	26,727
	102,044	253,253

8. OTHER DEBTORS AND PREPAYMENTS

	2004 S$	2003 S$
Interest Receivable	150,680	228,138
Tax Refundable	67,333	143,503
Deposits	16,098	38,001
Prepayments	21,350	12,994
Other Debtors	58,814	161,005
	314,275	583,641

9. OTHER CREDITORS AND ACCRUALS

	2004 S$	2003 S$
Advances from Government for Payments to Halfway Houses	21,243	378,058
Deposits Received	114,240	109,455
Accruals	1,443,182	1,134,480
Reimbursement to Singapore Aftercare Association	-	44,750
Others	47,889	59,490
	1,626,554	1,726,233

10. LEASED WORKSHOPS' LABOUR CHARGES

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

11. MANPOWER COSTS

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

	2004 S$	2003 S$
Salaries, Wages and Bonuses	5,875,026	5,538,605
Central Provident Fund Contributions	647,213	734,984
	6,522,239	6,273,589

12. INCOME FROM INVESTMENTS

	2004 S$	2003 S$
Dividend Income from Quoted Equities	388,239	374,568
Interests from Fixed Income Securities	593,204	806,967
Gain on Disposal of Quoted Equities	288,083	-
	1,269,526	1,181,535

13. 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:

	2004 S$	2003 S$
Fixed Deposits	2,651,730	750,376
Cash and Bank Balances	173,253	320,975
	2,824,983	1,071,351

14. CAPITAL COMMITMENTS

	2004 S$	2003 S$
Capital Commitments Not Provided for in the Financial Statements: Approved by the Board and Contracted for	123,548	1,079,184

15. CONTINGENT LIABILITIES

	2004 S$	2003 S$
Guarantees in Respect of Sales Contracts Not Provided for in the Financial Statements	489,220	831,110

16. 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.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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 the 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 any material 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 instruments 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 instruments, 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 instruments is estimated based on quoted market prices for these investments.

DESIGN & PRODUCTION: GK CONSULTANCY PRIVATE LIMITED

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