

FINANCIAL STATEMENTS

I P O S A n n u a l R e p o r t 2 0 0 1 / 2 0 0 2



(b) Rental commitments

As at 31 March 2002, the Office had lease commitments in respect of office premises payable as follows:

	At 31 March 2002 S
Within one year	2,794,678
Within two to five years	5,394,117
	8,188,795

21. Fair value of financial assets and liabilities

The carrying amounts of the following financial assets and liabilities approximate their fair values: cash and bank balances, fixed deposits with financial institutions, trade debtors, deposits, trade creditors, other creditors and accrued expenses, short and long term loans from Ministry of Finance, grants received in advance and provision for contribution to Consolidated Fund.

**AUDITORS' REPORT TO THE BOARD MEMBERS OF
THE INTELLECTUAL PROPERTY OFFICE OF SINGAPORE**

[Established under the Intellectual Property Office of Singapore Act 2001 (No. 3 of 2001)]

We have audited the financial statements of the Intellectual Property Office of Singapore (the "Office") set out on pages 2 to 17. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we 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 management, 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 financial statements are properly drawn up in accordance with the provisions of the Intellectual Property Office of Singapore Act 2001 (No. 3 of 2001) (the "Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of the state of affairs of the Office as at 31 March 2002, the results, changes in accumulated surplus and cash flows of the Office for the year then ended; and
- (b) the accounting and other records required by the Act to be kept by the Office have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing came to our notice that caused us to believe that the receipts, expenditure, and investment of monies and the acquisition and disposal of assets by the Office during the financial year were not in accordance with the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore,

INCOME AND EXPENDITURE STATEMENT

For the financial year ended 31 March 2002

	Notes	Year ended 31 March 2002 \$
Operating Income		
Registration fees	3	22,709,288
Other fees and charges		273,174
		22,982,462
Operating Expenditure		
Salaries, wages and staff benefits	4	(6,152,092)
Maintenance of office premises and computers		(4,766,717)
Rental of office premises		(1,686,203)
General and administrative expenses		(2,409,452)
Depreciation of fixed assets		(2,164,763)
		(17,179,227)
Operating surplus		
	5	5,803,235
Non-operating income		
Interest income		49,862
Non-operating expense		
Interest expense		(194,484)
Non-operating deficit		
		(144,622)
Net surplus before grants and contribution to Consolidated Fund		5,658,613
Grants		
Operating grants - others		10,000
Deferred capital grants amortised		
- Government	6	1,636,354
- Infocomm Development Authority of Singapore	7	27,545
		1,673,899
Net surplus before contribution to Consolidated Fund		7,332,512

INCOME AND EXPENDITURE STATEMENT

For the financial year ended 31 March 2002

	Notes	Year ended 31 March 2002 \$
Contribution to Consolidated Fund	16	(1,796,466)
Net surplus for the financial year		5,536,046



Professor Hang Chang Chieh
Chairman



Ms Liew Woon Yin
Director-General

BALANCE SHEET

As at 31 March 2002

	Notes	Year ended 31 March 2002 \$
Accumulated surplus		5,536,046
Deferred capital grants		
Government	6	6,906,418
Infocomm Development Authority of Singapore	7	523,356
Agency for Science Technology and Research	8	405,382
		7,835,156
Patent Application Fund	9	6,059,271
		19,430,473
Current assets		
Cash and bank balances		14,160,410
Fixed deposits with financial institutions		5,055,000
Trade debtors	10	1,706,833
Deposits and prepayments	11	276,108
		21,198,351
Non-current assets		
Fixed assets	12	11,872,890
Total assets		33,071,241
Less:		
Current liabilities		
Trade creditors		1,288,797
Other liabilities	13	997,351
Short term loan from Ministry of Finance	14	2,766,388
Grants received in advance		103,607
Deferred revenue	15	114,094
Provision for contribution to Consolidated Fund	16	1,796,466
Patent deposits	17	7,004,787
		14,071,490

BALANCE SHEET

As at 31 March 2002

	Notes	Year ended 31 March 2002 \$
Non-current liability		
Deferred revenue	15	1,828,549
Long term loan from Ministry of Finance	18	3,800,000
		5,628,549
Total liabilities		19,700,039
Net assets of the Office		13,371,202
Net assets of Patent Application Fund		6,059,271
		19,430,473



Professor Hang Chang Chieh
Chairman



Ms Liew Woon Yin
Director-General

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

For the financial year ended 31 March 2002

	Accumulated Surplus \$	Total \$
Balance at 1 April 2001	-	-
Net surplus for the financial year and balance at 31 March 2002	5,536,046	5,536,046

CASH FLOW STATEMENT

For the financial year ended 31 March 2002

	Notes	Year ended 31 March 2002 \$
Cash flows from operating activities		
Surplus before grants and contribution to Consolidated Fund		5,658,613
Adjustments for:		
Depreciation of fixed assets		2,164,763
Gain on disposal of property, plant and equipment		(200)
Interest income		(49,862)
Surplus before working capital changes		7,773,314
Increase in trade and other debtors, deposits and prepayments		(1,982,941)
Increase in creditors and accrued operating expenses		2,286,148
Increase in deferred revenue		1,942,643
Increase in patent deposits		7,004,787
Cash generated from operations		17,023,951
Cash flows from investing activities		
Interest received		49,862
Payments for purchase of fixed assets		(7,274,336)
Proceeds from disposal of fixed assets		200
Net cash used in investing activities		(7,224,274)
Cash flows from financing activities		
Loans from Ministry of Finance		6,566,388
Government grants received		2,849,345
Cash generated from financing activities		9,415,733
Net increase in cash and cash equivalents		19,215,410
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	19	19,215,410

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

The following notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. Principal activities

The Office, officially established under the Intellectual Property Office of Singapore Act 2001 (No. 3 of 2001) on 1 April 2002, is domiciled in Singapore. Its headquarter is situated at:

51 Bras Basah Road #04-01
Plaza By The Park
Singapore 189554

The principal activities of the Intellectual Property Office of Singapore ("the Office") are:

- (a) administering the systems of protection of intellectual property ("IP") in Singapore;
- (b) formulating and reviewing of IP rights policies and legislations;

(c) maintaining and disseminating of IP information and documents;

(d) representing the Government internationally on IP matters;

(e) nurturing and training of IP agents;

(f) co-operating with other organisations and IP offices on IP programmes; and

(g) promoting the awareness and effective use of IP rights.

2. Significant accounting policies

(a) Basis of preparation

The financial statements, expressed in Singapore dollars, are prepared under the historical cost convention and are in accordance and comply with Singapore Statements of Accounting Standard.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

2. Significant accounting policies (continued)

(b) Revenue recognition

Registration income is recognised when the registration service has been rendered.

Other fees and charges comprise of regulatory charges, conference and workshop service charges and membership fees.

Interest income is recognised on an accrual basis.

(c) Grants

Government grants for the purchase or construction of depreciable assets are taken to the Grants Received in Advance Account when received and transferred to the Deferred Capital Grants Account as and when they are utilised.

Deferred grants are recognised in the Income and Expenditure Statement over the periods necessary to match the depreciation of the assets purchased, constructed or donated with the related grants. Upon the disposal of these assets, the balance of the related deferred capital grants are recognised in the Income and Expenditure Statement to match the net book value of the assets disposed.

Grants received to meet the current financial year's operating expenses are recognised as income in the same year.

Both operating and capital grants are accounted for on an accrual basis.

(d) Agency funds

Agency funds are set up to account for monies held in trust for external parties. The income and expenditure of agency funds are taken directly to the fund and the net assets relating to the funds are shown as separate line items in the balance sheet of the Office.

The income, expenditure, assets and liabilities of agency funds are accounted for on an accrual basis.

(e) Trade debtors

Trade debtors are carried at anticipated realisable value. Bad debts are written off and specific provisions are made for those debts considered to be doubtful.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

2. Significant accounting policies (continued)

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise fixed deposits with financial institutions, cash and bank balances.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets held and utilised by the Office while it was a department of the Ministry of Law before its establishment as a statutory board were transferred at net book value to the Office on 1 April 2001 and depreciated over their remaining useful lives.

(h) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method to write off the cost of the assets over their estimated useful lives as follows:

	<u>Years</u>
Office equipment, furniture and fittings	5 - 8
Computer equipment and software	3 - 5

No depreciation is charged on development projects in progress.

Fixed asset costing less than \$2,000 per item is charged to the Income and Expenditure Statement in the year of purchase.

(i) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Exchange differences are taken to the Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

2 Significant accounting policies (continued)

(j) Provisions

Provisions are recognised when the Office has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employee leave entitlement

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

(k) Financial risk management

(i) Credit risk

The Office has no significant concentration of credit risk. Collection is made up front for all services rendered.

(ii) Interest rate risk

The Office's income and operating cashflows are substantially independent of changes in market interest rates. The Office maintains all its interest bearing assets and borrowings at market rates.

(iii) Foreign exchange risk

The Office does not have significant exposure to foreign exchange risk. Transactions denominated in foreign currencies are entered into at market rates.

(iv) Liquidity risk

The Office achieves prudent liquidity risk management by maintaining sufficient cash and loan facility from Ministry of Finance.

3. Registration fees

Registration fees comprise the following:

	Year ended 31 March 2002 \$
Registration fee - trade marks	7,134,316
- patents	13,010,128
- designs	355,557
- madrid	2,198,267
- patent agent	11,020
	22,709,288

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

4. Salaries, wages and staff benefits

	Year ended 31 March 2002 S
Wages and salaries	4,822,507
Employers' contribution to defined contribution scheme	767,961
Staff welfare	328,080
Staff training	233,544
	6,152,092

The number of full time staff employed at the end of the financial year was 132.

5. Operating surplus

Operating surplus is arrived at after:	Year ended 31 March 2002 S
Charging:	
Auditors' remuneration	30,000
Board members' allowance	37,500
Provision for doubtful trade debt	3,536
Foreign exchange loss	30,399
And crediting:	
Gain on disposal of fixed assets	200

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

6. Deferred capital grants (Government)

	Year ended 31 March 2002 S
As at 1 April 2001	-
Add: Capital grants utilized during the year (*)	8,542,772
	8,542,772
Less: Grants taken to Income and Expenditure Statement	(1,636,354)
Balance carried forward	6,906,418
Total capital grants received (including grants-in-kind) and utilised since establishment	8,542,772

* Includes government grant of amount \$6,763,317 for the transfer of fixed assets to IPOS pursuant to its establishment as a statutory board.

7. Deferred capital grants (Infocomm Development Authority of Singapore)

	At 31 March 2002 S
As at 1 April 2001	-
Add: Capital grants utilised during the year	550,901
	550,901
Less: Grants taken to Income and Expenditure Statement	(27,545)
Balance carried forward	523,356
Total capital grants received (including grants-in-kind) and utilised since establishment	550,901

8. Deferred capital grants (Agency for Science Technology and Research)

	At 31 March 2002 S
As at 1 April 2001	-
Add: Capital grants utilised during the year	405,382
Balance carried forward	405,382
Total capital grants received (excluding grants-in-kind) and utilised since establishment	405,382

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

9. Patent Application Fund

	At 31 March 2002 S
As at 1 April 2001	-
Add: Contributions received	6,419,140
Interest income	1,897
Less: Grants disbursed	(350,755)
Promotion expenses	(10,986)
Miscellaneous expenses	(25)
Balance carried forward	6,059,271
Represented by:	
Cash at Bank	6,069,271
Amount Due to Applicant	(10,000)
	6,059,271

The fund is held by IPOS for the purpose of reimbursing professional and official fees incurred by an applicant for a pending patent application. The objective of the scheme is to develop an awareness of the merits of patent protection and thus inculcating a culture of protecting local innovation. The fund will be transferred to the Economic Development Board in September 2002.

10. Trade debtors

	At 31 March 2002 S
Trade debtors	1,710,369
Less: Provision for doubtful debts	(3,536)
	1,706,833

Movements in provision for doubtful debt are as follows:

Balance at the beginning of the financial year-	
Provision made during the financial year	3,536
Balance at the end of the financial year	3,536

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

11. Deposits and prepayments

	At 31 March 2002 \$
Rental deposits (See note (a))	120,427
Other deposits	8,050
Prepayments	147,631
	276,108

- (a) In addition to the \$120,427 placed by IPOS as rental deposit for certain premises it occupies, rental deposit of \$396,272 were placed by the Ministry of Law in respect of other office premises occupied by IPOS. Subject to the approval of the Ministry of Finance, these rental deposits shall be transferred to the Office by way of a capital grant.

12. Fixed assets

	Office equipment, furniture and fittings	Computer equipment and Software	Development projects in progress	Total
	\$	\$	\$	\$
Cost				
At 1 April 2001	-	-	-	-
Transfer from in (a)	528,605	4,742,849	1,491,863	6,763,317
Other additions	173,793	809,641	6,290,902	7,274,336
Transfer from development project in progress	1,085,534	1,913,881	(2,999,415)	-
Disposals	(18,782)	-	-	(18,782)
At 31 March 2002	1,769,150	7,466,371	4,783,350	14,018,871

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

12. Fixed assets (continued)

Accumulated depreciation				
At 1 April 2001	-	-	-	-
Charge for the year	311,060	1,853,703	-	2,164,763
Disposals	(18,782)	-	-	(18,782)
At 31 March 2002	292,278	1,853,703	-	2,145,981
Net book value				
At 31 March 2002	1,476,872	5,612,668	4,783,350	11,872,890

(a) Assets held and utilised by the Office while it was a department of the Ministry of Law before its establishment as a statutory board was transferred at net book value of \$6,763,317 to the Office by way of capital grant on 1 April 2001. (Note 6)

(b) Other assets held and utilised by the Office relating to the computerisation of Trade Marks registration, with a net book value of approximately \$1,967,000 as at 1 April 2001 (based on the useful life of 8 years), which, subject to the approval of the Ministry of Finance, shall be transferred to the Office by way of capital grant. The Ministry of Finance issued a circular (FC4-2001) to revise the accounting useful lives for such assets from 8 years to between 3 to 5 years with effect from 1 April 2001. If depreciation for these assets had been applied during the financial year, depreciation expense for the financial year would increase by approximately \$919,000 and, accordingly operating surplus and net surplus before grants and contribution to Consolidated Fund would decrease by \$919,000 respectively.

13. Other liabilities

	At 31 March 2002 S
Other creditors	628,659
Accrued expenses	293,651
Patent Corporation Treaty deposits	56,382
Other deposits	18,659
	997,351

14. Short term loan from Ministry of Finance

The short term loan was taken for the working capital of the Office on 10 April 2001, is unsecured and repayable in 2 instalments by 31 March 2003. Interest is charged at 6% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

15. Deferred revenue

This represents the unamortised balance of registration fees for trade marks registration received in advance from applicants. The balance comprises only of registration fees received from 1 April 2001 onwards when the Office was officially launched.

16. Provision for contribution to Consolidated Fund

This represents the contribution to be made to the Consolidated Fund in accordance with the Statutory Corporations (Contribution to Consolidated Fund) Act (Chapter 319A) and Finance Circular Minute M37/2000. The contribution is pegged at the statutory corporate income tax rate of the preceding year of assessment on the accounting surplus of the Office.

17. Patent deposits

Patent deposits are received for local patent applications for which search and examination is to be conducted by foreign patent offices.

18. Long term loan from Ministry of Finance

The long term loan is unsecured and is repayable within a period of 10 years from 31 May 2003. The interest rate is pegged to the average prime rate of the 3 local banks at 4.83% per annum. The loan was taken for the development of the following projects:

- (1) Expansion / renovation of IPOS
- (2) Development of IP portal
- (3) Development of Trade Mark Database access via PS-Online.

19. Cash and cash equivalents

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

	At 31 March 2002 S
Fixed deposits with financial institutions	5,055,000
Cash and bank balances	14,160,410
	19,215,410

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2002

20. Commitments

(a) Capital expenditure commitments

Capital expenditure which have been approved by the Office and contracted for but not provided for in the financial statements are as follows:

	At 31 March 2002 S
Amount approved and contracted for	7,578,705

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