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 4 to 24 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 2008 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

TAN POH HONG
Chairperson of Audit Committee

Singapore, 5 March 2009

盧鶴齡會計公司
LO HOCK LING & CO.
Certified Public Accountants
INDEPENDENT MEMBER OF
POLARIS™
INTERNATIONAL

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 4 to 24, which comprise the balance sheet as at 31 December 2008, 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.

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.

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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 2008 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.

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).

LO HOCK LING & CO.
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

Singapore, 5 March 2009

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

Balance Sheet as at 31 December 2008

	Notes	2008	2007
		$	$
EQUITY			
Capital account	4	1,661,262	1,661,262
Fair value reserve	5	(79,960)	27,000
Accumulated surplus	6	32,947,930	34,194,431
Total equity		34,529,232	35,882,693
REPRESENTED BY			
NON-CURRENT ASSETS			
Property, plant and equipment	7	7,997,231	10,152,378
Investments	8	7,300,726	12,565,879
Associated company	9	(21,183)	(11,463)
		15,276,774	22,706,794
CURRENT ASSETS			
Inventories	10	321,698	188,203
Trade receivables	11	6,703,993	6,223,023
Other receivables	12	177,335	252,632
Amount owing by associated company	13	68,584	85,485
Short term investments	8	6,140,000	4,000,000
Fixed deposits with financial institutions	14	10,717,422	5,539,297
Cash and bank balances		168,795	205,174
		24,297,827	16,493,814
LESS CURRENT LIABILITIES			
Trade payables	15	1,568,560	1,422,218
Other payables	16	3,476,809	1,895,697
		5,045,369	3,317,915
Net current assets		19,252,458	13,175,899
Total net assets		34,529,232	35,882,693

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 2008

	Notes	2008	2007
		$	$
OPERATING INCOME			
Funding from strategic partner		562,057	52,061
Leasing income	17	4,206,918	4,081,148
Miscellaneous		103,771	67,127
Sale of goods		2,370,969	2,454,981
Sale of services		19,775,846	17,343,568
		27,019,561	23,998,885
LESS: OPERATING EXPENSES		28,928,825	25,568,601
Operating surplus/(deficit)		(1,909,264)	(1,569,716)
NON-OPERATING INCOME			
Allowance for doubtful debts written back - trade		-	17,148
Gain on disposal of property, plant and equipment		3,058	18,433
Income from investments	18	612,097	649,731
Interest income from bank deposits		72,946	152,180
Sponsorship from strategic partners		44,500	68,412
		732,601	905,904
LESS: NON-OPERATING EXPENSES			
Consultation fees (project)		46,800	4,431
Non-operating surplus		685,801	901,473
Net surplus/(deficit) before share of results of associated company		(1,223,463)	(668,243)
Share of loss in associated company	19	(23,038)	(11,463)
Surplus/(deficit) for the year		(1,246,501)	(679,706)

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 2008

	Notes	2008	2007
		$	$
EXPENSES			
Advertising		42,491	39,738
Allowance for doubtful debts - trade		52,086	2,000
Audit fees		45,000	34,000
Bad debts written off - trade		11,566	-
Board members' allowance		47,083	40,000
Depreciation on property, plant and equipment	7	2,280,817	2,427,417
Distribution costs		734,208	839,459
Entertainment		15,785	15,274
General office expenses		581,823	529,737
Grant, contributions and donations		294,472	189,218
Inmates earnings		2,812,063	3,092,306
Inmates training costs		375,666	152,767
Liquidated damages		114,155	188,205
Maintenance of office and workshops		731,855	605,663
Manpower costs	20	7,898,770	6,822,839
Material costs		8,316,510	6,441,235
Office rental		141,907	123,480
Other operating expenses		129,973	135,902
Property, plant and equipment written off		22,435	27,046
Recognition of impairment loss on associated company		40,000	88,000
Staff training		128,053	94,415
Staff welfare		134,504	115,132
Travelling		72,905	78,039
Utilities		3,904,698	3,486,729
		28,928,825	25,568,601

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 2008

	Capital account	Fair value reserve	Accumulated surplus	Total
	$	$	$	$
Balance as at 31 December 2006	1,661,262	23,700	34,874,137	36,559,099
Net fair value changes in available-for-sale investments	-	3,300	-	3,300
Deficit for the year	-	-	(679,706)	(679,706)
Balance as at 31 December 2007	1,661,262	27,000	34,194,431	35,882,693
Net fair value changes in available-for-sale investments	-	(106,960)	-	(106,960)
Deficit for the year	-	-	(1,246,501)	(1,246,501)
Balance as at 31 December 2008	1,661,262	(79,960)	32,947,930	34,529,232

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 2008

	Note	2008	2007
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(1,246,501)	(679,706)
Adjustments for:			
Depreciation on property, plant and equipment		2,280,817	2,427,417
Property, plant and equipment written off		22,435	27,046
Provision for linen loss		21,000	-
Provision for unutilised leave		23,981	23,890
Share of loss in associated company		63,038	99,463
Amortisation of bonds		(11,807)	(29,528)
Gain on disposal of property, plant and equipment		(3,058)	(18,433)
Income from investments		(600,290)	(620,203)
Interest income from bank deposits		(72,307)	(152,180)
Operating surplus before working capital changes		477,308	1,077,766
Increase in inventories		(133,495)	(59,545)
Increase in receivables		(413,105)	(140,221)
Increase in payables		1,682,473	159,965
Cash generated from operations		1,613,181	1,037,965
Tax refund		3,240	46,041
Net cash from operating activities		1,616,421	1,084,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income		15,830	14,760
Interest income		677,860	747,646
Investment in associated company		(53,318)	(24,000)
Proceeds from:			
- disposal of property, plant and equipment		3,058	18,433
- maturity of bonds and disposal of investments		4,000,000	1,495,000
Purchase of:			
- bonds and investments		(970,000)	(2,992,601)
- property, plant and equipment		(148,105)	(901,858)
Net cash from/(used in) investing activities		3,525,325	(1,642,620)
Net increase/(decrease) in cash and cash equivalents		5,141,746	(558,614)
Cash and cash equivalents at beginning of the year		5,744,471	6,303,085
Cash and cash equivalents at end of the year	21	10,886,217	5,744,471

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

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2008

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 Enterpises 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 2008. The adoption of these new/revised SB-FRS 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.

(b) Significant Accounting Estimates and Judgment

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Corporation's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

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

Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(e). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 7 to the financial statements.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Estimates and Judgment (continued)

(B) Critical judgments made in applying accounting policies

In the process of applying the Corporation's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(i) Allowance for Bad and Doubtful Receivables

The impairment policy for bad and doubtful debts of the Corporation is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, the trade receivables, net of allowance, amounted to $6,703,993 (2007: $ 6,223,023). A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, additional allowance will be required.

(ii) Impairment of investments and financial assets

The Corporation follows the guidance of SB-FRS 39 on determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgment. The Corporation evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(iii) Impairment of investment in associated company

The Corporation follows the guidance of SB-FRS 36 in determining whether its long term investment in associated company has been impaired. This determination requires significant judgment. The Corporation evaluates, among other factors, whether the fair value of the investment is less than its cost, the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

(c) 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 does 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

(e) Property, Plant and Equipment

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

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Any estimated costs of dismantling and removing the property, plant and equipment and reinstating the site to its original condition (reinstatements costs) are capitalised as part of the cost of the property, plant and equipment.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Furniture, fixtures and fittings	10 years
Plant, equipment and machinery	3 to 10 years
Motor vehicles	5 years

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 no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year end.

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

(f) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Assets (continued)

A. Classification (continued)

(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.

(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.

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.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Assets (continued)

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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories from food services unit 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.

Linen inventories purchased for the purpose of providing linen leasing services to hospitals are stated at cost determined on a weighted average basis. The cost of linen is amortised, on a first-in-first-out basis, over the period of useful life once it is put into circulation. The amortisation rates are as follow:

Towels	12 months
Other linen	18 months

(h) 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.

(i) 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.

(j) 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.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) 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.

(n) Leases

Operating leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the Corporation is the lessor, assets leased out under operating leases are included in property, plant and equipment/investment property. Income arising from such operating lease is recognised on a straight line basis over the lease term.

When the Corporation is the lessee, operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(o) 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.

SINGAPORE CORPORATION OF REHABILITATIVE ENTERPRISES

(Established under the Singapore Corporation of Rehabilitative Enterprises Act)

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 $32,947,930 (2007: $34,194,431) in the accumulated surplus $8,297,746 (2007: $10,329,118) has been utilised for the purchase of fixed and other non-liquid assets or committed for future projects.

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and fittings	Plant, equipment and machinery	Motor vehicles	Total
	$	$	$	$
Cost				
At 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 and 1 January 2008	2,960,034	17,638,525	71,170	20,669,729
Additions	38,800	109,305	-	148,105
Disposal	(41,144)	(22,246)	-	(63,390)
At 31 December 2008	2,957,690	17,725,584	71,170	20,754,444
Accumulated depreciation				
At 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 and 1 January 2008	1,045,404	9,423,312	48,635	10,517,351
Charge for the year	291,835	1,974,748	14,234	2,280,817
Disposal	(22,317)	(18,638)	-	(40,955)
At 31 December 2008	1,314,922	11,379,422	62,869	12,757,213
Carrying amount				
At 31 December 2008	1,642,768	6,346,162	8,301	7,997,231
At 31 December 2007	1,914,630	8,215,213	22,535	10,152,378

8. INVESTMENTS

	2008	2007
	$	$
Investments comprise:		
Quoted investment (Available-For-Sale)		
Equity shares at fair value	1,190,040	327,000

8. INVESTMENTS (continued)

	2008	2007
	$	$
Quoted investment (Held-To-Maturity)		
Bonds at amortised cost	12,250,686	16,238,879
Less: Quoted bonds maturing in the next financial year classified as short-term investments	(6,140,000)	(4,000,000)
Total bonds	6,110,686	12,238,879
Total investments	7,300,726	12,565,879

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

	2008	2007
	$	$
Fair values of quoted investments		
Equity shares	1,190,040	327,000
Bonds	12,361,107	16,487,523
	13,551,147	16,814,523

Details of bonds are as follows:

	2008	2007
	$	$
Government securities	5,017,454	5,025,704
Corporate securities	7,233,232	11,213,175
	12,250,686	16,238,879

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

The Corporate Securities bear interest ranging from 3% to 5% (2007: 3% to 5%) per annum with maturity dates ranges from 2 September 2009 to 6 September 2011 (2007: 24 November 2008 to 6 September 2011).

9. ASSOCIATED COMPANY

	2008	2007
	$	$
Unquoted equity shares at cost	128,000	88,000
Loan to associated company	13,318	-
	141,318	88,000
Share of post-acquisition results	(162,501)	(99,463)
	(21,183)	(11,463)

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9. ASSOCIATED COMPANY (continued)

Name of company	Principal activities	Country of incorporation/ Place of business	Percentage of shareholding		Cost of investment	
			2008	2007	2008	2007
			%	%	$	$
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	128,000	88,000

10. INVENTORIES

	2008	2007
	$	$
Inventories carried at cost		
Raw materials	171,691	188,203
Linen	150,007	-
	321,698	188,203

11. TRADE RECEIVABLES

	2008	2007
	$	$
Trade receivables	4,974,206	4,207,671
Allowance for doubtful debts:		
Balance brought forward	(139,807)	(156,079)
Current year's allowance	(52,086)	(2,000)
Bad debts written off against allowance	18,000	1,124
Allowance written back	-	17,148
Balance carried forward	(173,893)	(139,807)
	4,800,313	4,067,864
Accrued receivables	1,903,680	2,155,159
	6,703,993	6,223,023

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoices amounts which represent their fair values on initial recognised.

12. OTHER RECEIVABLES

	2008	2007
	$	$
Deposits	17,646	6,245
Interest receivables	145,824	166,916
Non-trade receivables	446	35,000
Prepayments	13,419	41,231
Tax refundable	-	3,240
	177,335	252,632

Non-trade receivables and deposits are unsecured, interest-free and expected to be repayable on demand.

13. AMOUNT OWING BY ASSOCIATED COMPANY

	2008	2007
	$	$
Amount owing by associated company:		
- trade	68,584	85,485

The amount owing by the associated company is unsecured, interest-free and is repayable on demand.

14. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

All fixed deposits mature within one year and bear interest at 0.47% to 1.3125% (2007: 1.6500% to 2.4375%) per annum.

15. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 days' term.

16. OTHER PAYABLES

	2008	2007
	$	$
Non-trade payables	1,125,746	166,586
Accruals	2,269,042	1,614,268
Deposits received	9,305	40,371
Others	72,716	74,472
	3,476,809	1,895,697

Other payables are unsecured, non-interest bearing and are normally settled on demand.

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16. OTHER PAYABLES (continued)

Included in non-trade payables is a balance of funding from strategic partner amounting to $838,382 (2007: $126,939).

The funding from strategic partner aims to equip inmates with employability and industry skills and place them into jobs prior to their release.

17. LEASING INCOME

These are charges for inmates services rendered to firms and use of industrial space under the Private Sector Participation Scheme.

18. INCOME FROM INVESTMENTS

	2008	2007
	$	$
Amortisation of investment in bonds	11,807	29,528
Dividend income from equity shares	15,830	18,000
Interest from bonds	584,460	602,203
	612,097	649,731

19. SHARE OF LOSS IN ASSOCIATED COMPANY

	2008	2007
	$	$
Reversal of impairment loss recognised during the year	40,000	88,000
Share of loss of associated company	(63,038)	(99,463)
	(23,038)	(11,463)

20. MANPOWER COSTS

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

	2008	2007
	$	$
Manpower cost allocation - funding from strategic partner	221,960	-
Central Provident Fund contributions	763,379	709,063
Salaries, wages and bonuses	6,913,431	6,113,776
	7,898,770	6,822,839

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21. CASH AND CASH EQUIVALENTS

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

	2008	2007
	$	$
Fixed deposits with financial institutions	10,717,422	5,539,297
Cash and bank balances	168,795	205,174
	10,886,217	5,744,471

22. KEY MANAGEMENT PERSONNEL COMPENSATION

	2008	2007
	$	$
(a) Board members' remuneration	47,083	40,000
(b) Other key management members' remuneration		
Short-term employee benefits	582,108	404,517
	629,191	444,517

23. RELATED PARTY DISCLOSURES

Significant transactions with related parties, not otherwise disclosed in the financial statements, are as follows:-

	2008	2007
	$	$
With an associated company		
Leasing income	102,625	127,180
Material costs	35,730	6,597

Related party transactions are based on terms agreed between the parties.

24. CONTINGENT LIABILITIES

As at the balance sheet date, the Corporation has bankers' guarantees which have not been provided for in the financial statements.

	2008	2007
	$	$
Bankers' guarantees issued on behalf of third parties	295,012	312,996
Bankers' guarantees in respect of service contracts	388,138	370,450
	683,150	683,446

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25. OPERATING LEASE COMMITMENTS

As at the balance sheet date, the Corporation has the following commitments under non-cancellable operating leases where the Corporation is the lessee:

	2008	2007
	$	$
Payable within 1 year	195,600	70,200
Payable after 1 year but not later than 5 years	337,950	-
	533,550	70,200

The above operating lease commitments are based on known rental rates as at the date of this report and do not include any revision in rates which may be determined by the lessor.

26. FINANCIAL RISK MANAGEMENT

The main risks arising from the Corporation's financial statements are credit risk, interest rate risk, liquidity risk and equity price risk. The Corporation's management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) 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.

The Corporation determines concentrations of credit risk by monitoring the business segment profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Corporation's trade receivables by business segments at the balance sheet date is as follows:-

	2008	2007
	$	$
By business segments		
Leasing	1,303,557	1,018,149
Sub-contracting	633,172	565,288
Bakery	410,117	401,487
Food services	1,973,646	1,125,955
Laundry	2,374,470	3,088,621
SCORE digital media	9,031	23,523
	6,703,993	6,223,023

26. FINANCIAL RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Financial assets that are past due but not impaired

The Corporation has trade receivables that are past due but not impaired. These trade receivables are unsecured and the analysis of their aging at balance sheet date is as follows:

	2008	2007
	$	$
Trade receivables past due:		
Past due 0 to 3 months	1,556,356	1,531,866
Past due 3 to 6 months	553,404	301,860
Past due 9 to 12 months	41,920	-
	2,151,680	1,833,726

Financial assets that are impaired

The carrying amount of trade receivables individually determined to be impaired as at the balance sheet date is $258,140 (2007: $139,807). The movements in the related allowance for impairment are disclosed in note 11 to the financial statements.

	2008	2007
	$	$
Trade receivables - gross amount	258,140	139,807
Less: Allowance for impairment	(173,893)	(139,807)
	84,247	-

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. Trade receivables amounting to $78,000 is secured by a bankers' guarantee while the balance of $6,247 is not secured by any collateral or credit enhancements.

(ii) Interest rate risk

The Corporation does not have any interest-bearing financial liabilities. Its only exposure to changes in interest rates relates to interest-earning bank deposits. 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.

The interest rates and terms of maturity of financial assets of the Corporation are disclosed in the notes to the financial statements except for the bank balances.

(iii) 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. Trade and other liabilities are due and payable less than 1 year at the balance sheet date.

26. FINANCIAL RISK MANAGEMENT (continued)

(iv) Equity price risk

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

Sensitivity analysis

A 10% increase/(decrease) in the underlying equity shares prices at the reporting date would increase/(decrease) equity by the following amount:

	2008	2007
	$	$
Equity	119,004	32,700

This analysis assumes that all other variables remain constant.

27. CAPITAL MANAGEMENT

The primary objective of the Corporation is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure. The Corporation monitors its cash flow, debt maturity profile, cost of funds and overall liquidity position on a continuous basis.

The Corporation is not subject to externally imposed capital requirements and there were no changes to the Corporation approach to capital management during the year.

28. 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 and Unquoted investments

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

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