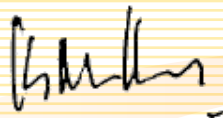


STATEMENT BY THE BOARD OF

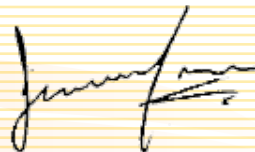
SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES
("CORPORATION")

We, the undermentioned board members of the Corporation, state that, in our opinion the financial statements set out on pages 6 to 42 are drawn up in accordance with Statutory Board Financial Reporting Standards and the provisions of the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298) so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2007 and the results, changes in capital and reserve accounts and cash flows of the Corporation for the year then ended and there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

On behalf of the board,



KONG MUN KWONG
Chairman



DESMOND CHIN
Chief Executive Officer

Singapore, 27 March 2008

INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN OF SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

We have audited the accompanying financial statements of the Singapore Corporation of Rehabilitative Enterprises ("Corporation") set out on pages 6 to 42, which comprise the balance sheet as at 31 December 2007, and the income and expenditure statement, statement of changes in capital and reserve accounts and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Corporation's management are responsible for the preparation and fair presentation of these financial statements in accordance with Statutory Board Financial Reporting Standards and the provisions of the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298).

This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN OF SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

(continued)

Auditors' Responsibility

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 comply with ethical requirements and 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 judgment, 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 controls 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 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.

INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN OF
SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

(continued)

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 Statutory Board Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Corporation as at 31 December 2007 and the results, changes in capital and reserve accounts and cash flows of the Corporation 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.

INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN OF
SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

(continued)

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).

Singapore, 27 March 2008



LO HOCK LING & CO.
CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Balance Sheet as at 31 December 2007

	Notes	2007 \$	2006 \$
EQUITY			
Capital account	4	1,661,262	1,661,262
Fair value reserve	5	27,000	23,700
Accumulated surplus	6	34,194,431	34,874,137
Total equity		<u>35,882,693</u>	<u>36,559,099</u>
REPRESENTED BY			
NON-CURRENT ASSETS			
Property, plant and equipment	7	10,152,378	11,578,023
Investments	8	12,565,879	13,540,450
Associated company	9	(11,463)	64,000
		22,706,794	25,182,473

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Balance Sheet as at 31 December 2007

(continued)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		\$	\$
<u>CURRENT ASSETS</u>			
Inventories	10	188,203	128,658
Trade receivables	11	6,223,023	5,981,155
Other receivables	12	252,632	475,828
Amount owing by associated company	15	85,485	-
Short term investments	8	4,000,000	1,495,000
Fixed deposits with financial institutions	13	5,539,297	6,014,463
Cash and bank balances		205,174	288,622
		16,493,814	14,383,726

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Balance Sheet as at 31 December 2007

(continued)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		\$	\$
LESS CURRENT LIABILITIES			
Trade payables		1,422,218	1,450,157
Other payables	14	1,895,697	1,532,252
Amount owing to associated company	15	-	24,691
		<u>3,317,915</u>	<u>3,007,100</u>
Net current assets		<u>13,175,899</u>	<u>11,376,626</u>
Total net assets		<u>35,882,693</u>	<u>36,559,099</u>

The accompanying notes form an integral part of these financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Income and Expenditure Statement for the year ended 31 December 2007

	Notes	2007 \$	2006 \$
OPERATING INCOME			
Leasing income	16	4,081,148	3,970,830
Miscellaneous		67,127	48,496
Sale of goods		2,454,981	2,167,653
Sale of services		17,343,568	17,758,704
		23,946,824	23,945,683
LESS: OPERATING EXPENSES		(25,516,540)	(25,695,624)
Operating deficit		(1,569,716)	(1,749,941)
NON-OPERATING INCOME			
Allowance for doubtful debts written back - trade		17,148	-
Gain on disposal of property, plant and equipment		18,433	-
Income from investments	17	649,731	884,958
Interest income from bank deposits		152,180	162,196
Sponsorship for strategic partner		68,412	101,155
		905,904	1,148,309

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Income and Expenditure Statement for the year ended 31 December 2007

(continued)

	Notes	2007 \$	2006 \$
LESS: NON-OPERATING EXPENSES			
Consultation fees (project)		4,431	20,370
		4,431	20,370
Non-operating surplus		901,473	1,127,939
Net deficit before share of results of associated company		(668,243)	(622,002)
Share of loss in associated company	18	(11,463)	-
Deficit for the year		(679,706)	(622,002)

The accompanying notes form an integral part of these financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Operating Expenditure Statement for the year ended 31 December 2007

	Notes	2007 \$	2006 \$
EXPENSES			
Advertising		39,738	45,123
Allowance for doubtful debts - trade		2,000	156,079
Audit fees		34,000	27,000
Bad debts written off - non-trade		-	112
Board members' allowance		40,000	41,375
Community awareness project		-	119
Depreciation on property, plant and equipment	7	2,427,417	2,312,339
Distribution costs		839,459	962,892
Entertainment		15,274	16,328
General office expenses		529,737	523,927
Grant, contributions and donations		189,218	199,777
Inmates earnings		3,092,306	3,342,268
Inmates training costs		100,706	183,173
Liquidated damages		188,205	184,314
Maintenance of office and workshops		605,663	305,208

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Operating Expenditure Statement for the year ended 31 December 2007

(continued)

	Notes	2007 \$	2006 \$
Manpower costs	19	6,822,839	6,577,184
Material costs		6,441,235	6,591,949
Office rental		123,480	105,416
Other operating expenses		135,902	184,194
Property, plant and equipment written off		27,046	8,168
Recognition of impairment loss on associated company		88,000	-
Staff training		94,415	153,453
Staff welfare		115,132	112,225
Travelling		78,039	93,316
Utilities		3,486,729	3,569,685
		<u>25,516,540</u>	<u>25,695,624</u>

The accompanying notes form an integral part of these financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Statement of Changes in Capital and Reserve Accounts
for the year ended 31 December 2007

	Capital account	Fair value reserve	Accumulated surplus	Total
	\$	\$	\$	\$
Balance as at 31 December 2005	1,661,262	(140,034)	35,496,139	37,017,367
Available-for-sale investments:				
- Net fair value changes	-	(2,700)	-	(2,700)
- Transferred to income and expenditure account on disposal	-	166,434	-	166,434
Deficit for the year	-	-	(622,002)	(622,002)

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Statement of Changes in Capital and Reserve Accounts
for the year ended 31 December 2007

(continued)

	<u>Capital account</u>	<u>Fair value reserve</u>	<u>Accumulated surplus</u>	<u>Total</u>
	\$	\$	\$	\$
Balance as at 31 December 2006	1,661,262	23,700	34,874,137	36,559,099
Available-for-sale investments:				
- Net fair value changes	-	3,300	-	3,300
Deficit for the year	-	-	(679,706)	(679,706)
Balance as at 31 December 2007	<u>1,661,262</u>	<u>27,000</u>	<u>34,194,431</u>	<u>35,882,693</u>

The accompanying notes form an integral part of these financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Cash Flow Statement for the year ended 31 December 2007

	Note	2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(679,706)	(622,002)
Adjustments for:			
Depreciation on property, plant and equipment		2,427,417	2,312,339
Property, plant and equipment written off		27,046	8,168
Provision for linen loss		-	123,000
Amortisation of bonds		(29,528)	(2,702)
Gain on disposal of:			
- equity shares		-	(258,769)
- property, plant and equipment		(18,433)	-
Income from investments		(620,203)	(623,487)
Interest income from bank deposits		(152,180)	(162,196)
Reversal of provision for unutilised leave		23,890	(1,066)
Share of loss in associated company		99,463	-

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Cash Flow Statement for the year ended 31 December 2007

(continued)

	Note	2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating surplus before working capital changes		1,077,766	773,285
Increase in inventories		(59,545)	(1,146)
(Increase)/decrease in receivables		(140,221)	713,264
Increase/(decrease) in payables		159,965	(661,151)
Cash generated from operations		1,037,965	824,252
Tax refund		46,041	67,333
Net cash from operating activities		1,084,006	891,585

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Cash Flow Statement for the year ended 31 December 2007

(continued)

	Note	2007	2006
		\$	\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income		14,760	88,182
Interest income		747,646	650,864
Investment in associated company		(24,000)	(32,000)
Proceeds from:			
- disposal of property, plant and equipment		18,433	-
- maturity of bonds and disposal of investments		1,495,000	5,127,323
Purchase of:			
- bonds		(2,992,601)	(6,398,850)
- property, plant and equipment		(901,858)	(237,664)
Net cash used in investing activities		(1,642,620)	(802,145)
Net (decrease)/increase in cash and cash equivalents		(558,614)	89,440
Cash and cash equivalents at beginning of the year		6,303,085	6,213,645
Cash and cash equivalents at end of the year	20	5,744,471	6,303,085

The accompanying notes form an integral part of these financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2007

The following notes form an integral part of 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Corporation presents its financial statements in Singapore dollars, which is also its functional currency. These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Statutory Board Financial Reporting Standards ("SB-FRS"), including related Interpretations promulgated by the Accountant-General and the provisions of the Singapore Corporation of Rehabilitative Enterprises Act (Chapter 298).

During the financial year, the Corporation adopted all the applicable new/revised SB-FRSs which are effective on or before 1 January 2007. The adoption of these new/revised SB-FRSs did not have any material effect on the Corporation's financial statements and did not result in substantial changes to the Corporation's accounting policies.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) SB-FRS and INT SB-FRS not yet effective

The Corporation has not applied any new SB-FRS or INT SB-FRS (Interpretations of Statutory Board Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective. The management do not anticipate the adoption of the new SB-FRS and INT SB-FRS in future financial periods to have any material impact on the Corporation's financial statements in the period of initial application.

(c) Associated Company

An associated company is one in which the Corporation has a long-term equity interest of not less than 20% and not more than 50% and where there is management participation. Details of the associated company are set out in note 9.

Investment in associated company is held on a long term basis and stated at cost less impairment loss, if any.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis so as to write off the cost of the 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	3 to 10 years
Motor vehicles	5 years

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

No depreciation is charged for projects-in-progress.

Property, plant and equipment 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 financial statements until they are written off.

(e) Financial Assets

A. Classification

The Corporation classifies its financial assets in the following categories: held-to-maturity investments; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value plus transaction costs, and subsequently carried at amortised cost using the effective interest method.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

A. Classification (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those maturing more than 12 months after the balance sheet date. They are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs, and subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value of these financial assets are recognised directly in the fair value reserve within equity.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

A. Classification (continued)

(iii) Available-for-sale financial assets (continued)

When available-for-sale investments are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity is recognised in the income and expenditure statement.

B. Recognition and derecognition

Financial assets are recognised on the balance sheet when the Corporation becomes a contractual party to the contractual provisions of the financial instrument. Purchases and sales of investments are recognised on trade-date, that is, the date on which the Corporation commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

C. Determination of fair value

The fair values of quoted financial assets are based on bid price as at balance sheet date. For quoted financial assets without an active market and for unquoted financial assets, the Corporation establishes fair value by using valuation techniques.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

D. Impairment of financial assets

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Impairment of available-for-sale financial assets

A significant or prolonged decline in the fair value of an available-for-sale equity investment is considered in determining whether the investment is impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income and expenditure statement – is removed from the fair value reserve within equity and recognised in the income and expenditure statement. Impairment losses recognised in the income and expenditure statement for equity investments are not reversed through the income and expenditure statement until the equity investments are disposed.

If impairment loss has been recognised on debt instruments classified as available-for-sale, and subsequent to the impairment recognition the fair value increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income and expenditure statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income and expenditure statement.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Assets (continued)

D. Impairment of financial assets (continued)

(ii) Impairment of loans and receivables and held-to-maturity investments

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in the income and expenditure statement.

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 shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in the income and expenditure statement.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on a weighted average basis. Net realisable value is 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 inventories, cost includes raw materials, direct labour and appropriate proportion of manufacturing overheads.

(g) Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances and fixed deposits which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts which they are convertible into cash.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue Recognition

- (i) Income from services is taken into account when services have been rendered.
- (ii) 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.
- (iii) Interest income on bank deposits is recognised on the accrual basis.
- (iv) Income from sale of goods under the industrial and workshop activities is recognised upon passing title to the customers which generally coincides with the delivery or acceptance.

(j) Employee Benefits

(i) Defined Contribution Plans

The Corporation makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

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

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of Non-Financial Assets

The carrying amounts of the Corporation's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss is charged to the income and expenditure statement unless it reverses a previous revaluation, in which case, it will be charged to equity. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(l) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made of the obligation.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)(m) Grants

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

3. PRINCIPAL ACTIVITIES

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

4. CAPITAL ACCOUNT

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

5. FAIR VALUE RESERVE

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

6. ACCUMULATED SURPLUS

Of the \$34,194,431 (2006: \$34,874,137) in the accumulated surplus \$10,329,118 (2006: \$12,050,394) has been utilised for the purchase of fixed and other non-liquid assets or committed for future projects.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture fixtures and fittings	Plant equipment and machinery	Motor vehicles	Total
	\$	\$	\$	\$
<u>Cost</u>				
At 1 January 2006	2,880,484	17,000,724	71,170	19,952,378
Additions	78,453	159,211	-	237,664
Disposal	(1,192)	(293,167)	-	(294,359)
At 31 December 2006 and 1 January 2007	2,957,745	16,866,768	71,170	19,895,683
Additions	20,122	1,008,696	-	1,028,818
Disposal	(17,833)	(236,939)	-	(254,772)
At 31 December 2007	<u>2,960,034</u>	<u>17,638,525</u>	<u>71,170</u>	<u>20,669,729</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture fixtures and fittings	Plant equipment and machinery	Motor vehicles	Total
	\$	\$	\$	\$
<u>Accumulated depreciation</u>				
At 1 January 2006	470,233	5,801,112	20,167	6,291,512
Charge for the year	291,306	2,006,799	14,234	2,312,339
Disposal	(716)	(285,475)	-	(286,191)
At 31 December 2006 and 1 January 2007	760,823	7,522,436	34,401	8,317,660
Charge for the year	290,692	2,122,491	14,234	2,427,417
Disposal	(6,111)	(221,615)	-	(227,726)
At 31 December 2007	<u>1,045,404</u>	<u>9,423,312</u>	<u>48,635</u>	<u>10,517,351</u>
<u>Carrying amount</u>				
At 31 December 2007	<u>1,914,630</u>	<u>8,215,213</u>	<u>22,535</u>	<u>10,152,378</u>
At 31 December 2006	<u>2,196,922</u>	<u>9,344,332</u>	<u>36,769</u>	<u>11,578,023</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

8. INVESTMENTS

	2007	2006
	\$	\$
Investments comprise:		
<u>Quoted investment (Available-For-Sale)</u>		
Equity shares at fair value	327,000	323,700
<u>Quoted investment (Held-To-Maturity)</u>		
Bonds at amortised cost	16,238,879	14,711,750
Less: Quoted bonds maturing in the next financial year classified as short-term investments	(4,000,000)	(1,495,000)
Total bonds	<u>12,238,879</u>	<u>13,216,750</u>
Total investments	<u>12,565,879</u>	<u>13,540,450</u>

Investment consists of equity shares and bonds are managed by the Investment & Finance Committee set up by the Corporation.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

8. INVESTMENTS (continued)

	2007	2006
	\$	\$
Fair values of quoted investments		
Equity shares	327,000	323,700
Bonds	<u>16,487,523</u>	<u>14,846,088</u>
	<u>16,814,523</u>	<u>15,169,788</u>
Details of bonds are as follows:		
	2007	2006
	\$	\$
Government securities	5,025,704	5,278,720
Corporate securities	<u>11,213,175</u>	<u>9,433,030</u>
	<u>16,238,879</u>	<u>14,711,750</u>

The Government Securities bear interest ranging from 2.52% to 5.07% (2006: 2.52% to 5.07%) per annum with maturity dates ranges from 15 January 2009 to 1 September 2016 (2006: 1 March 2007 to 1 September 2016).

The Corporate Securities bear interest ranging from 3% to 5% (2006: 3.01% to 5.25%) per annum with maturity dates ranges from 24 November 2008 to 6 September 2011 (2006: 16 April 2007 to 6 September 2011).

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

9. ASSOCIATED COMPANY

		2007		2006		
		\$		\$		
Unquoted equity shares at cost		88,000		64,000		
Share of post-acquisition results (note 18)		(99,463)		-		
		<u>(11,463)</u>		<u>64,000</u>		
Name of company	Principal activities	Country of incorporation/ Place of business	Percentage of shareholding		Cost of investment	
			2007	2006	2007	2006
			%	%	%	%
Pastes N Sauces Pte. Limited	Provision of catering services for the inmates, manufacturing, processing and packaging of pastes and sauces and other edibles generally for the food and beverage industry	Singapore	32	32	88,000	64,000

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

10. INVENTORIES

	2007	2006
	\$	\$
Inventories carried at cost	188,203	121,798
Raw materials	-	6,740
Work-in-progress	-	120
Manufactured articles	<u>188,203</u>	<u>128,658</u>

11. TRADE RECEIVABLES

	2007	2006
	\$	\$
Trade receivables	4,207,671	4,362,866
Allowance for doubtful debts:		
Balance brought forward	(156,079)	-
Current year's allowance	(2,000)	(156,079)
Bad debts written off against allowance	1,124	-
Allowance written back	17,148	-
Balance carried forward	(<u>139,807</u>)	(<u>156,079</u>)
	4,067,864	4,206,787
Accrued receivables	<u>2,155,159</u>	<u>1,774,368</u>
	<u>6,223,023</u>	<u>5,981,155</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

12. OTHER RECEIVABLES

	2007	2006
	\$	\$
Deposits	6,245	10,889
Interest receivables	166,916	160,179
Non-trade receivables	35,000	9,686
Prepayments	41,231	249,033
Tax refundable	<u>3,240</u>	<u>46,041</u>
	<u>252,632</u>	<u>475,828</u>

13. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

All fixed deposits mature within one year and bear interest at 1.6500% tot 2.4375% (2006: 3.0500% to 3.3125%) per annum.

14. OTHER PAYABLES

	2007	2006
	\$	\$
Non-trade payables	166,586	-
Accruals	1,614,268	1,475,166
Deposits received	40,371	13,386
Others	<u>74,472</u>	<u>43,700</u>
	<u>1,895,697</u>	<u>1,532,252</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

15. AMOUNT OWING BY/TO ASSOCIATED COMPANY

	2007	2006
	\$	\$
Amount owing by/(to) associated company:		
- trade	85,485	7,309
- non-trade	<u>-</u>	(<u>32,000</u>)
	<u>85,485</u>	(<u>24,691</u>)

The amount owing by/to the associated company is unsecured, interest-free and has no fixed term of repayment.

16. LEASING INCOME

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

17. INCOME FROM INVESTMENTS

	2007	2006
	\$	\$
Amortisation of investment in bonds	29,528	2,702
Dividend income from equity shares	18,000	94,502
Gain on disposal of investments	-	258,769
Interest from bonds	<u>602,203</u>	<u>528,985</u>
	<u>649,731</u>	<u>884,958</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

18. SHARE OF LOSS IN ASSOCIATED COMPANY

	2007	2006
	\$	\$
Reversal of impairment loss recognised during the year	88,000	-
Share of loss of associated company	(<u>99,463</u>)	(<u>-</u>)
	(<u>11,463</u>)	(<u>-</u>)

19. MANPOWER COSTS

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

	2007	2006
	\$	\$
Central Provident Fund contributions	709,063	627,549
Salaries, wages and bonuses	6,113,776	5,949,635
	<u>6,822,839</u>	<u>6,577,184</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:

	2007	2006
	\$	\$
Fixed deposits with financial institutions	5,539,297	6,014,463
Cash and bank balances	<u>205,174</u>	<u>288,622</u>
	<u>5,744,471</u>	<u>6,303,085</u>

21. KEY MANAGEMENT PERSONNEL COMPENSATION

	2007	2006
	\$	\$
(a) Board members' remuneration		
Short-term employee benefits	40,000	41,375
(b) Other key management members' remuneration		
Short-term employee benefits	<u>404,517</u>	<u>373,205</u>
	<u>444,517</u>	<u>414,580</u>

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

22. CONTINGENT LIABILITIES

	2007	2006
	\$	\$
Guarantees in respect of sales contracts not provided for in the financial statements	<u>683,446</u>	<u>568,750</u>

23. FINANCIAL RISK MANAGEMENT

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

(i) 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.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

23. FINANCIAL RISK MANAGEMENT (continued)

(ii) 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 Corporation does not expect to incur any material losses on its risk management or other financial instruments.

The carrying amount of trade and other receivables, 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 are placed with reputable banks and/or invested in equity shares and bonds.

(iii) 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.

(iv) 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.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Disclosure on the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty if 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 these financial instruments for which it is practicable to estimate that value:

- (i) Cash and bank balances, fixed deposits, and other receivables and payables

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

- (ii) Trade receivables and trade payables

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.

- (iv) Unquoted investments

Unquoted instruments whose fair values cannot be reliably measured are carried at cost subsequent to initial recognition.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

25. COMPARATIVE FIGURES

The corporation has reclassified the following income to conform with the current year's presentation, which more meaningfully reflects the nature of the respective income:

	2006 (Restated)	2006 (Previously reported)
	\$	\$
Leasing income	3,970,830	-
Leasing workshops' labour charges	-	2,966,537
Rental income	-	1,004,293
	<u>3,970,830</u>	<u>3,970,830</u>