

Financial Statements for the Third Quarter Ended 31 March 2006

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 Third Quarter Results

	Group		Increase/ (Decrease) %
	01/01/2006 to 31/03/2006 \$	01/01/2005 to 31/03/2005 \$	
Revenue	2,052,112	1,253,505	64
Other operating income	103,446	128,254	(19)
	<u>2,155,558</u>	<u>1,381,759</u>	56
Personnel expenses	(899,959)	(581,449)	55
Depreciation expenses	(80,897)	(48,334)	67
Other operating expenses	(787,360)	(729,201)	8
	<u>(1,768,216)</u>	<u>(1,358,984)</u>	30
Profit before income tax	387,342	22,775	1,601
Income tax	35,275	-	n.m.
Profit after income tax	<u>422,617</u>	<u>22,775</u>	1,756
Attributable to:			
Shareholders of the Company	418,104	39,371	962
Minority interests	4,513	(16,596)	n.m.
	<u>422,617</u>	<u>22,775</u>	1,756

n.m. - not meaningful

Notes to Income Statement:

Amortisation expenses	(12,718)	-
Foreign exchange (loss)/gain - net	(6,833)	119,083
Loss on disposal of fixed assets	-	(9,109)
Interest income	72,227	632
Refund of income tax paid in respect of prior years	<u>66,392</u>	-

Unaudited Results for the 9 Months Ended 31 March 2006

	Group		
	01/07/2005 to 31/03/2006	01/07/2004 to 31/03/2005	Increase/ (Decrease)
	\$	\$	%
Revenue	5,854,013	4,270,550	37
Other operating income	199,652	289,976	(31)
	<u>6,053,665</u>	<u>4,560,526</u>	33
Personnel expenses	(2,342,200)	(2,095,050)	12
Depreciation expenses	(217,322)	(125,279)	73
Other operating expenses	(2,445,985)	(2,716,467)	(10)
	<u>(5,005,507)</u>	<u>(4,936,796)</u>	1
Profit/(Loss) before income tax	1,048,158	(376,270)	n.m.
Income tax	(85,471)	-	n.m.
Profit/(Loss) after income tax	<u>962,687</u>	<u>(376,270)</u>	n.m.
Attributable to:			
Shareholders of the Company	992,585	(363,207)	n.m.
Minority interests	<u>(29,898)</u>	<u>(13,063)</u>	129
	<u>962,687</u>	<u>(376,270)</u>	n.m.

n.m. - not meaningful

Notes to Income Statement:

Amortisation expenses	(31,711)	-
Foreign exchange (loss)/gain - net	(79,081)	238,793
Loss on disposal of fixed assets - net	(582)	(11,929)
Interest income	116,228	6,037
Underprovision of income tax in respect of FY2003	(47,827)	-
Refund of income tax paid in respect of prior years	<u>66,392</u>	-

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	
	31/03/2006	30/06/2005	31/03/2006	30/06/2005
	\$	\$	\$	\$
Non-current assets				
Fixed assets	792,271	509,315	4,163	9,351
Associate	-	-	-	-
Subsidiaries	-	-	1,563,653	675,803
Goodwill on consolidation	571,146	-	-	-
Intangible asset - Course development costs	121,216	158,295	-	-
	<u>1,484,633</u>	<u>667,610</u>	<u>1,567,816</u>	<u>685,154</u>
Current assets				
Trade and other receivables	2,091,254	1,887,838	288,286	32,409
Due from related companies	255,805	106,831	2,135,010	1,442,410
Income tax recoverable	33,229	350,278	-	-
Cash and cash equivalents	10,421,266	4,841,532	8,971,325	3,299,380
	<u>12,801,554</u>	<u>7,186,479</u>	<u>11,394,621</u>	<u>4,774,199</u>
Less:				
Current liabilities				
Trade and other payables	3,447,476	3,355,442	61,848	139,061
Due to related companies	6,130	10,992	2,783,144	1,120,609
Current income tax payable	19,461	162,718	-	155,232
	<u>3,473,067</u>	<u>3,529,152</u>	<u>2,844,992</u>	<u>1,414,902</u>
Net current assets	9,328,487	3,657,327	8,549,629	3,359,297
Net assets	<u>10,813,120</u>	<u>4,324,937</u>	<u>10,117,445</u>	<u>4,044,451</u>
Equity				
Share capital	9,570,896	3,000,000	9,570,896	3,000,000
Share premium	-	750,200	-	750,200
Reserves	56,710	46,347	36,196	-
Accumulated profits	1,038,613	430,028	510,353	294,251
Shareholders' equity	<u>10,666,219</u>	<u>4,226,575</u>	<u>10,117,445</u>	<u>4,044,451</u>
Minority interests	146,901	98,362	-	-
Total equity	<u>10,813,120</u>	<u>4,324,937</u>	<u>10,117,445</u>	<u>4,044,451</u>

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

Amount repayable in one year or less, or on demand

As at 31/03/2006		As at 30/06/2005	
Secured	Unsecured	Secured	Unsecured
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/03/2006		As at 30/06/2005	
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	
	01/01/2006 to 31/03/2006	01/01/2005 to 31/03/2005
	\$	\$
Cash flows from operating activities		
Profit before income tax	387,342	22,775
Adjustments for:		
Amortisation expenses	12,718	-
Depreciation expenses	80,897	48,334
Interest income	(72,227)	(632)
Loss on disposal of fixed assets	-	9,109
Share option expense	36,196	-
Foreign currency translation adjustment	17,287	5,524
Operating profit before working capital changes	<u>462,213</u>	<u>85,110</u>
Working capital changes:		
Trade and other receivables	(271,939)	(103,752)
Trade and other payables	<u>(246,501)</u>	<u>(185,307)</u>
Cash used in operations	(56,227)	(203,949)
Net income tax refunded	140,690	-
Net cash from/(used in) operating activities	<u>84,463</u>	<u>(203,949)</u>
Cash flows from investing activities		
Interest income received	72,227	632
Purchase of fixed assets	(92,496)	(355,769)
Acquisition of a subsidiary, net of cash acquired	<u>(503,462)</u>	<u>-</u>
Net cash used in investing activities	<u>(523,731)</u>	<u>(355,137)</u>
Cash flows from financing activities		
Amount due from related companies	(114,385)	1,585,168
Amount due to a subsidiary's Director	-	(4,717)
Payment of interim dividend	(384,000)	-
Proceeds from minority interests	-	32,930
Net cash (used in)/from financing activities	<u>(498,385)</u>	<u>1,613,381</u>
Net (decrease)/increase in cash and cash equivalents	(937,653)	1,054,295
Cash and cash equivalents at beginning of financial period	11,389,457	1,199,308
Exchange differences on cash and cash equivalents	<u>(30,538)</u>	<u>4,854</u>
Cash and cash equivalents at end of financial period	<u>10,421,266</u>	<u>2,258,457</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	← Attributable to shareholders of the Company →						
	Share capital \$	Share premium \$	Share option reserve \$	Foreign currency translation reserve \$	Accumulated profits/(losses) \$	Minority interests \$	Total equity \$
Balance as at 01/01/2006	6,000,000	3,570,896	-	50,733	620,509	144,877	10,387,015
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	3,570,896	(3,570,896)	-	-	-	-	-
Net profit for the financial period	-	-	-	-	418,104	4,513	422,617
Share option expense	-	-	36,196	-	-	-	36,196
Currency translation differences	-	-	-	(30,219)	-	(2,489)	(32,708)
Balance as at 31/03/2006	<u>9,570,896</u>	<u>-</u>	<u>36,196</u>	<u>20,514</u>	<u>1,038,613</u>	<u>146,901</u>	<u>10,813,120</u>
Balance as at 01/01/2005	3,000,000	750,200	-	41,960	(299,979)	19,893	3,512,074
Net profit/(loss) for the financial period	-	-	-	-	39,371	(16,596)	22,775
Currency translation differences	-	-	-	11,959	-	(3,533)	8,426
Capital contribution from minority interest	-	-	-	-	-	32,930	32,930
Balance as at 31/03/2005	<u>3,000,000</u>	<u>750,200</u>	<u>-</u>	<u>53,919</u>	<u>(260,608)</u>	<u>32,694</u>	<u>3,576,205</u>
COMPANY		Share capital \$	Share premium \$	Share option reserve \$	Accumulated profits/(losses) \$	Total \$	
Balance as at 01/01/2006		6,000,000	3,570,896	-	297,591	9,868,487	
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005		3,570,896	(3,570,896)	-	-	-	
Net profit for the financial period		-	-	-	212,762	212,762	
Share option expense		-	-	36,196	-	36,196	
Balance as at 31/03/2006		<u>9,570,896</u>	<u>-</u>	<u>36,196</u>	<u>510,353</u>	<u>10,117,445</u>	
Balance as at 01/01/2005		3,000,000	750,200	-	(47,013)	3,703,187	
Net loss for the financial period		-	-	-	(36,059)	(36,059)	
Balance as at 31/03/2005		<u>3,000,000</u>	<u>750,200</u>	<u>-</u>	<u>(83,072)</u>	<u>3,667,128</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

Share Capital

There were no changes in the Company's share capital since the end of the previous financial period reported on. As at 31 March 2006, the Company has 120,000,000 issued and fully paid ordinary shares.

Share Options

As at 31 March 2006, there were unexercised share options of 1,330,000 unissued ordinary shares (31 March 2005: Nil) under the Hartford Share Option Scheme.

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 period ended 31 March 2006 as compared with the Group's audited financial statements for the year ended 30 June 2005.

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**

The Group has adopted all new and revised Financial Reporting Standards (FRS) which were issued by the Council on Corporate Disclosure and Governance effective for financial period beginning 1 July 2005. The adoption of these new and revised FRS has no material impact to the Group results for this quarter except for a charge of about \$36,000 recognised in the Group income statement for the current quarter pursuant to FRS 102 Share-based payment as the Company issued employee share options for the first time in the current quarter.

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	
	01/01/2006 to 31/03/2006	01/01/2005 to 31/03/2005
Earnings per ordinary share of the Group for the financial period based on net profit/(loss) attributable to shareholders of the Company:		
(i) Based on weighted average number of ordinary shares in issue - Weighted average number of shares	0.35 cents 120,000,000	0.07 cents 60,000,000
(ii) Based on fully diluted basis* - Adjusted weighted average number of shares	0.35 cents 120,622,097	Not applicable

* There were no potential dilutive ordinary shares in existence during the financial period ended 31 March 2005.

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	
	31/03/2006	30/06/2005	31/03/2006	30/06/2005
Net asset value per ordinary share*	8.89 cents	7.04 cents	8.43 cents	6.74 cents

* The net asset value per ordinary share of the Group and the Company as at 31 March 2006 and 30 June 2005 were calculated based on the issued share capital of the Company of 120,000,000 shares as at 31 March 2006 and 60,000,000 shares as at 30 June 2005.

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 37% from \$4.3 million for the 9 months ended 31 March 2005 to \$5.9 million for the 9 months ended 31 March 2006. The increase was attributed to increase in student enrolment, which was a result of the Group's concerted marketing efforts and leveraging on the Raffles Education Corporation's regional marketing network to recruit students both locally and overseas.

Personnel expenses for the 9 months ended 31 March 2006 increased by \$250,000 compared to the corresponding period of previous financial year due mainly to:

- set up of Mongolia Institute in Q3 of FY2005 which saw personnel cost increased by about \$270,000 in the current period;
- inclusion of the newly acquired Hartford Institute New Zealand in the current quarter with personnel cost of \$48,000; and
- share option expense of about \$36,000 arose from the granting of share options to Hartford staff.

However, the increase above was offset partially by the cost-saving benefits reaped after the organisational restructuring in FY2005.

Depreciation expenses for the 9 months ended 31 March 2006 increased by 73% compared to the corresponding period of last financial year due mainly to large fixed asset additions after the first half of FY2005. This was a result of the re-location of Hartford Institute Singapore and Hartford Institute Hong Kong to new offices as well as establishment Hartford Institute Mongolia.

For the 9 months ended 31 March 2006, other operating expenses fell by \$270,000 or 10% compared to the same period in the last financial year due mainly to decrease in advertising and promotion expenditure of about \$500,000. However, the decrease was partly offset by the increase in office rental expenses of approximately \$140,000 mainly attributable to the set up of Hartford Institute Mongolia and re-location of Hartford Institute Singapore and Hartford Institute Hong Kong to bigger premises.

The income tax expense in the current period consist of tax of \$103,000 on the current period's profit, underprovision of income tax in respect of FY2003 of \$48,000 and tax refund of \$66,000 in respect of tax paid in prior years.

As a result of the continued focus on marketing and improved efficiency of its operations, the Group recorded a net profit attributable to shareholders of about \$993,000 for the 9 months ended 31 March 2006, compared to a net loss of \$363,000 in the same period of last financial year.

Commentary on the Consolidated Balance Sheet

Fixed assets increased by about \$283,000 as compared to prior financial year end due mainly to the re-location of Hartford Institute Hong Kong in Q2 FY2006 to a bigger office premise to accommodate further expansion.

The goodwill on consolidation is attributable to the acquisition of Thames Business School in New Zealand (now renamed as Hartford Institute New Zealand) during the current period.

Trade and other receivables increased by about \$203,000 due mainly to:

- inclusion of New Zealand Institute as at 31 March 2006 with receivables of about \$263,000;
- increase of rental and other deposits by about \$75,000 due to relocation of Hartford Institute in Hong Kong; and
- reduction of fee receivables from the university partners and students by about \$180,000 as a result of collection during the period.

Income tax recoverable decreased by \$317,000 as the difference was refunded by the tax authority during the current financial period.

The increase in trade and other payable by \$92,000 was mainly due to the following:

- inclusion of New Zealand Institute as at 31 March 2006 with payables and deferred income of about \$335,000;
- increase of deferred income by \$347,000, which represented the unearned portion of commission income and course fees; and
- payment of about \$588,000 to the university partners and other creditors in the normal course of business.

Current income tax payable fell from \$163,000 to \$19,000 due to the payment of income tax to the authorities in respect of tax accrued in previous financial years.

Commentary on the Group Cash Flow

There was a reduction in cash and cash equivalent by about \$938,000 due mainly to the acquisition of new subsidiary in New Zealand for net consideration of \$503,000 and payment of interim dividend of \$384,000 in the current quarter. As a result, the cash and cash equivalent of the Group decreased from \$11.4 million as at 31 December 2005 to \$10.4 million as at 31 March 2006.

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 successfully streamlined its operations and achieved better cost efficiencies. It has also improved its revenue sharing with its university partners. In addition, the Group will continue to strengthen its existing sales infrastructure and leverage on Raffles Education Corporation's marketing network to recruit students regionally.

Following the acquisition of the new subsidiary in New Zealand in January 2006 as well as the approval from the Vietnamese authority in April 2006 to establish new college in Hanoi, the Group will continue to grow its business through setting up of institutes in emerging markets and acquiring potential targets.

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

Not applicable.

(d) Books Closure date

Not applicable.

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

No dividend has been declared for the current financial period 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**

Not applicable.

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**

Not applicable.

15. **A breakdown of sales**

Not applicable.

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
Executive Chairman
5 May 2006**