

ANNUAL REPORT 2006

FINANCIAL CONTENTS

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REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2006.

1. Directors

The Directors of the Company in office at the date of this report are:

Mr. Chew Hua Seng
 Mr. Gay Chee Cheong
 Mr. Henry Tan Song Kok
 Prof. Tan Teck Meng (Appointed on 13 January 2006)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, except for the share options as described in paragraph 5 below.

3. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of Directors and company in which interests are held	Holdings registered in names of Directors		Holdings in which Directors are deemed to have interests	
	At beginning of year/At date of appointment	At end of year	At beginning of year/At date of appointment	At end of year
Interests in Raffles Education Corporation Limited				
			Ordinary shares of \$0.025 each *	
Mr. Chew Hua Seng	53,880,000	54,880,000	145,120,000	145,620,000
Mr. Gay Chee Cheong	28,000,000	28,150,000	-	-
Mr. Henry Tan Song Kok	50,000	320,000	-	-
Prof. Tan Teck Meng	55,000	55,000	-	-

REPORT OF THE DIRECTORS

3. Directors' interests in shares or debentures (Continued)

Name of Directors and company in which interests are held	Holdings registered in names of Directors		Holdings in which Directors are deemed to have interests	
	At beginning of year/At date of appointment	At end of year	At beginning of year/At date of appointment	At end of year
Options to subscribe for ordinary shares in Raffles Education Corporation Limited				
	Ordinary shares of \$0.025 each *			
Mr. Chew Hua Seng	1,000,000	1,000,000	500,000	200,000
Mr. Gay Chee Cheong	150,000	100,000	-	-
Mr. Henry Tan Song Kok	270,000	100,000	-	-
Prof. Tan Teck Meng	-	100,000	-	-
Interests in Hartford Education Corporation Limited				
	Ordinary shares of \$0.05 each *			
Mr. Chew Hua Seng	1,760,000	-	36,003,000	83,496,000
Prof. Tan Teck Meng	60,300	-	-	-
	Number of options to subscribe for ordinary shares			
Mr. Gay Chee Cheong	-	75,000	-	-

* The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Companies Act, Chapter 50 was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts.

From 30 January 2006, share capital does not have a par value and there is no authorised share capital.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 July 2006 in the shares of the Company and its related corporations have not changed from those disclosed as at 30 June 2006.

By virtue of Section 7 of the Act, Mr. Chew Hua Seng is deemed to have interests in the Company and in all the related companies/corporations of the Company as at the beginning and end of the financial year.

4. Directors' contractual benefits

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

5. Share options

- (a) The Raffles LaSalle Employees' Share Options Scheme (Year 2001) was approved by the shareholders at the Extraordinary Meeting held on 28 August 2000. On 30 November 2004, the employees' share options scheme is renamed as "Raffles Education Corp Employees' Share Options Scheme (Year 2001)" (the "Scheme").

The Scheme is administered by a committee (the "Committee") appointed and authorised by the Directors to administer the Scheme. The Committee consist of directors and such other persons as may be nominated by the Company, including directors or persons who may be participants (the "Participants") of the Scheme. A member of the Committee who is also a Participant of the Scheme must not be involved in its deliberations in respect of options granted or to be granted to him.

The Committee administering the Scheme comprises Mr. Chew Hua Seng, Mr. Henry Tan Song Kok and Prof. Tan Teck Meng.

REPORT OF THE DIRECTORS

5. Share options (Continued)

- (b) Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company. The Committee may at its discretion, fix the subscription price at a discount up to 20% off market price or fix at a price equal to the average of the last dealt market prices for a share for the 5 consecutive market days immediately preceding the grant of the options. The consideration for the grant of an option is \$1.00. Options granted with the market price set at a discount to the market price shall only be exercised on the second anniversary but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in the Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted with the subscription price fixed at an average price of the last dealt market prices for a share for the 5 consecutive days immediately preceding the grant of the options shall only be exercised after the first anniversary of the date of grant of these options but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in the Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Company.

The number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

- (c) Under the Scheme, share options granted and exercised/cancelled during the financial year and outstanding as at 30 June 2006 were as follows:

Date of grant	At 1.7.2005 or date of grant, whichever is later ('000)	Exercised ('000)	Expired/ Cancelled ('000)	Balance as at 30 June 2006 ('000)	Subscription price \$	Exercise period
4 September 2002	216	(72)	(144)	-	0.1249 *	4 September 2003 to 3 September 2012
7 August 2003	796	(567)	(69)	160	0.2467 *	7 August 2004 to 6 August 2013
25 August 2003	240	(240)	-	-	0.2620 *	25 August 2004 to 24 August 2008
22 October 2003	300	(300)	-	-	0.4700 *	22 October 2004 to 21 October 2013
22 October 2003	300	-	(300)	-	0.4700 *	22 October 2004 to 21 October 2008
21 September 2004	1,837	(1,395)	(213)	229	0.5600	21 September 2005 to 20 September 2014
30 November 2004	1,250	(1,250)	-	-	0.5800	30 November 2005 to 29 November 2014
30 November 2004	450	(450)	-	-	0.5800	30 November 2005 to 29 November 2009
7 February 2005	2,040	(1,625)	(255)	160	0.7000	7 February 2006 to 6 February 2015
12 October 2005	1,609	-	(106)	1,503	0.8900	12 October 2006 to 11 October 2015
12 October 2005	300	-	-	300	0.8900	12 October 2006 to 11 October 2010
14 February 2006	100	-	-	100	1.9800	14 February 2007 to 13 February 2011
14 March 2006	100	-	-	100	1.9800	14 March 2007 to 13 March 2016
4 April 2006	1,200	-	-	1,200	2.3100	4 April 2007 to 3 April 2011
4 April 2006	30	-	-	30	2.3100	4 April 2007 to 3 April 2016
	10,768	(5,899)	(1,087)	3,782		

- * Adjustment arisen from the Share Split of 1 ordinary share of \$0.05 each divided into 2 ordinary shares of \$0.025 each in financial year 2005.

REPORT OF THE DIRECTORS

5. Share options (Continued)

- (d) Aggregate options granted to Directors and controlling shareholders of the Company under the Scheme since the commencement of the Scheme and adjusted for the Share Split in financial year 2005 are as follows:

	Options granted during the financial year ended 30 June 2006 ('000)	Aggregate options granted since the commencement of the Scheme to 30 June 2006 ('000)	Aggregate options exercised since the commencement of the Scheme to 30 June 2006 ('000)	Aggregate options outstanding as at 30 June 2006 ('000)
Mr. Chew Hua Seng	1,000	3,500	(2,500)	1,000
Mr. Henry Tan Song Kok	100	670	(570)	100
Prof. Tan Teck Meng	100	100	-	100
Mr. Gay Chee Cheong	100	400	(300)	100
Ms. Chung Gim Lian	200	700	(500)	200
	<u>1,500</u>	<u>5,370</u>	<u>(3,870)</u>	<u>1,500</u>

- (e) The number and proportion of options granted during the financial year at:
- (i) a discount of 10% or less off market price - nil
 - (ii) a discount of more than 10% off market price - nil
- (f) During the financial year, no employee received 5% or more of the total number of options, available under the Scheme.
- (g) There are no options granted to participants who are controlling shareholders of the Company and their associates except for options granted to Mr. Chew Hua Seng and Ms. Chung Gim Lian, as disclosed above.
- (h) During the financial year, no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares.
- (i) These options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.
- (j) At the end of the financial year, there were no unissued shares of any subsidiary under option.

REPORT OF THE DIRECTORS

6. Audit Committee

The Audit Committee comprises the following members, one of whom is non-executive Director and a majority of whom, including the Chairman, are Independent Directors. The members of the Audit Committee during the financial year and at the date of this report are:

Mr. Henry Tan Song Kok (Chairman)	-	Independent Director
Mr. Gay Chee Cheong	-	Non-Executive Director
Prof. Tan Teck Meng	-	Independent Director

The Audit Committee performs the functions specified in Section 201B(5) of the Singapore Companies Act. In performing those functions, the Audit Committee reviewed the audit plans and the overall scope of examination by the external auditors of the Group and of the Company. The Audit Committee also reviewed the independence of the external auditors of the Company and the nature and extent of non-audit services provided by the external auditors.

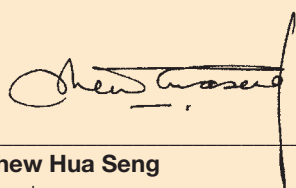
The Audit Committee also reviewed the assistance provided by the Company's officers to the external auditors and the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2006 as well as the external auditors' report on these financial statements thereon prior to their submission to the Directors of the Company for adoption.

The Audit Committee has recommended to the Board of Directors the nomination of BDO Raffles, for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

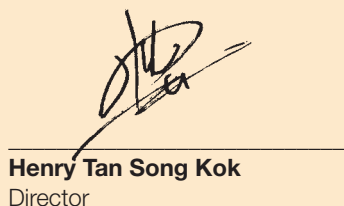
7. Auditors

The auditors, BDO Raffles have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Chew Hua Seng
Director



Henry Tan Song Kok
Director

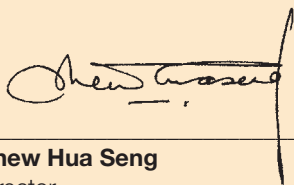
Singapore
29 September 2006

STATEMENT BY DIRECTORS

In our opinion,

- (a) the accompanying financial statements comprising the balance sheets of the Group and of the Company, consolidated profit and loss account, statement of changes in equity of the Group and of the Company and consolidated cash flow statement together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2006 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Chew Hua Seng
Director



Henry Tan Song Kok
Director

Singapore
29 September 2006

AUDITORS' REPORT


AUDITORS' REPORT TO THE MEMBERS OF RAFFLES EDUCATION CORPORATION LIMITED

We have audited the accompanying financial statements of Raffles Education Corporation Limited and of the Group comprising the balance sheets of the Group and of the Company as at 30 June 2006, consolidated profit and loss account, statement of changes in equity of the Group and of the Company, and consolidated cash flow statement of the Group set out on pages 37 to 81 for the financial year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for financial year ended 30 June 2005 were audited by another firm of auditors whose audit report dated 10 October 2005 expressed an unqualified opinion on those financial statements.

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 Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2006 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



BDO Raffles
Certified Public Accountants

Singapore
29 September 2006

BALANCE SHEETS

AS AT 30 JUNE 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current assets					
Plant and equipment	4	8,149	5,963	-	-
Investment in subsidiaries	5	-	-	29,991	23,448
Investment in associates	6	-	-	-	253
Intangible assets	7	23,082	12,537	-	-
		<u>31,231</u>	<u>18,500</u>	<u>29,991</u>	<u>23,701</u>
Current assets					
Inventories		131	-	-	-
Trade and other receivables	8	24,705	18,310	17,109	13,054
Cash and cash equivalents	9	19,709	12,547	363	494
		<u>44,545</u>	<u>30,857</u>	<u>17,472</u>	<u>13,548</u>
Less:					
Current liabilities					
Trade and other payables	10	23,843	17,735	6,871	8,516
Dividends payable		6,410	2,537	6,410	2,537
Income tax payable		3,601	3,501	1,663	1,032
Bank overdrafts	11	4,511	-	4,498	-
		<u>38,365</u>	<u>23,773</u>	<u>19,442</u>	<u>12,085</u>
Net current assets/(liabilities)		<u>6,180</u>	<u>7,084</u>	<u>(1,970)</u>	<u>1,463</u>
Non-current liabilities					
Deferred tax liabilities	12	(222)	(105)	-	-
		<u>37,189</u>	<u>25,479</u>	<u>28,021</u>	<u>25,164</u>
Capital and reserves					
Share capital	13	18,446	12,685	18,446	12,685
Share premium	14	-	1,832	-	1,832
Reserves	15	15,650	9,475	9,575	10,647
Interest of equity holders of the Company		34,096	23,992	28,021	25,164
Minority interests		3,093	1,487	-	-
		<u>37,189</u>	<u>25,479</u>	<u>28,021</u>	<u>25,164</u>

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

		Group	
	Note	2006 \$'000	2005 \$'000
Revenue	16	90,062	59,404
Other operating income	17	717	910
Administrative expenses		(55,738)	(40,364)
Finance cost	18	(171)	(12)
Profit before income tax	19	34,870	19,938
Income tax expense	20	(2,186)	(2,663)
Profit after income tax		<u>32,684</u>	<u>17,275</u>
Attributable to:			
Equity holders of the Company		32,269	17,214
Minority interests		415	61
		<u>32,684</u>	<u>17,275</u>
Basic earnings per share (cents)	21	<u>6.33</u>	<u>3.41</u>
Diluted earnings per share (cents)	21	<u>6.29</u>	<u>3.39</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Group	Note	Attributable to equity holders of the Company							Total equity \$'000	
		Share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Proposed dividend \$'000	Share options reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000		Minority interests \$'000
Balance at 1 July 2005, as restated		12,685	1,832	(30)	5,074	500	3,931	23,992	1,487	25,479
Adjustment for effective control of a subsidiary		-	-	-	-	-	(1,438)	(1,438)	-	(1,438)
Foreign currency translation differences		-	-	(386)	-	-	-	(386)	120	(266)
Net profit for the year		-	-	-	-	-	32,269	32,269	415	32,684
Share-based payments	23	-	-	-	-	689	-	689	-	689
Share options exercised	13 & 23	3,929	-	-	-	(671)	-	3,258	-	3,258
Effect of Companies (Amendment) Act 2005	13 & 14	1,832	(1,832)	-	-	-	-	-	-	-
Dividends paid	22	-	-	-	(5,074)	-	(12,804)	(17,878)	-	(17,878)
Interim dividend declared	22	-	-	-	-	-	(6,410)	(6,410)	-	(6,410)
Rights issue by subsidiary (net of expenses)		-	-	-	-	-	-	-	1,071	1,071
Balance at 30 June 2006		18,446	-	(416)	-	518	15,548	34,096	3,093	37,189
Balance at 1 July 2004		12,523	290	227	2,505	-	(598)	14,947	1,441	16,388
Foreign currency translation differences		-	-	(257)	-	-	-	(257)	(15)	(272)
Net profit for the year		-	-	-	-	-	17,714	17,714	61	17,775
- as previously reported		-	-	-	-	-	(500)	-	-	-
- effect of adopting FRS 102	2 (b)	-	-	-	-	500	-	-	-	-
- as restated		-	-	-	-	500	17,214	17,714	61	17,775
Issue of shares	13	162	1,542	-	-	-	-	1,704	-	1,704
Dividends paid	22	-	-	-	(2,505)	-	(5,074)	(7,579)	-	(7,579)
Interim dividend declared	22	-	-	-	-	-	(2,537)	(2,537)	-	(2,537)
Proposed final dividend	22	-	-	-	5,074	-	(5,074)	-	-	-
Balance at 30 June 2005, as restated		12,685	1,832	(30)	5,074	500	3,931	23,992	1,487	25,479

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Company	Note	Share capital \$'000	Share premium \$'000	Proposed dividend \$'000	Share options reserve \$'000 Note 15	Accumulated profits \$'000	Total \$'000
Balance at 1 July 2005, as restated		12,685	1,832	5,074	500	5,073	25,164
Net profit for the year		-	-	-	-	23,263	23,263
Share-based payments		-	-	-	624	-	624
Share options exercised	13 & 23	3,929	-	-	(671)	-	3,258
Effect of Companies (Amendment) Act 2005	13 & 14	1,832	(1,832)	-	-	-	-
Dividends paid	22	-	-	(5,074)	-	(12,804)	(17,878)
Interim dividend declared	22	-	-	-	-	(6,410)	(6,410)
Balance at 30 June 2006		<u>18,446</u>	<u>-</u>	<u>-</u>	<u>453</u>	<u>9,122</u>	<u>28,021</u>
Balance at 1 July 2004		12,523	290	2,505	-	1,020	16,338
Net profit for the year							
- as previously reported		-	-	-	-	17,238	17,238
- effect of adopting FRS 102	2(b)	-	-	-	500	(500)	-
- as restated		-	-	-	500	16,738	17,238
Issue of shares	13	162	1,542	-	-	-	1,704
Dividends paid	22	-	-	(2,505)	-	(5,074)	(7,579)
Interim dividend declared	22	-	-	-	-	(2,537)	(2,537)
Proposed final dividend	22	-	-	5,074	-	(5,074)	-
Balance at 30 June 2005, as restated		<u>12,685</u>	<u>1,832</u>	<u>5,074</u>	<u>500</u>	<u>5,073</u>	<u>25,164</u>

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 \$'000	2005 \$'000
Cash flows from operating activities			
Profit before income tax		34,870	19,938
Adjustments for:			
Depreciation for plant and equipment		2,590	1,819
Loss on sale of plant and equipment		101	26
Interest expense		171	12
Amortisation of intangible assets		55	-
Interest income		(262)	(112)
Gain on waiver of loan by minority shareholder		(16)	-
Share-based payments		689	500
Operating profit before working capital changes		38,198	22,183
Working capital changes:			
Trade and other receivables		(6,401)	(8,980)
Inventories		(131)	25
Tuition fees received in advance		(943)	196
Trade and other payables		(4,413)	2,058
Cash generated from operations		26,310	15,482
Interest paid		(171)	(12)
Interest received		262	112
Income tax paid		(2,169)	(817)
Net cash from operating activities		24,232	14,765
Cash flows used in investing activities			
Proceeds from sale of plant and equipment		238	6
Purchases of plant and equipment		(3,325)	(4,370)
Acquisition of subsidiaries, net of cash acquired	24	17	(4,225)
Course development expenses		-	(159)
Purchase of software system		(47)	-
Intangible assets acquired		(2,113)	-
Rights issue proceeds received from minority shareholders of subsidiary (net of expenses)		1,071	-
Net cash used in investing activities		(4,159)	(8,748)
Cash flows used in financing activities			
Bank overdrafts		-	(2,301)
Proceeds from issue of new shares		3,258	1,704
Dividend payments to minority shareholders		(202)	(159)
Dividend payments to shareholders		(20,415)	(10,084)
Net cash used in financing activities		(17,359)	(10,840)
Net effect of exchange rate changes in consolidating foreign subsidiaries		(63)	(136)
Net increase/(decrease) in cash and cash equivalents		2,651	(4,959)
Cash and cash equivalents at beginning of financial year		12,547	17,506
Cash and cash equivalents at end of financial year	9	15,198	12,547

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

1. General corporate information

The balance sheet of Raffles Education Corporation Limited ("Company") and the consolidated financial statements of the Group for the financial year ended 30 June 2006 were authorised for issue in accordance with a Directors' resolution dated 29 September 2006.

The Company is incorporated in the Republic of Singapore with its principal place of business and registered office at 11 Beach Road #01-02, Singapore 189675. The Company's registration number is 199400712N. The Company is listed on Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of an investment holding company and provision of office support services.

The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2. Significant accounting policies

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of Financial Reporting Standards ("INT FRS").

The preparation of financial statements in conformity with FRS and INT FRS requires Directors of the Company to exercise their judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement of complexity, are disclosed in Note 3 to the financial statements.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below.

(b) Changes in accounting standards

From 1 July 2005, the Group and the Company adopted all the new and revised FRS and INT FRS issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRS and INT FRS has no material effect on the financial statements except as follows:

FRS 102 - Share-based Payments

FRS 102 requires the Company and the Group to recognise an expense in the profit and loss account with a corresponding increase in equity for share options granted after 22 November 2002 and not vested by 1 January 2005. The total amount to be recognised as expense in the profit and loss account is determined by reference to the fair value of share options at the date of grant and the number of share options to be vested by vesting date. At every balance sheet date, the Company and the Group revise its estimate of the number of share options that are expected to vest by the vesting date. Any revision to this estimate is included in the profit and loss account and a corresponding adjustment to equity over the remaining vesting period.

The application of FRS 102 is retrospective and accordingly, the comparative financial statements are restated and the financial impact of the Group is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(b) Changes in accounting standards (Continued)

	Increased/(decreased) by \$'000
Profit for the financial year 2005	(500)
Profit for the financial year 2006	(689)
Share options reserve as at 30 June 2005	500
Share options reserve as at 30 June 2006	18

	Decreased by cents
Basic and diluted earnings per share as at 30 June 2005	0.10
Basic and diluted earnings per share as at 30 June 2006	0.13

FRS and INT FRS issued but not yet effective

The Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 40 : Investment Property	1 January 2007
FRS 106 : Exploration for and Evaluation of Mineral Resources	1 January 2006
FRS 107 : Financial Instruments: Disclosures	1 January 2007
INT FRS 104 : Determining whether an Arrangement Contains a Lease	1 January 2006
INT FRS 105 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
INT FRS 106 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
INT FRS 107 : Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108 : Scope of FRS 102	1 May 2006
INT FRS 109 : Reassessment of Embedded Derivatives	1 June 2006

The Group and the Company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application.

(c) Basis of consolidation

The purchase method of accounting is used to account for the acquisitions of subsidiaries and businesses. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(c) Basis of consolidation (Continued)

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2 (g) to the financial statements.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill in the consolidated profit and loss account of the Group on the date of acquisition.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated profit and loss account of the Group.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is calculated on the straight-line method so as to write off the costs of the plant and equipment over their estimated useful lives as follows:

	%
Renovation	10 to 33
Furniture, fittings and equipment	20 to 33
Computer and equipment	33

Fully depreciated plant and equipment are retained in the financial statements until such time when they are no longer in use.

The residual value, useful life and depreciation method of plant and equipment are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the items of plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the profit and loss account. Any amount in the revaluation reserve relating to that asset is transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(e) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding, of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated at cost on the Company's balance sheet less impairment in value, if any.

(f) Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements of the Group using the equity method of accounting. Investments in associates in the consolidated balance sheet include goodwill identified on acquisition, where applicable.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the financial year in which the investment is acquired.

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

Equity accounting involves recording investments in associates on the consolidated balance sheet initially at cost, and recognising the Group's share of its associates' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. The Group's share of the profit or loss of its associates is recognised in the consolidated profit and loss account. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The latest audited financial statements of the associates are used by the Group in applying the equity method of accounting.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

After application of the equity method of accounting, the Group determines whether it is necessary to recognise any impairment in value with respect to the Group's net investments in associates. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

(g) Intangible assets

Goodwill

Goodwill is initially measured at cost being the excess of the cost of a business combination or cost of an acquisition of an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less impairment in value, if any.

Goodwill acquired in a business combination is included in intangible assets. Goodwill on acquisition of an associate is included in investments in associates.

Gains and losses on the disposal of a business combination or an associate include the carrying amount of goodwill relating to the entity or business sold.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(g) Intangible assets (Continued)

Intellectual properties

Intellectual properties with infinite useful life are measured initially at purchase cost and are subsequently measured at cost less any accumulated impairment losses.

Expenditure on course development

Costs incurred for development are written-off as an expense when incurred, except those relating to a specific project in Mongolia which are stated at cost less accumulated amortisation and impairment in value, if any.

For the specific project in Mongolia, the costs incurred for development of courses whereby commercial viability is reasonably assured are deferred and allocated upon completion of the development of the courses to future accounting periods. These will be amortised against future revenue derived from the commencement of the course over a period of three years. Such costs are written off in the financial year where there is no reasonable assurance that the amounts deferred could be recovered from the expected future benefits.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are stated at cost less accumulated amortisation and accumulated impairment in value, if any. These costs are amortised using the straight-line method over their estimated useful lives of three years.

(h) Impairment

Non-financial assets other than goodwill

The carrying amounts of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in value and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset (intangible assets with indefinite useful life and intangible assets not yet available for use) is required, the asset's recoverable amount is estimated.

An impairment in value is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment in value is recognised in the profit and loss account.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment in value is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment in value is reversed only 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 in value has been recognised. Reversals of impairment in value are recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(h) Impairment (Continued)

Goodwill

Goodwill is tested annually for impairment, as well as when there is any indication that the goodwill may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit including the goodwill, the impairment in value is recognised in the profit and loss account and allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment in value recognised for goodwill is not reversed in subsequent period.

Impairment of financial assets

The Group and the Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets measured at amortised cost

If there is objective evidence that an impairment in value on loans and receivables measured at amortised cost has been incurred, the amount of the impairment in value is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment in value is recognised in the profit and loss account.

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

(i) Inventories

Inventories comprising mainly of teaching materials are measured at the lower of cost (first-in first-out method) and net realisable value. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

(j) Financial assets

Financial assets of the Group and of the Company within the scope of FRS 39 comprise loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are recognised on the balance sheet when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. The Group and the Company determine the classification of their financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year end.

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

Loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(k) Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries and associates are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2 (j).

An allowance is made for uncollectible amounts when there is objective evidence that the Group and the Company will not be able to collect the debts. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2 (h).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks and financial institutions. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short-term deposits carried in the balance sheets are classified and accounted as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2 (j).

(m) Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group and the Company become parties to the contractual provisions of the financial instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

(n) Trade and other payables

Trade and other payables, including amounts due to Directors, subsidiaries and related parties are recognised initially at fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group or to the Company, and are subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation 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 of the amount of the obligation can be made. The expense relating to any provision is recognised in the profit and loss account.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(p) Finance lease payables

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Finance lease payments are apportioned between the finance charges and reduction of the finance lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(p) Finance lease payables (Continued)

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

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds.

(r) Revenue recognition

Tuition fees and course fees and related instruction costs are recognised over the period of instruction.

Revenue from rendering of management and registration services is recognised when the services are completed.

Interest income is accrued on a time-apportionment basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the right to receive payment has been established.

(s) Income tax

Income tax for the financial year comprises current and deferred taxes. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case such income tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are charged or credited, in the same or a different period, directly to equity.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and can be offset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(t) Operating leases

As lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(u) Employee benefits

Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the profit and loss account in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

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

Share-based payment

Share options of the Company are granted to the Directors and selected full-time employees of the Company and its subsidiary companies under the "Raffles Education Corp Employees' Share Option Scheme".

The cost of equity settled transactions with employees is measured by reference to the fair value of the date on which the share options are granted. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the profit and loss account with a corresponding increase in the share options reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions on the date of grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the entity revised its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(v) Finance costs

Interest expense and similar charges are expensed in the profit and loss account in the financial year in which they are incurred. The interest component of finance lease payments is recognised in profit and loss account at the effective interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(w) Foreign currencies transactions and translation

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency of the consolidated financial statements.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates prevailing at the date the fair value was determined.

Exchange differences arising on the settlement of monetary items and on translation of monetary items at the balance sheet date are recognised in the profit and loss account for the financial year.

For the purpose of presenting consolidated financial statements of the Group and the balance sheet of the Company, the results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the foreign currency translation reserve/(account) within equity.

Goodwill and fair value adjustments arising on acquisition of a non-Singapore operation are treated as assets and liabilities of the non-Singapore operation and are recorded in the functional currency of the non-Singapore operation and translated at the closing exchange rate at the balance sheet date.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the consolidated profit and loss account as a component of the gain or loss on disposal.

(x) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders. Dividends proposed or declared after the balance sheet dates are not recognised as a liability at the balance sheet date.

(y) Segment reporting

A segment is a distinguishable component of the Group's business that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Intra-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

2. Significant accounting policies (Continued)

(z) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3. Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company'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.

Key sources of estimation uncertainty

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

(a) Depreciation of plant and equipment and amortisation of expenditure on course development and computer software

These assets are depreciated or amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 10 years. The carrying amounts for the Group's plant and equipment, expenditure on course development and computer software as at 30 June 2006 are \$8,149,000, \$108,000 and \$36,000 (2005: \$5,963,000, \$159,000 and \$nil) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised.

(b) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provisions for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action.

The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the financial tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payable as at 30 June 2006 was approximately \$3,601,000 (2005: \$3,501,000).

(c) Impairment of goodwill

The Directors of the Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2006 was \$14,505,000 (2005: \$6,242,000). More details are given in Note 7.

(d) Impairment of investments in subsidiaries, associates and financial assets

The Directors of the Company follow the guidance of FRS 39 in determining whether investment in subsidiaries, associates or financial asset are other than temporary impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and 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 financing cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

3. Critical accounting estimates and judgements (Continued)

(d) Impairment of investments in subsidiaries, associates and financial assets (Continued)

Management's assessment for impairment of investment in subsidiaries is based on the estimation of value in use of the cash-generating unit ("CGU") by forecasting the expected future cash flows for a period of up to 4 years, using a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries and associates at 30 June 2006 were \$29,991,000 and \$Nil (2005: \$23,448,000 and \$253,000) respectively.

4. Plant and equipment

Group 2006	Renovation \$'000	Furniture, fittings and equipment \$'000	Computer equipment \$'000	Total \$'000
Cost				
Balance at 1 July 2005	3,615	4,406	5,421	13,442
Arising from acquisition of subsidiaries	216	438	1,299	1,953
Additions	1,237	834	1,254	3,325
Disposals	(435)	(419)	(676)	(1,530)
Foreign currency realignment	(94)	(101)	(161)	(356)
Balance at 30 June 2006	<u>4,539</u>	<u>5,158</u>	<u>7,137</u>	<u>16,834</u>
Accumulated depreciation				
Balance at 1 July 2005	1,207	2,271	4,001	7,479
Depreciation charged	718	761	1,111	2,590
Disposals	(235)	(329)	(627)	(1,191)
Foreign currency realignment	(41)	(57)	(95)	(193)
Balance at 30 June 2006	<u>1,649</u>	<u>2,646</u>	<u>4,390</u>	<u>8,685</u>
Net book value				
Balance at 30 June 2006	<u>2,890</u>	<u>2,512</u>	<u>2,747</u>	<u>8,149</u>
2005				
Cost				
Balance at 1 July 2004	2,378	2,617	4,255	9,250
Additions	1,350	1,803	1,217	4,370
Disposals	(82)	(50)	(34)	(166)
Foreign currency realignment	(31)	36	(17)	(12)
Balance at 30 June 2005	<u>3,615</u>	<u>4,406</u>	<u>5,421</u>	<u>13,442</u>
Accumulated depreciation				
Balance at 1 July 2004	872	1,672	3,285	5,829
Depreciation charged	420	648	751	1,819
Disposals	(73)	(40)	(21)	(134)
Foreign currency realignment	(12)	(9)	(14)	(35)
Balance at 30 June 2005	<u>1,207</u>	<u>2,271</u>	<u>4,001</u>	<u>7,479</u>
Net book value				
Balance at 30 June 2005	<u>2,408</u>	<u>2,135</u>	<u>1,420</u>	<u>5,963</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

4. Plant and equipment

	Group	
	2006 \$'000	2005 \$'000
Plant and equipment arising from acquisition of subsidiaries is as follows:		
Acquisition of subsidiaries by the Company	1,279	-
Acquisition of subsidiary by a subsidiary of the Company	51	-
Conversion of an associate to subsidiary	623	-
	1,953	-

5. Investment in subsidiaries

	Company	
	2006 \$'000	2005 \$'000
Unquoted equity shares/capital, at cost	16,476	18,089
Quoted equity shares, at cost	13,515	8,766
	29,991	26,855
Allowance for impairment in value	-	(3,407)
	29,991	23,448
Market value of quoted equity shares	85,166	14,401

Analysis of allowance for impairment in value on investment in subsidiaries during the financial year was as follows:

	Company	
	2006 \$'000	2005 \$'000
Balance at 1 July	3,407	-
Allowance for the financial year	-	3,407
Written off against investment in subsidiary during the financial year	(3,407)	-
Balance at 30 June	-	3,407

Particulars of the subsidiaries are as follows:

Subsidiaries	Effective equity interest held by the Group		Country of incorporation/operation	Principal activities
	2006 %	2005 %		
Raffles Design Institute Pte Ltd (a)	100	100	Singapore	Provision of training programmes and courses in various areas of design and management
Raffles Education Network Pte Ltd (a)	100	100	Singapore	Investment holding
Hartford Education Corporation Limited (formerly known as Hartford Holdings Limited) (a)	70	60	Singapore	Investment holding and provision of management services
DHU-LaSalle International Design College (b) (r)	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

5. Investment in subsidiaries (Continued)

Subsidiaries	Effective equity interest held by the Group		Country of incorporation/operation	Principal activities
	2006 %	2005 %		
Jilin Raffles 2000 Group Pte Ltd (s)	-	100	People's Republic of China	Inactive
Raffles-BICT International College (c) (r)	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles-C.U. International Design College (c) (r)	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles-H.U. International College (c) (r)	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles-Ningbo International College (b) (r)	55	55	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles LaSalle Education Consultancy (Shanghai) Pte Ltd (b) (r)	100	100	People's Republic of China	Provision of consultancy services in various areas of training, marketing and management
Raffles-Changzhou International College* (b) (r)	50	50	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles-Wuhan Design Institute* (d) (r)	50	-	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Raffles LaSalle Institute Pty Ltd (e)	100	100	Australia	Provision of training programmes and courses in various areas of design and management
Raffles KVB Design Institute Pty Ltd (e) #	100	100	Australia	Provision of training programmes and courses in various areas of design

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

5. Investment in subsidiaries (Continued)

Subsidiaries	Effective equity interest held by the Group		Country of incorporation/operation	Principal activities
	2006 %	2005 %		
Raffles Design International India Pvt Ltd (f) (r)	100	100	India	Provision of training programmes and courses in various areas of design and management
Raffles LaSalle International (Thailand) Ltd^ (g)	49	-	Thailand	Provision of training programmes and courses in various areas of design and management
Raffles Design Instituto De Ensino Ltda (h)	100	-	Brazil	Provision of training programmes and courses in various areas of design and management
Total Education Management Solutions Limited (h)	100	-	Malaysia	Provision for services for recruitment, training and consultancy of creative and management of human resources
Creative Search Inc (h)	100	-	Malaysia	Provision for services for recruitment, training and consultancy of creative and management of human resources
PT Raffles Design Institute (h)	100	-	Indonesia	Provision of training programmes and courses in various areas of design and management
Raffles University Holdings Limited (i)	100	-	Guernsey, Channel Islands	Investment holding and engagement of activities relating to education, teaching and learning
Raffles Design Training Centre (Vietnam) (o)	100	-	Vietnam	Provision of training programmes and courses in various areas of design and management
Path Education Corporation Pte Ltd (formerly known as Sidon Investment Pte Ltd) (i) @	100	-	Singapore	Investment holding and provision of management services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

5. Investment in subsidiaries (Continued)

Subsidiaries	Effective equity interest held by the Group		Country of incorporation/ operation	Principal activities
	2006 %	2005 %		
Subsidiary of Raffles Education Network Pte Ltd				
LaSalle College International Holding Pte Ltd *(a)	50	50	Singapore	Sub-licensing of its licensing rights to related companies
Subsidiary of DHU-LaSalle International Design College				
LaSalle International Design College Guangzhou (j) (r)	100	100	People's Republic of China	Provision of training programmes and courses in various areas of design and management
Subsidiaries of Hartford Education Corporation Limited				
Hartford Institute Pte. Ltd. (a)	70	60	Singapore	Provision of distance education and services
Elearningsp.Com Private Limited (a)	70	60	Singapore	Provision of distance education and services
Hartford Institute (H.K.) Limited (k)	70	60	Hong Kong	Provision of distance education and services
Hartford Institute Mongolia Ltd (l)	53	45	Mongolia	Provision of distance education and services
Hartford Management Centre Sdn Bhd (m)	49	42	Malaysia	Provision of educational counselling services
Hartford Management Centre (Chengdu) Pte Ltd (n)	-	42	Singapore/ People's Republic of China	Inactive
Hartford Business Training Centre Vietnam (o)	70	-	Vietnam	Provider of education services
Hartford Institute (New Zealand) Ltd (p)	70	-	New Zealand	Provider of education services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

5. Investment in subsidiaries (Continued)

Subsidiaries	Effective equity interest held by the Group		Country of Incorporation/operation	Principal activities
	2006	2005		
	%	%		
Subsidiary of Path Education Corporation Pte Ltd				
MIS Technologies Centre Pte Ltd (a)	100	-	Singapore	Provide academic and IT training and computer technology services
MIS Technologies Centre (HK) Limited (h)	100	-	Hong Kong	Provision of IT training and computer technology services and franchise consultancy
MIS Technologies Centre Sdn Bhd (q)	100	-	Malaysia	Provide academic and IT training and computer technology services
MIS Technologies Centre Australia Pty Ltd (q)	100	-	Australia	Provide academic and IT training and computer technology services
Southern Cross Institute of Language Pty Ltd (q)	100	-	Australia	Provision of English course
Southern Cross International College Pty Ltd (q)	100	-	Australia	Provision of business and IT courses
Subsidiary of MIS Technologies Centre Sdn Bhd				
Path MSC Research & Development Sdn Bhd (q)	100	-	Malaysia	Design, develop, sale and distribution of a fully integrated Enterprise Learning System and Knowledge Distribution Portal etc

Certain investments in subsidiaries are held in trust by a Director or certain employees of the Group.

Notes on subsidiaries:

- # The cost of investment of this subsidiary is subject to adjustment based on the business profit after income tax for the year ended 30 June 2005 to be determined by another independent accountant
- * This is deemed to be a subsidiary of the Company by virtue of management control
- @ The cost of investment of this subsidiary is subject to adjustment based on the business profit after income tax for the financial year ending 31 December 2006 to be audited by a firm of certified public accountants
- ^ This investment has been reclassified from Investment in Associate following the taking over of management control of the investee company by the Company during the financial year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

5. Investment in subsidiaries (Continued)

Notes on subsidiaries : (Continued)

- (a) Audited by BDO Raffles, Singapore
- (b) Audited by BDO Shanghai Zhonghua, China, a member firm of BDO International
- (c) Audited by BDO Reanda, China, a member firm of BDO International
- (d) Audited by BDO Wuhan Zhong Huan CPAs, China, a member firm of BDO International
- (e) Audited by BDO Sydney, Australia, a member firm of BDO International
- (f) Audited by Lodha & Co, India, a member firm of BDO International
- (g) Audited by other firm of auditors, Sunantanawat Karnbanchee, Thailand
- (h) Limited financial review was performed by BDO Raffles for consolidation purposes only
- (i) These subsidiaries are dormant and therefore no audits are performed. Management accounts are used for consolidation purposes
- (j) Audited by BDO Shenzhen Dahua Tiancheng CPAs, China, a member firm of BDO International
- (k) Audited by BDO McCabe Lo & Co., Hong Kong, a member firm of BDO International
- (l) Audited by NIMM Audit Co. Ltd, Mongolia, a member firm of Nexia International
- (m) Audited by BDO Binder, Malaysia, a member firm of BDO International
- (n) On 6 April 2006, this subsidiary submitted an application for strike-off and on 26 June 2006, a notice was published in the Government Gazette to strike-off this subsidiary's name from the register after three months' thereof
- (o) Audited by Auditing and Accounting Financial Consulting Joint Stock Company (AFC), Vietnam, a member firm of BDO International
- (p) Audited by BDO Spicers, New Zealand, a member firm of BDO International
- (q) Limited financial review was performed by BDO Binder for consolidation purposes only
- (r) Audited for consolidation purposes only
- (s) This subsidiary has been written off during the financial year

6. Investment in associates

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unquoted shares, at cost	-	276	-	253
Allowance for impairment in value	-	(29)	-	-
	-	247	-	253
Share of post-acquisition accumulated losses	-	(247)	-	-
	-	-	-	253

Analysis of allowance for impairment in value on investment in associates during the financial year was as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at 1 July	29	29	-	-
Written off against investment in associate during the financial year	(29)	-	-	-
Balance at 30 June	-	29	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

6. Investment in associates (Continued)

Particulars of the associates are as follows:

Associates	Effective equity interest held by the Group		Country of incorporation/operation	Principal activities
	2006	2005		
	%	%		
LaSalle International Design School Sdn Bhd (a)	20	20	Malaysia	Provision of training programmes and courses in various areas of design and management
Raffles LaSalle International (Thailand) Ltd (b) (d)	-	49	Thailand	Provision of training programmes and courses in various areas of design and management
Associate of Hartford Education Corporation Limited				
Pei De Language Training Centre (c) (e)	-	20	People's Republic of China	Provision of English course

Notes on associates:

- (a) Audited by BDO Binder, Malaysia, a member firm of BDO International
- (b) Financial statements for 2005 was audited by other firm of auditors, Sunantanawat Karnbanchee, Thailand
- (c) In financial year 2005, this associate is equity accounted based on unaudited management accounts as the impact on the financial statements was insignificant
- (d) This associate has been reclassified to Investment in Subsidiaries following the taking over of management control of the investee company by the Company during the financial year
- (e) This associate has been written off during the financial year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

7. Intangible assets

Group	Goodwill \$'000	Intellectual properties \$'000	Development costs \$'000	Computer software \$'000	Total \$'000
2006					
Cost					
Balance at 1 July 2005	6,242	6,136	159	-	12,537
Arising from acquisition of subsidiaries	8,263	-	-	-	8,263
Additions	-	2,113	-	47	2,160
Foreign currency realignment	-	184	(8)	-	176
Balance at 30 June 2006	14,505	8,433	151	47	23,136
Accumulated amortisation					
Balance at 1 July 2005	-	-	-	-	-
Amortisation for the financial year	-	-	44	11	55
Foreign currency realignment	-	-	(1)	-	(1)
Balance at 30 June 2006	-	-	43	11	54
Carrying amounts at 30 June 2006	14,505	8,433	108	36	23,082
2005					
At cost and carrying amount:					
Balance at 1 July 2004	6,242	-	-	-	6,242
Arising from acquisition of subsidiaries	-	6,136	-	-	6,136
Additions	-	-	159	-	159
Balance at 30 June 2005	6,242	6,136	159	-	12,537
Group					
	2006	2005			
	\$'000	\$'000			
Hartford Education Corporation Limited	6,242	6,242			
Path Education Corporation Pte Ltd	7,533	-			
Hartford Institute (New Zealand) Ltd	717	-			
Others	13	-			
	14,505	6,242			

The remaining amortisation period for development costs and computer software range from 2 to 3 years.

Goodwill acquired in a business combination is allocated at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment in value, the carrying amount of goodwill had been allocated to the following single CGUs:

The recoverable amount of goodwill arising from the acquisition of quoted investment in Hartford Education Corporation Limited ("Hartford") is based on the fair value of Hartford as reflected in its quoted value on the SGX-ST Dealing and Automated Quotation System as compared with the cost of acquisition of Hartford.

The recoverable amount of goodwill arising from the acquisition of Path Education Corporation Pte Ltd and its subsidiaries, is determined based on the value in use calculation using cash flow projections based on financial budgets approved by Directors of the Company covering a 4-year period based on past performance and their expectations of the market development. The pre-tax discount rate applied to the cash flow projections is 10% and reflect specific risks relating to the business segment and cash flows beyond the 1-year period are extrapolated using a 30% growth rate that is the same as the long-term average growth rate for the industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

7. Intangible assets (Continued)

The recoverable amount of goodwill arising from the acquisition of Hartford Institute (New Zealand) Ltd, is determined based on the value in use calculation using cash flow projections based on financial budgets approved by Directors of the Company covering a 4-year period based on past performance and their expectations of the market development. The pre-tax discount rate applied to the cash flow projections is 5.30% and reflect specific risks relating to the business segment and cash flows beyond the 1-year period are extrapolated using a 30% growth rate that is the same as the long-term average growth rate for the industry.

8. Trade and other receivables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables:				
Third parties	16,811	8,990	-	-
Associates	-	384	384	384
Allowance for doubtful trade receivables	(382)	(82)	-	-
	16,429	9,292	384	384
Other receivables :				
Third parties	1,428	1,165	340	13
Deposits	1,706	1,218	-	-
Prepayments	2,270	1,108	-	-
Recoverables	268	1,902	-	-
Advances to employees	184	14	12	9
Subsidiaries	-	-	14,557	9,303
Associates	2,208	3,611	1,816	3,345
Minority shareholder of a subsidiary	212	-	-	-
	24,705	18,310	17,109	13,054

Analysis of allowance for doubtful trade receivables during the financial year is as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance at 1 July	82	444	-	-
Allowance during the financial year	300	-	-	-
Allowance no longer required	-	(362)	-	-
Balance at 30 June	382	82	-	-

Trade receivables are non-interest bearing and are generally on 30 to 90 day's credit term.

Other receivables comprise mainly receivables in respect of expenses paid on behalf of third parties.

The amounts with subsidiaries had been intended to be settled on net basis.

The amounts due from a related party, associates and subsidiaries, which are non-trade in nature, are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

8. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollar	3	-	4,453	-
Singapore Dollar	3,944	2,532	1,279	23
Renminbi	13,756	6,489	5,382	6,953
Ringgit Malaysia	2,346	1,395	2,200	1,695
Australian Dollar	2,205	4,352	2,123	1,841
Others	2,451	3,542	1,672	2,542
	<u>24,705</u>	<u>18,310</u>	<u>17,109</u>	<u>13,054</u>

9. Cash and cash equivalents

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fixed deposits with banks	8,941	2,856	-	-
Cash and bank balances	10,768	9,691	363	494
	<u>19,709</u>	<u>12,547</u>	<u>363</u>	<u>494</u>
Bank overdrafts (Note 11)	(4,511)	-	(4,498)	-
	<u>15,198</u>	<u>12,457</u>	<u>(4,135)</u>	<u>494</u>

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	9,873	4,769	363	494
Renminbi	6,589	3,653	-	-
Australian Dollar	1,378	2,998	-	-
Others	1,869	1,127	-	-
	<u>19,709</u>	<u>12,547</u>	<u>363</u>	<u>494</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

10. Trade and other payables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables	1,110	1,211	-	-
Subsidiaries	-	-	6,682	3,174
Directors	59	424	-	343
Tuition fees received in advance	9,357	9,298	-	-
Accruals	3,291	6,310	189	198
Purchase consideration payable	7,530	-	-	-
Others	2,496	492	-	4,801*
	<u>23,843</u>	<u>17,735</u>	<u>6,871</u>	<u>8,516</u>

Trade payables are non-interest bearing and are normally settled on 30 to 60 day's term.

The amounts due to Directors and subsidiaries are unsecured, interest-free and repayable on demand.

The amounts with subsidiaries had been intended to be settled on net basis.

Purchase consideration payable for the acquisition of subsidiaries during the financial year is to be partly satisfied by issuance of 3,000,000 new ordinary shares of the Company at \$2.51 per ordinary share.

* In previous financial year, under certain fund remittance agreements with certain third parties, certain subsidiaries had advanced \$4,801,000 (RMB23,650,000) to the representatives of one of the third parties. In return, the aforesaid third party had arranged for their representatives to advance \$4,801,000 to the Company. In return for the representatives of the third party waiving their rights to the related advances to the Company as at the financial year end, the subsidiaries have simultaneously waived their rights to the advances to the representatives of the third party. Accordingly, at the Group level, such advance payable by the Company was fully offset against the related advance receivable recorded in the books of these subsidiaries.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	12,756	5,572	237	3,030
Renminbi	5,288	5,673	5,765	5,486
Australian Dollar	3,271	4,821	869	-
Others	2,528	1,669	-	-
	<u>23,843</u>	<u>17,735</u>	<u>6,871</u>	<u>8,516</u>

11. Bank overdrafts

Group and Company

Bank overdrafts are repayable on demand. The average effective interest rates on bank overdrafts approximated 4.5% (2005 : n/a) per annum.

Bank overdrafts are secured on all the ordinary shares in its subsidiary, Hartford Education Corporation Limited.

The bank overdrafts are fully repaid subsequent to the financial year.

The bank overdrafts are denominated in Singapore dollars.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

12. Deferred tax liabilities

	Group	
	2006 \$'000	2005 \$'000
Balance at 1 July	105	48
Arising from acquisition of subsidiaries	46	-
Recognised in profit and loss account	71	57
Balance at 30 June	222	105

This represents the tax effect of the excess of tax over book depreciation of certain plant and equipment.

13. Share capital

	Group and Company			Group and Company	
	2006	2005	2005	2006 \$'000	2005 \$'000
Number of ordinary shares					
	\$0.025 each*	After share split \$0.025 each	Before share split \$0.05 each		
Authorised share capital:					
Balance at 1 July	800,000,000	400,000,000	400,000,000	20,000	20,000
Share split	-	400,000,000	-	-	-
Effect of Companies (Amendment) Act 2005	(800,000,000)	-	-	(20,000)	-
Balance at 30 June	-	800,000,000	400,000,000	-	20,000
Issued and fully paid:					
Balance at 1 July	507,385,574	-	250,468,787	12,685	12,523
Share options exercised during the year before share split	-	-	682,500	-	34
Share split	-	502,302,574	(251,151,287)	-	-
Effect of Companies (Amendment) Act 2005	-	-	-	1,832	-
Share options exercised during the year after share split	5,899,000	5,083,000	-	3,929	128
Balance at 30 June	513,284,574	507,385,574	-	18,446	12,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

13. Share capital (Continued)

- (a) During the current financial year, the Company issued 5,899,000 ordinary shares at a premium under the Raffles Education Corp Employees' Share Options Scheme.
- (b) During the previous financial year, the Company:
- (i) issued 682,500 ordinary shares of \$0.05 each (before share split) and 5,083,000 ordinary shares of \$0.025 each (after share split) at a premium under the Raffles Education Corp Employees' Share Option Scheme.
 - (ii) split 1 ordinary share of \$0.05 each into 2 ordinary shares of \$0.025 each in the share capital of the Company. This resulted in an increase in the number of shares from 251,151,287 ordinary shares of \$0.05 each to 502,302,574 ordinary shares of \$0.025 each.
- (c) As at 30 June 2006, the Company has 3,782,000 (2005: 7,429,000) outstanding share options as described in paragraph 5(c) of the report of the Directors.
- * The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among other things, the Companies Act, Chapter 50 was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts.

From 30 January 2006, share capital does not have a par value and there is no authorised share capital.

14. Share premium

	Group and Company	
	2006	2005
	\$'000	\$'000
Balance at 1 July	1,832	290
Arising for share issued during the financial year	-	1,542
Effect of Companies (Amendment) Act 2005	(1,832)	-
Balance at 30 June	<u>-</u>	<u>1,832</u>

15. Reserves

Share options reserve

Share options reserve represents equity-settled share options granted to employees. The reserve is made up of cumulative value of services received from employees recorded on grant of equity-settled share options.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas subsidiaries from non-Singapore dollar (functional currency) to Singapore dollar (presentation currency) and is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

16. Revenue

Revenue of the Group is in respect of external transactions only.

	Group	
	2006 \$'000	2005 \$'000
Tuition and course fees	87,569	57,278
Management service fee	250	500
Registration fee	1,200	1,103
Other fee	1,043	523
	90,062	59,404

17. Other operating income

	Group	
	2006 \$'000	2005 \$'000
Interest income from non-related companies	262	112
Foreign exchange gain	-	501
Others	455	297
	717	910

18. Finance cost

This relates to interest expense on bank overdrafts.

19. Profit before income tax

In addition to the information disclosed elsewhere in the financial statements, profit before income tax is arrived at after charging/(crediting) the following:

	Group	
	2006 \$'000	2005 \$'000
Staff costs	25,649	19,751
Costs of defined contribution plans included in staff costs	1,230	846
Directors' fees	120	110
Directors' remuneration ^(a)	-	343
Share-based payment :		
- Directors	300	130
- Staff	389	370
Auditors' remuneration:		
Company's auditors		
- Current financial year	159	115
- Over provision in prior financial years	3	34
Other auditors	130	150
Non-audit fees paid to Company's auditors	17	7
Non-audit fees paid to other auditors	-	19

^(a) A Director of the Company has foregone his remuneration of \$340,000 (2005: \$Nil) and his profit sharing bonuses of \$2,441,000 (2005: \$1,196,000) based on 7% (2005: 6%) of the Group's profit before income tax of \$34,870,000 (2005: \$19,938,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

20. Income tax expense

	Group	
	2006	2005
	\$'000	\$'000
Current income tax	2,760	3,274
Over provision in prior financial years	(673)	(668)
	2,087	2,606
Deferred tax	71	57
Under provision in prior financial years	28	-
	2,186	2,663

Reconciliation of effective tax rate

Profit before income tax	34,870	19,938
Income tax expense at statutory rate of 20% (2005: 20%)	6,974	3,988
Tax exemption	(3,324)	(392)
Non allowable items	130	302
Utilisation of tax losses not recognised previously	(804)	-
Deferred tax benefit not recognised for current financial year	443	159
Effect of different tax rates of overseas operations	964	1,161
Effect of concessionary tax rate of 10%	(1,552)	(1,887)
Over provision in prior financial years	(645)	(668)
Total income tax expense	2,186	2,663

The Company's overseas subsidiaries have tax loss carry forward available for offsetting against future taxable income as follows:

Balance at 1 July	3,526	3,109
Amount in current financial year	1,453	797
Amount utilised in current financial year	(1,580)	-
Amount expired in current financial year	-	(409)
Foreign currency exchange adjustment	(154)	29
Balance at 30 June	3,245	3,526
Deferred tax benefit on above not recorded	997	1,082

The realisation of the future income tax benefits from tax loss carry forward is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. The unrecognised tax losses will expire between year 2006 to year 2010.

No deferred tax asset has been recorded as it is not certain as to when the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

21. Earnings per share

Basic earnings per share is calculated by dividing the Group's net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group			
	2006		2005	
	Basic \$'000	Diluted \$'000	Basic \$'000	Diluted \$'000
Profit attributable to shareholders of the Company	<u>32,269</u>	<u>32,269</u>	<u>17,214</u>	<u>17,214</u>

	Group			
	2006		2005	
	Number of shares Basic '000		Number of shares Basic '000	
Weighted average number of ordinary shares	510,136	510,136	504,555	504,555
Adjustments for potentially dilutive ordinary shares	<u>-</u>	<u>2,664</u>	<u>-</u>	<u>2,444</u>
Weighted average number of ordinary shares used	<u>510,136</u>	<u>512,800</u>	<u>504,555</u>	<u>506,999</u>
Earnings per share (cents)	<u>6.33</u>	<u>6.29</u>	<u>3.41</u>	<u>3.39</u>

For the purpose of calculating diluted earnings per share, the Group's net profit attributable to equity holders and the weighted average (2005: Actual) number of ordinary shares in issue are adjusted for the effects of all dilutive potential ordinary shares.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences are added to the denominator as an issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

22. Dividends

	Group and Company	
	2006 \$'000	2005 \$'000
Additional dividend of 1 cent (2005: 1 cent) per ordinary share under one-tier system	17	18
Interim dividend of 1.25 cent (2005: 0.5 cent) per ordinary share		
- Paid	12,787	5,056
- Declared and payable	6,410	2,537
Proposed final dividend of 1 cent per ordinary share of 2.5 cents each under one-tier system in financial year 2005	-	5,074
	<u>19,214</u>	<u>12,685</u>

23. Share-based payments

Raffles Education Corporation Limited's ("Company") Share Options Scheme

Under the "Raffles Education Corp Employees' Share Options Scheme (Year 2001)" (the "Scheme"), an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company. The Committee may at its discretion, fix the subscription price at a discount up to 20% off market price or fix at a price equal to the average of the last dealt market prices for a share for the 5 consecutive market days immediately preceding the grant of the options. The consideration for the grant of an option is \$1.00. Options granted with the market price set at a discount to the market price shall only be exercised on the second anniversary but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in the Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted with the subscription price fixed at an average price of the last dealt market prices for a share for the 5 consecutive days immediately preceding the grant of the options shall only be exercised after the first anniversary of the date of grant of these options but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in the Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Company.

Hartford Education Corporation Limited's ("HEC") Share Options Scheme

HEC has a share option scheme for its Directors and selected employees of the HEC Group. An option entitles the option holder to subscribe for a specific number of new ordinary shares in HEC comprised in the option at a subscription price per share determined with reference to the market price of the share at the time of grant of the option. The subscription price may be fixed at a maximum discount of 20% off the market price of the options. The consideration for the grant of an option is \$1.00. Options granted with the market price set at a discount to the market price shall only be exercised on the second anniversary but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in HEC Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted with the subscription price fixed at an average price of the last dealt market prices for a share for the 5 consecutive days immediately preceding the grant of the options shall only be exercised after the first anniversary of the date of grant of these options but before the tenth anniversary of the date of grant of that option, except for options granted to a participant not holding a salaried office or employment in HEC Group as the expiry date is before the fifth anniversary of the date of grant of that option. Options granted will lapse when the option holder ceases to be a full-time employee of HEC or any company of HEC Group subject to certain exceptions at the discretion of HEC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

23. Share-based payments (Continued)

Information in respect of the share options granted under the respective Employee Share Options Scheme ("ESOS") is as follows:

Company's ESOS

	2006		2005	
	Number of share options ('000)	Weighted average exercise price \$	Number of share options ('000)	Weighted average exercise price \$
Outstanding at 1 July	7,429	0.54	4,699	0.52
Granted during the financial year	3,339	1.48	5,978	0.62
Adjusted for share split	-	-	4,699	-
Cancelled during the financial year	(1,087)	0.52	(1,499)	0.28
Exercised during the financial year	(5,899)	0.55	(6,448)	0.26
Outstanding at 30 June	3,782	1.35	7,429	0.54

During the financial year, 3,339,000 (2005 : 5,978,000) share options were granted. The estimated fair values of the share options granted are \$1,097,000 (2005 : \$863,000) for the various vesting periods from October 2006 to April 2007 (2005 : from September 2005 to February 2006).

HEC's ESOS

	2006		2005	
	Number of share options ('000)	Weighted average exercise price \$	Number of share options ('000)	Weighted average exercise price \$
Outstanding at 1 July	-	-	-	-
Granted during the financial year	1,440	0.33	-	-
Cancelled during the financial year	230	0.33	-	-
Outstanding at 30 June	1,210	0.33	-	-

During the financial year, 1,440,000 options were granted on 3 January 2006. The estimated fair values of the options granted are \$157,000 for the vesting period from 3 January 2006 to 2 January 2007.

Fair values of Company's and HEC's ESOS

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are shown below.

Company's ESOS

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (\$)	Share price at date of grant (\$)
21.9.2004	4.5	30	3.24	10	0.56	0.56
30.11.2004	4.3	26	2.79	10	0.58	0.58
30.11.2004	4.3	26	2.13	5	0.58	0.58
7.2.2005	3.6	25	2.95	10	0.70	0.70
12.10.2005	5.6	21	2.90	10	0.89	0.89
12.10.2005	5.6	21	2.60	5	0.89	0.89
14.2.2006	2.5	28	3.14	5	1.98	1.98
14.3.2006	2.5	29	3.50	10	1.98	1.98
4.4.2006	2.2	30	3.35	5	2.31	2.31
4.4.2006	2.2	30	3.59	10	2.31	2.31

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

23. Share-based payments (Continued)

HEC's ESOS

Date of grant	Expected dividend yield (%)	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (\$)	Share price at date of grant (\$)
3.1.2006	1.9	30	3.21	10	0.33	0.32
3.1.2006	1.9	30	3.01	5	0.33	0.32

The expected volatility used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, behavioural considerations and conditions inherent in the industry. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The expected life of options is based on historical date and is also not necessarily indicative of exercise patterns that may occur.

24. Acquisition of subsidiaries

During the financial year, the Company acquired all of the shares of Path Education Corporation Pte Ltd which owns 100% of the effective equity interest of the following companies:

- (a) MIS Technologies Centre Pte Ltd;
- (b) MIS Technologies Centre (HK) Limited;
- (c) MIS Technologies Centre Sdn Bhd;
- (d) MIS Technologies Centre Australia Pty Ltd;
- (e) Southern Cross Institute of Language Pty Ltd;
- (f) Southern Cross International College Pty Ltd; and
- (g) Path MSC Research & Development Sdn Bhd.

According to the Sale and Purchase Agreement, the Company will be entitled to all rights and benefits, including but not limited to, the combined net profit after income tax of the acquired subsidiaries effective from 1 January 2006.

The estimated aggregate purchase consideration is about \$15,000,000 representing 5.357 times of the estimated net profit after income tax for the financial year ending 31 December 2006 of the acquired companies.

These acquisitions are partially satisfied by the issue of 3,000,000 new ordinary shares of the Company and are based on the traded price of \$2.51 per share on 18 May 2006, totals \$7,530,000.

The balance of the purchase price will be payable in cash by the Company upon the ascertainment of the combined net profit after income tax for the financial year ending 31 December 2006 of the acquired companies.

The Company did not include the balance of the purchase price in the cost of acquisition as at the acquisition date because that amount cannot be measured reliably at the acquisition date. Only upon when the balance of the purchase price becomes probable and can be measured reliably, the additional consideration would be treated as an adjustment to the cost of combination.

The acquired companies contributed revenue and net profit of \$5,047,000 and \$1,003,000 respectively to the consolidated profit and loss account for the financial year, since 1 January 2006. If the acquisition had occurred on 1 July 2005, Group's revenue would have been \$93,478,000 and net profit would have been \$31,968,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

24. Acquisition of subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of the businesses as at the date of acquisitions were:

	Group	
	Carrying	Fair value
	amounts before	recognised on
	combinations	acquisitions
	2006	2006
	\$'000	\$'000
Plant and equipment	1,279	1,279
Cash and bank balances	494	494
Trade and other receivables	1,609	1,609
Trade and other payables	(3,114)	(3,114)
Income tax payable	(171)	(171)
Deferred tax liabilities	(46)	(46)
Net identifiable assets acquired	51	51
Goodwill arising on acquisitions (Note 7)		7,533
Total purchase consideration		7,584
Cost of the acquisitions		
Consideration payable by issuance of ordinary shares		7,530
Costs directly attributable to the acquisitions		54
Total cost of acquisitions		7,584
Purchase consideration paid by cash*		(54)
Cash acquired		494
Net cash inflow on acquisition of subsidiaries		440

* Includes cost directly attributable to the acquisitions amounting to \$54,000

Acquisition of subsidiaries, net cash acquired as shown in consolidated cash flow statement is as follows:

	\$'000
Net cash in/(out) flow on acquisition of subsidiaries:	
- Path Education Corporation Pte Ltd and its subsidiaries	440
- Hartford Institute (New Zealand) Ltd	(409)
- Other subsidiaries	(14)
Net cash inflow on acquisitions	17

Goodwill is attributable to the acquisition of subsidiaries which is expected to provide synergies from the combination.

The goodwill is attributable to the acquisition of subsidiaries whose cost of acquisition exceeded its fair values of net identifiable assets.

In financial year 2005, the Company acquired all the shares of Raffles KVB Design Institute Pty Ltd ("KVB").

The estimated aggregate purchase consideration will be satisfied in cash as follows:

- (a) an initial payment of AUD4,500,000 (equivalent to approximately \$5,645,000); and
- (b) the balance of the purchase price will be payable after the business profit after tax for the year ended 30 June 2005 is determined by an independent accountant.

The Company did not include the balance of the purchase price in the cost of acquisition as at the acquisition date because that amount cannot be measured reliably at the acquisition date. Only upon when the balance of the purchase price becomes probable and can be measured reliably, the additional consideration would be treated as an adjustment to the cost of combination.

The acquired company contributed revenue and net profit of \$9,483,000 and \$835,000 respectively to the consolidated profit and loss account for the financial year 2005 since the date of acquisition, which coincides with the date of control of 1 July 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

24. Acquisition of subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of the business as at the date of acquisition were:

	Group	
	Carrying	Fair value
	amounts before	recognised on
	combination	acquisition
	2005	2005
	\$'000	\$'000
Cash and bank balances	1,911	1,911
Trade and other receivables	321	321
Intangible assets	6,136	6,136
Trade and other payables	(2,232)	(2,232)
Net identifiable assets acquired	<u>6,136</u>	6,136
Goodwill arising on acquisition		-
Total purchase consideration		<u>6,136</u>
Consideration paid by cash		6,136
Cash acquired		<u>(1,911)</u>
Net cash outflow on acquisition of subsidiary		<u>4,225</u>

Acquisition undertaken by Hartford Education Corporation Limited ("HEC")

On 13 January 2006, HEC acquired the whole of the issued share capital of Thames Business School Limited (renamed as Hartford Institute (New Zealand) Ltd) for a cash consideration (inclusive of transaction cost \$13,000) of \$698,000. According to the Sale and Purchase Agreement, HEC will be entitled to all rights and benefits, including but not limited to, the net profit after income tax of the acquired subsidiary for the financial year ended 30 June 2006.

The acquired subsidiary contributed revenue of \$876,000 and net profit of \$32,000 to HEC Group for the period from 1 April 2005 to 30 June 2006.

The goodwill is attributable to future profitability of the acquired business and the synergy expected to rise after the acquisition.

The effect of acquisition of subsidiary is set out below:

	Carrying		Fair value
	amounts		recognised on
	before	Fair value	acquisition
	combination	adjustments	2006
	2006	2006	\$'000
	\$'000	\$'000	\$'000
Plant and equipment	51	-	51
Other current assets	616	(194)	422
Cash and cash equivalent	121	167	289
Current liabilities	(783)	2	(781)
Net identifiable assets and liabilities	<u>5</u>	<u>(24)</u>	(19)
Goodwill on acquisition (Note 7)			<u>717</u>
Cash consideration paid, satisfied by cash*			698
Cash (acquired)			<u>(289)</u>
Net cash outflow			<u>(409)</u>

* Includes legal fees amounting to \$13,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

25. Contingent liabilities

As at the balance sheet date, the Company has undertaken to provide continued financial support to 4 (2005: 5) of its subsidiaries which had accumulated losses of \$3,043,000 (2005: \$3,456,000) in excess of their issued and paid-up share capital at the balance sheet date.

In the opinion of the Directors, no actual losses are expected to arise from these contingent liabilities.

26. Commitments

- (a) The Company is committed to provide up to \$1,590,000 (RMB8,000,000) [2005: \$1,624,000 (RMB8,000,000)] funds as required for the operation of its wholly-owned subsidiary, DHU-LaSalle International Design College ("LDHU"). As at the financial year-end, the cost of investment in LDHU amounted to \$1,169,000 (RMB5,710,555) [2005: \$1,169,000 (RMB5,710,555)].
- (b) The Company is committed to provide up to \$1,193,000 (RMB6,000,000) [2005: \$1,218,000 (RMB6,000,000)] funds as required for the operation of its subsidiary, Raffles-Ningbo International College. As at the financial year-end, the cost of investment in Raffles-Ningbo International College amounted to \$369,000 (RMB1,750,000) [2005: \$369,000 (RMB1,750,000)].
- (c) The Company is committed to provide up to \$1,193,000 (RMB6,000,000) [2005: \$1,218,000 (RMB6,000,000)] funds as required for the joint education venture with Dalian Light-Industrial Institute. As at the financial year-end, the cost of investment in the joint education venture amounted to \$Nil (2005: \$Nil).
- (d) The Company is committed to provide up to \$994,000 (RMB5,000,000) [2005: \$1,015,000 (RMB5,000,000)] funds as required for the operation of its subsidiary, Raffles-Changzhou Design Institute. As at the financial year-end, the cost of investment in Raffles-Changzhou Design Institute amounted to \$Nil (2005: \$Nil).
- (e) The Company is committed to provide up to \$1,193,000 (RMB6,000,000) [2005: \$1,218,000 (RMB6,000,000)] funds as required for the operation of its subsidiary, Raffles-Wuhan Design Institute. As at the financial year-end, the cost of investment in Raffles-Wuhan Design Institute amounted to \$257,000 (RMB1,250,000) [2005: \$Nil].
- (f) The Company is committed to provide up to \$159,000 (USD100,000) [2005:USDNil] funds as required for the operation of its subsidiary, PT Raffles Design Institute. As at the financial year-end, the cost of investment in PT Raffles Design Institute amounted to \$Nil [2005: \$Nil].
- (g) The Company is committed to provide up to \$421,000 (USD265,000) [2005:USDNil] funds as required for the operation of its subsidiary, Raffles Design Training Centre (Vietnam). As at the financial year-end, the cost of investment in Raffles Design Training Centre (Vietnam) amounted to \$Nil [2005: \$Nil].
- (h) The Company is committed to pay the remaining purchase consideration in relation to its acquisition of subsidiaries. Please see Note 24.

27. Operating lease commitments

	Group	
	2006	2005
	\$'000	\$'000
Minimum lease payments made under operating leases included in profit and loss account	8,708	6,898

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

27. Operating lease commitments (Continued)

At the balance sheet date, the commitments in respect of non-cancellable operating leases for rental of premises were as follows:

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments payable:				
Within one year	8,665	5,902	-	-
In second to fifth year inclusive	17,556	16,299	-	-
After five years	16,206	17,889	-	-
	<u>42,427</u>	<u>40,090</u>	<u>-</u>	<u>-</u>

28. Significant related party transactions

(a) In addition to the information disclosed elsewhere in the financial statements, significant related party transactions between the Group and the Company and its related parties during the financial year were as follows:

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
With related parties				
Capitalisation of shareholders' loans	-	5,645	-	5,645
With associates				
Management fee service income	250	500	250	500
With subsidiaries				
Dividend income	-	-	9,160	8,795
Management fee service income	-	-	16,203	7,139
Registration fee income	-	-	1,127	2,027
	<u>-</u>	<u>-</u>	<u>1,127</u>	<u>2,027</u>

(b) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group and of the Company during the financial year are as follows:

	Group	
	2006	2005
	\$'000	\$'000
Salaries and other short-term employee benefits	307	663
Post-employment benefits - CPF contribution	17	21
Share-based payments	300	130
	<u>624</u>	<u>814</u>
These include the following Directors' remuneration		
Directors of the Company	<u>-</u>	<u>343</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

29. Report by segments

For management purposes, the Group is organised into two major operating divisions, namely fashion design, visual communication (graphic design), multimedia design and interior design ("Design") and design management, fashion marketing and business administration ("Management"). The Group adopts these two business segments as the basis for its primary segment information.

(a) Analysis by Business Segment

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss account that are directly attributable to a segment and the relevant portion of such revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment asset include all operating assets used by a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and provisions. Capital expenditure includes the total cost incurred to acquire plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.

Investment in associates: Income from associates are not allocated as they are not specifically attributable to any of the major business segments, and correspondingly the investments in associates are included as unallocated assets of the Group.

Primary segment information for the Group based on business segments are as follows:

	Design \$'000	Management * \$'000	Total \$'000
2006			
Profit and loss account			
Revenue	61,021	29,041	90,062
Result			
Segment result	25,354	8,970	34,324
Other operating income			717
Profit from operations and before income tax			35,041
Finance cost			(171)
Profit before income tax			34,870
Income tax			(2,186)
Profit after income tax			32,684
Minority interests			(415)
Profit attributable to the shareholders of the Group			32,269
Other information			
Additions to plant and equipment	1,875	1,450	3,325
Additions to plant and equipment arising from acquisition of subsidiaries	623	1,330	1,953
Additions to intellectual property	2,113	-	2,113
Additions to computer software	-	47	47
Additions to goodwill	-	8,263	8,263
Depreciation of plant and equipment	1,572	1,018	2,590

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

29. Report by segments (Continued)

Statement of net assets	Design \$'000	Management * \$'000	Total \$'000
Assets			
Segment assets	22,349	10,636	32,985
Unallocated assets			42,791
Total assets			<u>75,776</u>
Liabilities			
Segment liabilities	19,211	9,143	28,354
Unallocated liabilities			10,233
Total liabilities			<u>38,587</u>

* Management includes Applied Psychology and Infocom Technology

	Design \$'000	Management \$'000	Total \$'000
2005			
Profit and loss account			
Revenue	<u>41,967</u>	<u>17,437</u>	<u>59,404</u>
Result			
Segment result	15,135	3,905	19,040
Other operating income			910
Profit from operations and before income tax			19,950
Finance cost			(12)
Profit before income tax			19,938
Income tax			(2,663)
Profit after income tax			17,275
Minority interests			(61)
Profit attributable to the shareholders of the Group			<u>17,214</u>
Other information			
Additions to plant and equipment	3,200	1,170	4,370
Additions to intellectual property arising from acquisition of subsidiaries	6,136	-	6,136
Additions to development costs	159	-	159
Depreciation of plant and equipment	<u>1,274</u>	<u>545</u>	<u>1,819</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

29. Report by segments (Continued)

(a) Analysis by Business Segment (Continued)

	Design \$'000	Management \$'000	Total \$'000
Statement of net assets			
Assets			
Segment assets	17,148	7,125	24,273
Unallocated assets			25,084
Total assets			<u>49,357</u>
Liabilities			
Segment liabilities	12,529	5,206	17,735
Unallocated liabilities			6,143
Total liabilities			<u>23,878</u>

(b) Analysis by geographical segment

Segment revenue: Segment revenue is analysed based on the location of students and place of tuition.

Segment assets and capital expenditure: Segment assets and capital expenditure are analysed based on the location of those assets. Capital expenditure includes the total cost incurred to acquire plant and equipment, and intangible assets such as intellectual properties, development costs and computer software.

	By location of students/customers	
	2006	2005
	\$'000	\$'000
Asean	23,977	13,631
North Asia	53,469	34,539
Australasia	11,503	11,158
South Asia	1,113	76
	<u>90,062</u>	<u>59,404</u>

Carrying amount of segment assets and capital additions by geographical areas in which the assets are located are as follows:

	Carrying amount of segment assets		Capital additions	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Asean	35,146	19,412	3,052	2,548
North Asia	25,598	14,936	1,643	1,407
Australasia	13,883	13,826	2,573	6,314
South Asia	1,149	1,183	170	396
	<u>75,776</u>	<u>49,357</u>	<u>7,438</u>	<u>10,665</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

30. Financial risk management

The Group and the Company are exposed to financial risks arising in the normal course of business. The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuation, if any.

(a) Credit risk

The Group and the Company have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposures to credit risk are represented by the carrying amounts of each financial asset on the balance sheets.

Credit risk refers to the risk that students will default on their obligations to pay tuition fees when due, resulting in a loss to the Group.

Students are required to pay tuition fees in advance and outstanding debts due from students are not expected to be significant. Therefore, the Group does not expect material credit losses on its debts with students.

The Group and the Company have no significant concentration of credit risk.

(b) Interest rate risk

The Group's and the Company's exposures to market risk for changes in interest rates relates primarily to interest-bearing deposits, bank overdrafts and finance lease obligations with financial institutions.

(c) Foreign currency risk

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currencies other than the entity's functional currency. The major currencies giving rise to this risk are primarily Hong Kong dollars, Ringgit Malaysia, Chinese Renminbi and Australian dollars.

Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level. As far as possible, the Group and the Company uses natural hedges of matching foreign currency assets and liabilities.

The Group and the Company have investment in foreign subsidiaries whose net assets are exposed to foreign currency translation risk.

(d) Liquidity risk

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet its working capital requirements. Short-term funding is obtained from overdraft facilities from banks and finance leases from financial institutions.

(e) Fair values

The carrying amounts of the financial assets and liabilities in the financial statements approximate their fair values due to the relatively short-term maturing of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

31. Events subsequent to balance sheet date

Subsequent to 30 June 2006, the following events have taken place:

- (a) A subsidiary company, Hartford Education Corporation Limited (“HEC”), pursuant to the share sub-division of 1 to 2 approved by HEC’s shareholders at the Extraordinary General Meeting held on 2 August 2006, the number of ordinary shares of HEC increased from 120 million to 240 million.
- (b) On 24 August 2006, the Company announced the following:
 - i. Proposed distribution in specie by the Company of up to 43,088,881 issued and paid-up ordinary shares in the share capital of its subsidiary, HEC held by the Company, to the shareholders of the Company; and
 - ii. Proposed sub-division of each existing ordinary shares in the share capital of the Company into two ordinary shares.

Both proposals are subject to shareholders’ approvals at an Extraordinary General Meeting to be convened on 27 October 2006.

Upon completion of the proposed distribution in specie, the Company will hold at least 123,653,119 of HEC’s shares, representing approximately 51.52% of the issued and paid-up share capital in HEC.

Upon completion of the proposed sub-division of each existing ordinary shares, the Company’s number of issued and paid-up ordinary shares would increase from 513,284,574 ordinary shares to 1,026,569,148 ordinary shares. In addition, the Company’s unexercised share options as at 30 June 2006 of 3,782,000 share options will also increase to 7,564,000 share options.

- (c) On 6 September 2006, the Company acquired all of the shares of The Mac Club Limited (“MCL”), a company incorporated in New Zealand for a cash consideration of NZ\$1,500,000 (equivalent to approximately \$1,480,000).

In the opinion of the Directors of the Company, disclosure of the carrying amounts and fair value of the identifiable assets and liabilities of the acquired subsidiary as at the date of acquisition is impracticable. The impracticality is due to the following factors:

- i. The acquisition has not been fully completed and there are numerous outstanding issues yet to be resolved with the vendor, which would ultimately impact on the carrying amounts and fair value of the identifiable assets and liabilities;
 - ii. The financial statements of MCL has not been completed as of the date of this report; and
 - iii. There is no readily available fair value on MCL as the Company has not engaged an independent valuer to value the acquired subsidiary because of the numerous outstanding issues yet to be resolved with the vendor.
- (d) On 7 September 2006, the Company issued 3,000,000 new ordinary shares as part of the total consideration for the acquisition of subsidiaries during the financial year 2006. These newly issued ordinary shares will rank pari-passu with the existing ordinary shares upon allotment.
 - (e) On 12 September 2006, the Company has set up a wholly owned subsidiary in Hong Kong, known as Raffles Design Institute (HK) Limited (“RDI”). RDI will provide education courses and consultancy services with a share capital of HK10,000.
 - (f) The Directors of the Company recommended that a final dividend be paid at 1.8 cent per ordinary share under the one-tier system totalling \$9,239,000 on 513,284,574 shares for the financial year 2006. This proposed dividend is not accrued as a liability in the balance sheet in the current financial year in accordance with FRS 10 – Events After the Balance Sheet Date.

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2006

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 - 999	7	0.80%	322	0.00%
1,000 - 10,000	552	62.73%	2,689,838	0.52%
10,001 - 1,000,000	298	33.86%	22,538,000	4.37%
1,000,001 and above	23	2.61%	491,056,414	95.11%
	880	100%	516,284,574	100%

Issued share capital : S\$25,304,577.69

Number of shares : 516,284,574

Voting rights : one vote per share

Based on information available to the Company as at 20 September 2006, approximately 46.61% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders As At 20 September 2006

S/No.	Name	No. of Shares	Percentage
1	HSBC (SINGAPORE) NOMS PTE LTD	180,267,800	34.92%
2	CITIBANK NOMS S'PORE PTE LTD	47,150,876	9.13%
3	RAFFLES NOMINEES PTE LTD	44,615,900	8.64%
4	DBS NOMINEES PTE LTD	39,589,160	7.67%
5	DBSN SERVICES PTE LTD	28,161,040	5.45%
6	PHILLIP SECURITIES PTE LTD	23,727,574	4.60%
7	TOMMIE GOH THIAM POH	22,400,000	4.34%
8	UNITED OVERSEAS BANK NOMINEES	15,722,419	3.05%
9	DORIS CHUNG GIM LIAN	15,620,000	3.03%
10	CHEW HUA SENG	15,480,000	3.00%
11	MORGAN STANLEY ASIA (S'PORE)	14,347,000	2.78%
12	CIMB-GK SECURITIES PTE. LTD.	7,022,000	1.36%
13	HL BANK NOMINEES (S) PTE LTD	6,400,000	1.24%
14	CITIBANK CONSUMER NOMS PTE LTD	5,855,000	1.13%
15	LIM & TAN SECURITIES PTE LTD	4,979,000	0.96%
16	OCBC SECURITIES PRIVATE LTD	4,194,000	0.81%
17	KIM ENG SECURITIES PTE. LTD.	3,895,000	0.75%
18	YAP MAY IMM GILLIAN	2,430,000	0.47%
19	MERRILL LYNCH (S'PORE) P L	2,367,645	0.46%
20	HONG LEONG FINANCE NOMINEES PL	2,362,000	0.46%
		486,586,414	94.25%

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2006

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	Name of Shareholders	No of Shares	
		Direct Int	Deemed Int
1	Chew Hua Seng (1) (2)	54,880,000	145,620,000
2	Chung Gim Lian, Doris (1) (2)	15,620,000	184,880,000
3	Gay Chee Cheong	28,150,000	-
4	Credit Suisse Trust Limited as Trustee of the Humble Trust	130,000,000	-
5	Lloyd George Investment Management (Bermuda) Ltd	-	46,616,000

Notes:-

- 1 Chung Gim Lian, Doris is the spouse of Chew Hua Seng. In this respect, Chung Gim Lian, Doris is deemed to have an interest in the shareholdings of Chew Hua Seng and vice versa
- 2 Chew Hua Seng and Chung Gim Lian are deemed interested in the shares held by Credit Suisse Trust Limited as Trustee of the Humble Trust, which is a family trust.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles Education Corporation Limited will be held on 27 October 2006 at 10.30 a.m. at 11 Beach Road, #06-04/05, Singapore 189675, to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the financial year ended 30 June 2006 together with the Auditors' Report thereon. **[Resolution 1]**
2. To declare a final tax-exempt (one-tier) dividend of 1.8 cents per ordinary share for the financial year ended 30 June 2006. **[Resolution 2]**
3. To approve the proposed Directors' fees of S\$60,000/- for the financial year ended 30 June 2006. **[Resolution 3]**
4. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-
 - (a) Mr Henry Tan Song Kok {retiring pursuant to Article 91} **[Resolution 4]**
 - (b) Prof Tan Teck Meng {retiring pursuant to Article 97} **[Resolution 5]**
5. To re-appoint Messrs BDO Raffles, as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 6]**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

7. Authority to allot and issue shares up to fifty percent (50%) of issued capital

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorized to issue and allot new shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed 20% of the issued share capital of the Company, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the Company's next Annual General Meeting is required by law or by the Articles of Association of the Company to be held, whichever is the earlier." **[Resolution 7]**
[See Explanatory Note (i)]
8. Authority to grant options and issue shares under the RAFFLES EDUCATION CORPORATION Employees' Share Option Scheme (Year 2001)

"THAT pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the RAFFLES EDUCATION CORPORATION Employees' Share Option Scheme (Year 2001) ("the Scheme") (including options over shares at a subscription price per share set at a discount to the market price of the shares provided that the maximum discount should not in any case exceed 20% of the market price and the subscription price should not be less than the par value of the share) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the issued share capital of the Company from time to time." **[Resolution 8]**
[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Lim Tiong Beng (Mr)
Company Secretary

Singapore,
11 October 2006

Note:

A Member is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the Registered Office of the Company at 11 Beach Road #01-02, Singapore 189675 not less than 48 hours before the time appointed for the Meeting.

Note to item no. 4(a)

Mr Henry Tan Song Kok is an independent member and Chairman of the Audit and Nomination Committees as well as a member of the Remuneration Committee. He will continue in the said capacities upon re-election as a Director for the Company.

Note to item no. 4(b)

Prof Tan Teck Meng is an independent member and Chairman of the Remuneration Committee as well as a member of the Audit and Nomination Committees. He will continue in the said capacities upon re-election as a Director for the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

- (i) In the proposed Resolution 7, the percentage of issued share capital is calculated based on the issued share capital at the time of the passing of the resolution approving the mandate after adjusting for:- (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate; and (c) any subsequent consolidation or subdivision of shares. The proposed Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise).

The number of shares which the Directors may issue under this Resolution shall not exceed 50% of the issued share capital of the Company. For issue of shares other than on a pro-rata basis to all shareholders of the Company, the aggregate number of shares to be issued shall not exceed 20% of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

- (ii) The proposed Resolution 8, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares up to an amount in aggregate not exceeding 15% of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

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PROXY FORM

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 199400712N

A Member is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the Registered Office of the Company at 11 Beach Road #01-02, Singapore 189675 not less than 48 hours before the time appointed for the Meeting.

I/We _____

of _____

being a *member/members of Raffles Education Corporation Limited, hereby appoint

Name	Address	NRIC / Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 27 October 2006 at 10.30 a.m. at 11 Beach Road, #06-04/05, Singapore 189675 and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

No.	Resolution	For	Against
1.	To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 30 June 2006 together with the Auditors' Report thereon.		
2.	To declare a final tax exempt (one-tier) dividend of 1.8 cents per ordinary share for the financial year ended 30 June 2006.		
3.	To approve the proposed Directors' Fees of S\$60,000/- for the financial year ended 30 June 2006.		
4.	To re-elect Mr Henry Tan Song Kok as a Director		
5.	To re-elect Prof Tan Teck Meng as a Director		
6.	To re-appoint Messrs BDO Raffles as the Company's Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares up to fifty percent (50%) of issued share capital		
8.	Authority to grant options and issue shares under the RAFFLES EDUCATION CORPORATION Employees' Share Option Scheme (Year 2001)		

Signed this _____ day of _____ 2006

Total No. of Shares in:	No. of Shares
1) CDP Register	
2) Register of Members	

Signature(s) of Member(s)/Common Seal

Notes:

- a) Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy.
- b) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.
- c) An instrument appointing a proxy must be deposited at the registered office of the Company, 11 Beach Road #01-02, Singapore 189675 not less than 48 hours before the time appointed for holding the meeting.
- d) The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.