

Financial Statements for the Full Year Ended 30 June 2005

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Unaudited Full Year Results

	Group		Increase/ (Decrease) %
	FY2005	FY2004	
	\$	\$	
Revenue	6,300,485	5,385,789	17
Other operating income	502,140	953,998	(47)
	<u>6,802,625</u>	<u>6,339,787</u>	7
Personnel expenses	(2,665,154)	(2,504,699)	6
Depreciation expenses	(187,747)	(175,562)	7
Other operating expenses	(3,658,519)	(4,367,879)	(16)
	<u>(6,511,420)</u>	<u>(7,048,140)</u>	(8)
Profit/(Loss) from operations	291,205	(708,353)	n.m.
Finance cost	-	(7,547)	(100)
Profit/(Loss) before income tax	<u>291,205</u>	<u>(715,900)</u>	n.m.
Income tax	-	(69,364)	(100)
Profit/(Loss) after income tax	<u>291,205</u>	<u>(785,264)</u>	n.m.
Minority interests	36,224	14,918	143
Net profit/(loss) attributable to shareholders	<u>327,429</u>	<u>(770,346)</u>	n.m.

n.m. - not meaningful

Notes to Income Statement:

Allowance for doubtful debts and bad debts written off	(1,050)	(583,554)
Finance lease interest	-	(7,547)
Foreign exchange gain - net	177,147	233,678
(Loss)/Gain on disposal of fixed assets	(14,007)	14,959
Impairment loss in value on investment in associate	-	(29,777)
Interest income	188,994	29,924
Underprovision of income tax in respect of prior years	-	(281)

1(b)(i) **A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

Unaudited Balance Sheets

	Group		Company	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
	\$	\$	\$	\$
Non-current assets				
Fixed assets	509,316	192,410	9,352	28,132
Intangible asset - Course development	158,295	-	-	-
Subsidiaries	-	-	675,803	8,771
Associate	-	-	-	-
	667,611	192,410	685,155	36,903
Current assets				
Trade and other receivables	1,885,768	1,903,641	33,311	167,348
Income tax recoverable	350,278	355,776	-	-
Due from subsidiary companies	-	-	2,956,453	4,411,603
Due from related companies	106,831	-	83,813	-
Fixed deposits	29,079	1,124,470	5,035	965,328
Cash and bank balances	4,812,453	3,653,442	3,294,347	233,788
	7,184,409	7,037,329	6,372,959	5,778,067
Less:				
Current liabilities				
Trade and other payables	3,353,373	3,199,611	139,965	490,911
Due to subsidiary companies	-	-	2,560,554	1,383,959
Due to related companies	10,992	-	10,992	-
Current income tax payable	162,718	162,756	155,232	155,232
	3,527,083	3,362,367	2,866,743	2,030,102
Net current assets	3,657,326	3,674,962	3,506,216	3,747,965
Net assets	4,324,937	3,867,372	4,191,371	3,784,868
Equity				
Share capital	3,000,000	3,000,000	3,000,000	3,000,000
Share premium	750,200	750,200	750,200	750,200
Foreign currency translation reserve	46,347	14,573	-	-
Accumulated profits	430,028	102,599	441,171	34,668
Shareholders' equity	4,226,575	3,867,372	4,191,371	3,784,868
Minority interests	98,362	-	-	-
Total equity	4,324,937	3,867,372	4,191,371	3,784,868

1(b)(ii) **Aggregate amount of group's borrowings and debt securities**

Amount repayable in one year or less, or on demand

As at 30/06/2005		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30/06/2005		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Unaudited Cash Flow Statement

	Group	
	FY2005	FY2004
	\$	\$
Cash flows from operating activities		
Profit/(Loss) before income tax	291,205	(715,900)
Adjustments for:		
Allowance for doubtful debts and bad debts written off	1,050	583,554
Depreciation expenses	187,747	175,562
Impairment loss in value on investment in associate	-	29,777
Interest expense	-	7,547
Interest income	(188,994)	(29,924)
Loss/(Gain) on disposal of fixed assets	14,007	(14,959)
Foreign currency translation adjustment	69,922	32,958
Operating profit/(loss) before working capital changes	<u>374,937</u>	<u>68,615</u>
Working capital changes:		
Trade and other receivables	22,321	(151,187)
Trade and other payables	128,062	1,086,731
Withdrawal/(Addition) of pledged fixed deposits	6,775	(6,775)
Cash generated from operations	<u>532,095</u>	<u>997,384</u>
Interest paid	-	(7,547)
Income tax paid	(16)	(223,282)
Net cash from operating activities	<u>532,079</u>	<u>766,555</u>
Cash flows from investing activities		
Development of intangible asset - course development	(158,295)	-
Interest income received	188,994	29,924
Purchase of fixed assets	(531,121)	(72,510)
Proceeds from disposal of fixed assets	11,852	51,328
Net cash (used in)/from investing activities	<u>(488,570)</u>	<u>8,742</u>
Cash flows from financing activities		
Payments on behalf of related companies	(95,839)	-
Capital contribution from minority shareholder	124,521	1,421
Increase in amount due to a subsidiary's Director	22,747	-
Increase in amount due to a subsidiary's shareholder	2,953	-
Dividends paid	-	(234,000)
Repayment of finance lease obligations	-	(40,227)
Net cash from/(used in) financing activities	<u>54,382</u>	<u>(272,806)</u>
Net increase in cash and cash equivalents	97,891	502,491
Cash and cash equivalents at beginning of financial year	4,771,137	4,287,382
Exchange differences on cash and cash equivalents	(27,496)	(18,736)
Cash and cash equivalents at end of financial year	<u>4,841,532</u>	<u>4,771,137</u>

Cash and cash equivalents included in the Cash Flow Statement at the end of financial year comprise the following balances:

	30/06/2005	30/06/2004
	\$	\$
Fixed deposits	29,079	1,124,470
Cash and bank balances	<u>4,812,453</u>	<u>3,653,442</u>
	4,841,532	4,777,912
Less: Fixed deposits pledged	-	(6,775)
	<u>4,841,532</u>	<u>4,771,137</u>

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Unaudited Statements of Changes in Equity

GROUP	Share capital \$	Share premium \$	Foreign currency translation reserve \$	Accumulated profits \$	Total \$
Balance as at 01/07/2004	3,000,000	750,200	14,573	102,599	3,867,372
Net profit for the year	-	-	-	327,429	327,429
Currency translation differences	-	-	31,774	-	31,774
Balance as at 30/06/2005	<u>3,000,000</u>	<u>750,200</u>	<u>46,347</u>	<u>430,028</u>	<u>4,226,575</u>
Balance as at 01/07/2003	3,000,000	750,200	11,070	1,106,945	4,868,215
Net loss for the year	-	-	-	(770,346)	(770,346)
Dividends	-	-	-	(234,000)	(234,000)
Currency translation differences	-	-	3,503	-	3,503
Balance as at 30/06/2004	<u>3,000,000</u>	<u>750,200</u>	<u>14,573</u>	<u>102,599</u>	<u>3,867,372</u>

COMPANY	Share capital \$	Share premium \$	Accumulated profits \$	Total \$
Balance as at 01/07/2004	3,000,000	750,200	34,668	3,784,868
Net profit for the year	-	-	406,503	406,503
Balance as at 30/06/2005	<u>3,000,000</u>	<u>750,200</u>	<u>441,171</u>	<u>4,191,371</u>
Balance as at 01/07/2003	3,000,000	750,200	902,346	4,652,546
Net loss for the year	-	-	(633,678)	(633,678)
Dividends	-	-	(234,000)	(234,000)
Balance as at 30/06/2004	<u>3,000,000</u>	<u>750,200</u>	<u>34,668</u>	<u>3,784,868</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for the acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes in the Company's share capital since the end of the previous financial year reported on. The Company has no outstanding convertibles in respect of its shares as at 30 June 2005 and 30 June 2004.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has consistently applied the same accounting policies and methods of computation for the current reporting year ended 30 June 2005 as compared with the Group's audited financial statements for the year ended 30 June 2004.

5. Is there any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	01/07/2004 to 30/06/2005	01/07/2003 to 30/06/2004
Earnings per ordinary share of the Group for the financial year based on net profit/(loss) attributable to shareholders		
(i) Based on weighted average number of ordinary shares in issue	0.55 cents	(1.28) cents
- Weighted average number of shares	60,000,000	60,000,000
(ii) Based on fully diluted basis*		
- Weighted average number of shares	Not applicable	Not applicable

* There were no potential dilutive ordinary shares in existence during the financial years ended 30 June 2005 and 30 June 2004.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year**

	Group		Company	
	30/06/2005	30/06/2004	30/06/2005	30/06/2004
Net asset value per ordinary share*	7.04 cents	6.45 cents	6.99 cents	6.31 cents

* The net asset value per ordinary share of the Group and the Company as at 30 June 2005 and 30 June 2004 were calculated based on the issued share capital of the Company of 60,000,000 shares as at 30 June 2005 and 30 June 2004.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Commentary on the Consolidated Income Statement

The Group's turnover increased by 17% from \$5.4 million in FY2004 to \$6.3 million in FY2005. The increase in turnover was attributed to the overall increase in student enrolment and new courses offered. This was a result of the Group's continuous focus on developing its proprietary programmes and concerted marketing efforts, as well as by leveraging on Raffles Education Corporation's regional marketing network, to recruit students both locally and overseas.

Other operating income decreased by 47% from approximately \$954,000 in FY2004 to approximately \$502,000 in FY2005. This was due to the cessation of franchise businesses in the current financial year as franchising is not consistent with the Group's long term business strategy.

Personnel expenses in FY2005 rose by 6% compared to the previous financial year due mainly to the following:

- lecturers payroll increased by about \$224,000 due to more courses offered and efforts in building up a full-time academic team during the financial year; and

- other payroll costs increased by about \$100,000 due to the organisational restructuring during the first half of FY2005.

However, the increase above was offset partially by the cost-saving benefits reaped after the organisational restructuring as staff salaries and director's remuneration reduced by about \$198,000 in FY2005 compared to FY2004.

Other operating expenses decreased by 16% from \$4.4 million in FY2004 to \$3.7 million in FY2005 due mainly to the reduction in doubtful/bad debt provision expenses and legal and professional fees by approximately \$0.6 million and \$0.2 million respectively. In FY2004, there was a doubtful/bad debt provision of \$0.5 million against the franchise receivables and an one-off legal and professional fees of \$0.2 million incurred in connection with the general offer.

There was no tax expense this financial year due to the availability of past years' tax losses.

As a result of the increased focus on marketing and the restructuring of its operations, the Group achieved a turnaround in FY2005, recording a net profit attributable to shareholders of about \$327,000 compared to a net loss of \$770,000 in FY2004. This set of results reaffirms that the Group is on the right track towards growth.

Commentary on the Consolidated Balance Sheet

Fixed assets increased by about \$317,000 as compared to the previous financial year end. This was mainly due to the re-location of Hartford Institute Singapore from Centrepoint to Cosmic Insurance Building (opposite the new National Library Building along North Bridge Road) and the establishment of a new institute in Mongolia. The new office of Hartford Institute Singapore offers bigger space to accommodate the institute's future expansion.

Intangible asset of \$158,000 represented cost associated with the in-house development of new Hartford proprietary courses during the financial year. This cost will be amortised over a three year period from the course commencement date.

Trade and other receivables decreased by about \$18,000 due mainly to better collection during the financial year.

The increase in trade and other payable from \$3.2 million to \$3.4 million was mainly due to an increase in accrued cost of \$0.4 million payable to university partners for new student enrolments. This was partially offset by the payment of \$0.2 million for professional fees (in connection with the general offer), which was accrued in FY2004.

Commentary on the Group Cash Flow

Net cash generated from operations remained healthy at \$0.5 million. This positive cash flow was used to fund fixed assets purchases following the re-location of Hartford Institute Singapore to new premises and the establishment of a new institute in Mongolia in FY2005.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

With the completion of the organisational restructuring in FY2005, the Group has streamlined its operations and achieved better cost efficiency. It has also improved its revenue sharing with its university partners. In addition, the Group has aligned its sales and marketing activities to increase its student intake by continually strengthening its existing sales infrastructure and leveraging on Raffles Education Corporation's marketing network to recruit regionally.

The Group has rolled out three new advanced diploma programmes in business to capture a wider base of students. The Group will continue to collaborate with renowned universities to offer other undergraduate and postgraduate courses that are of demand in the market.

Going forward, the Group plans to expand its footprints in China, India and Southeast-Asia region. The commencement of Hartford Institute Mongolia's operation in March 2005, marks the Group's first step in executing this plan.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ?
No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year ?
No.

(c) Date Payable

Nil.

(d) Books Closure date

Nil.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the current financial year reported on.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Business segments

The Group's only principal business segment is to provide long distance learning, correspondence courses, consultancy and other related services and therefore, no business segment information is presented.

Geographical segments

The Group operates in two main geographical areas. Sales revenue is based on where the service is rendered and the country in which the customer is located. Segment assets consist primarily of fixed assets, receivables, fixed deposits, cash and bank balances. Capital expenditure comprises additions to fixed assets. Segment assets and capital expenditure are shown by geographical area in which the assets are located.

	Unaudited		
	Singapore	Overseas	Group
	\$	\$	\$
FY2005			
Total revenue from external customers	3,483,555	2,816,930	6,300,485
Segment assets	5,558,797	2,293,223	7,852,020
Capital expenditure	391,468	139,653	531,121
FY2004			
Total revenue from external customers	2,713,865	2,671,924	5,385,789
Segment assets	3,689,486	3,540,253	7,229,739
Capital expenditure	44,595	27,915	72,510

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Turnover contribution from the Singapore institute continued to be more than 50% of the Group's total turnover. It increased in the current financial year due to higher new students recruited compared to the last financial year.

The segment assets of Singapore increased from \$3.7 million in FY2004 to \$5.6 million in FY2005 due mainly to the increase in cash and cash equivalents of the holding company by \$2.1 million as excess working capital of overseas subsidiaries was remitted back to Singapore for centralised cash management.

15. **A breakdown of sales**

		Group	
	\$'000		Increase/ (Decrease)
	FY2005	FY2004	%
Sales reported for first half year	3,017	2,478	22
Operating (loss)/profit after tax reported for first half year	(399)	265	n.m.
Sales reported for second half year	3,283	2,908	13
Operating profit/(loss) after tax reported for second half year	690	(1,050)	n.m.

n.m. - not meaningful

16. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman
19 August 2005