Future-ready with trust and transparency

Illustrative Annual Report 2017

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC Singapore operates on a collaborative basis with PwC China, Hong Kong and Taiwan, subject to local applicable laws. Collectively, we have around 850 partners and a strength of 21,000 people. As a leading professional services firm, we count among our clients, top-tier companies listed on the stock exchanges in the respective cities, including the Singapore Exchange, multinationals and emerging local companies.

This publication is available for free download by registering at http://www.pwc.com/sg/en/illustrative-annual-report.html

Alternatively, you can scan this QR code.

Printed in Singapore.

Publication Guide

Scope

This publication, Illustrative Annual Report 2017, provides a sample annual report of a fictitious group of companies for the financial year ending 31 December 2017. PwC Holdings Ltd is a company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Limited ("SGX").

The names of people and entities included in this publication are fictitious. Any resemblance to a person or entity is purely coincidental.

Effective date

This illustrative annual report includes sample disclosures under the requirements of the Singapore Companies Act, SGX Securities Trading Listing Manual, Singapore Financial Reporting Standards (including its Interpretations) that are effective for financial year commencing on 1 January 2017.

Illustrative in nature

The sample disclosures in this illustrative annual report should not be considered to be the only acceptable form of presentation. The form and content of each reporting entity's annual report are the responsibility of the entity's directors/management and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX Securities Trading Listing Manual and Singapore Financial Reporting Standards.

The illustrative financial statements contained in this annual report are not substitutes for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by the Singapore Companies Act, SGX Securities Trading Listing Manual and Singapore Financial Reporting Standards. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws, accounting standards and stock exchange regulations in Singapore.

Guidance notes

Direct references to the source of disclosure requirements are included in the reference column on each page of the illustrative financial statements. Guidance notes are provided where additional matters may need to be considered in relation to a particular disclosure. These notes are inserted within the relevant section or note.

Similarly, the corporate governance disclosures illustrated in this annual report are not meant to be templates for all reporting entities. The board of directors/management for each reporting entity should formulate the corporate strategies and control measures tailored to the entity's particular circumstances and corporate governance processes. It therefore follows that corporate governance disclosures in annual reports will necessarily differ from one reporting entity to the other.

Seek professional advice

The information in this publication does not constitute professional advice. If professional advice is required, the services of a competent professional should be sought. Neither PricewaterhouseCoopers LLP (Singapore) nor any employee of the firm shall be liable for any damage or loss of any kind on any ground whatsoever suffered as a result of any use of or reliance on this publication.

Practical Guide

For your convenience and easy reference, the printed edition of the Practical Guide to New Singapore Financial Reporting Standards for 2017 (the "supplementary section") has been bundled with the Illustrative Annual Report (IAR) in one volume. For consistency with the digital edition of the IAR and the Practical Guide to New Singapore Financial Reporting Standards for 2017, the page numbering system on the printed edition of the Practical Guide to New Singapore Financial Reporting Standards for 2017 will start from zero (0). The digital edition of the IAR and the Practical Guide to New Singapore Financial Reporting Standards for 2017 will only be available in two separate volumes.

Foreword

The final quarter of 2017 and into 2018 look set to be an eventful time for the financial reporting landscape as we move closer to the implementation of two new and pertinent accounting standards: FRS 109 Financial Instruments and FRS 115 Revenue from Contracts with Customers that become effective in 2018.

At the same time, companies with listed shares or debts on the Singapore Exchange ("SGX") will also have to apply a new Singapore financial reporting framework from 1 January 2018 that is identical to the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

No doubt, the only constant will be change. Managing changes to ensure accurate, reliable and robust financial reporting is vital to creating and sustaining trust and transparency in the marketplace. Such trust and transparency are key to the success of building your business.

Keeping pace with change

The 2017 edition of PwC's Illustrative Annual Report entitled "Future-ready with Trust and Transparency" has been developed with the aim to assist company directors, audit committee members, management and preparers of financial statements to better understand and implement the financial reporting standards and new financial reporting framework to produce robust and reliable financial reporting for informed decision-making.

What's new?

A. Illustrative disclosure note within the financial statements for the year ending 31 December 2017 relating to the potential effects of adopting the new Singapore financial reporting framework ("SFRS(I)") in the next financial year, concurrently with SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

   An abridged illustration of a SGX Listed Group for the year ending 31 December 2018, when it adopts the new SFRS(I), through the application of requirements in SFRS(I) equivalent of IFRS 1. This will also include the disclosures that would be required when the Group adopts the SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers at the same time; and

B. FRS 116 Leases, effective for annual periods ending on or after 1 January 2019 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. A concise example disclosure has been illustrated in Appendix 2.

Our commitment

We, at PwC, are committed to being your trusted advisor. As market leaders, we constantly pioneer the delivery of value, confidence and insights to your business and stakeholders, even more so in today's complex and fast-evolving environment.

This publication will serve as an excellent resource to assist you in the preparation of your company's annual report, ensuring completeness, accuracy and fair presentation of information to users of your financial statements.

We encourage you to consult with your regular PwC contact, should you have any questions or comments regarding this publication, or the implementation of the new accounting standards and sustainability reporting.

Marcus Lam
Singapore Assurance Leader
September 2017

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Notes To The Financial Statements (continued)

Abbreviations used

References are made in this publication to the legislation, guideline or listing rule that requires a particular disclosure. The abbreviations used to identify the source of authority are as follows:

ACGC	Audit Committee Guidance Committee – Guidebook for Audit Committee in Singapore
CA	Singapore Companies Act, Chapter 50
CCG	Code of Corporate Governance Guidance Notes
FRS	Singapore Financial Report Standards
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	Interpretations of International Financial Reporting Standards
INT FRS	Interpretations of Singapore Financial Reporting Standards
SGX	Singapore Exchange Securities Trading Listing Manual Requirements
SSA	Singapore Standards on Auditing

Where the illustrated disclosure is not specifically required by any of the sources listed above, the following abbreviation is used to indicate that such disclosure is made on a voluntary basis:

DV	Disclosure is voluntary

Corporate Governance

Board of Directors
Corporate Governance Report

Board of Directors

As at 24 April 2018

Reference

SGX 1207(4)(b)(iii), CG Guideline 2.3 and 4.7

Mr Tan Cheng Eng Independent, Non-executive Director	Years on Board: 9 Aged 58, Singaporean

- Chairman of Board of Directors
- Chairman of Remuneration Committee
- Member of Audit Committee

Mr Tan Cheng Eng was appointed to the Board on 1 February 2009 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2011. He is also a non-executive Chairman of Data Bank Holding Ltd and an executive director of Homegrown Securities Ltd, both of which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Tan was last re-elected as a director of the Company on 29 April 2016.

Mr Tan holds a Master's degree in Financial Engineering from Harvard University, USA and a Bachelor of Arts (Mathematics) degree from University College London. He has 30 years of experience in the finance industry, of which 17 years were in the securities industry. He also serves on the council of the Society of Financial Advisory Consultants and on the boards of the National Symposium Council and the Singapore Music Conservatory.

Mr Balachandran Nair Independent, Non-executive Director	Years on Board: 8 Aged 62, Singaporean

- Member of Board of Directors
- Lead Independent Director
- Chairman of Audit Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Mr Balachandran Nair joined the Board on 2 July 2010 and was last re-elected on 1 July 2016. He is also the Chairman of the Audit Committee.

Mr Nair graduated with a Bachelor of Accountancy degree from National University of Singapore. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Singapore Chartered Accountants ("ISCA").

He has 38 years of experience in finance and management. He was the Head of Internal Audit Department of Port Aviation Ltd, a listed company on Singapore Stock Exchange, between 1999 and 2008. He is the Chief Financial Officer of the Asia Pacific operations of Efficient Shipping Ltd, a company listed on the New York Stock Exchange since 2009. He is also the Chairman of the Trustees of Singapore Healthcare Fund, Asia Pacific Development Fund and Global Diversified Fund since 2006.

Board of Directors

As at 24 April 2018

Madam Wan Oon Kee Independent, Non-executive Director	Years on Board: 9 Aged 48, Singaporean

- Member of Board of Directors
- Member of Audit Committee
- Member of Nominating Committee
- Chairman of Risk Committee

Madam Wan Oon Kee was appointed to the Board on 31 July 2009 and was last re-elected on 31 July 2016.

Madam Wan holds a Bachelor of Science (Building Control) degree from the University of London and a Master of Business Administration from Harvard Business School, USA. She is currently a member of the Royal Institution of Chartered Surveyors, United Kingdom and a Council Member of the Singapore Institute of Surveyors and Valuers.

She has more than 20 years of experience in the real estate industry. Beginning her career at Singapore Land Authority, she joined Leading Real Estate Marketing Pte Ltd as a Chief Operating Officer in 1999. She has been the managing director of Leading Real Estate Marketing Pte Ltd since 2008.

Mr Michael Philip White Independent, Non-executive Director	Years on Board: 8 Aged 52, Norwegian

- Member of Board of Directors
- Member of Audit Committee
- Chairman of Nominating Committee

Mr Michael Philip White joined the Board on 2 July 2010. He was re-elected as a Director and appointed as the Chairman to the Nominating Committee on 3 May 2016.

Mr White graduated from Stavanger University College, Norway with a Master of Commerce degree. He subsequently obtained a Master in Management of Technology from University of Helsinki, Finland. He is also a fellow of the Singapore Computer Society.

He started his career with a multinational group of telecommunication companies in Norway. He was subsequently employed to head the Asia Pacific operations of Datacom, a company listed on the Norway-Oslo Stock Exchange in 1992. In 2007, he became the managing director of Moonstar Ltd, a telecommunication company listed on the Singapore Stock Exchange.

Board of Directors

As at 24 April 2018

Mr Lee Chee Wai Independent, Non-executive Director	Years on Board: 1 Aged 56, Singaporean

- Member of Board of Directors
- Member of Remuneration Committee
- Member of Risk Committee

Mr Lee Chee Wai joined the Board on 3 May 2017.

He graduated with a Bachelor of Law (Hons) degree from National University of Singapore.

He began his career with an international law firm in 1981, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1985. He commenced his professional practice in 1990 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm, where he has been a partner for the past 20 years.

Mr David Grey Non-independent, Non-executive Director	Years on Board: 9 Aged 61, English

- Member of Board of Directors
- Member of Audit Committee

Mr David Grey joined the Board on 15 May 2009 and was last re-elected on 18 May 2016. He is also an executive director of PwC Global Ltd, the ultimate holding corporation of PwC Holdings Ltd.

Mr Grey holds a Master of Science from London School of Business, United Kingdom and PhD in Bioinformatics from Imperial College London. He has more than 20 years of experience in the pharmaceutical industry. He has served as the Chairman of the European Union Biotechnology Board, a company listed on the London Stock Exchange since 2003 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2008 and 2012.

PwC Holdings Ltd and its Subsidiaries

Board of Directors

As at 24 April 2018

Mr Ang Boon Chew Chief Executive Officer	Years on Board: 5 Aged 47, Singaporean

- Member of Board of Directors

Mr Ang Boon Chew was appointed to the Board on 17 February 2013 and was last re-elected on 18 May 2016. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1993 and became its Chief Executive Officer on 1 October 2005. He was subsequently appointed as the General Manager of PwC Holdings Ltd on 2 November 2010 and became its Chief Executive Officer on 17 February 2014.

Mr Ang graduated from the National University of Singapore with a Bachelor of Engineering (Electrical and Electronics) degree. He is a Fellow of the Institute of Engineers, Singapore and a Board member of the National Fire Prevention Council. He has more than 20 years of experience in the electrical component parts industry.

Dr Ran Jedwin Gervasio Executive Director	Years on Board: – Aged 48, American

- Member of Board of Directors
- Member of Risk Committee

Dr Ran Jedwin Gervasio joined the Board on 27 February 2018. He is the founding member of Visionary Component Inc. (now known as PwC Components (Philippines) Pte Ltd), a subsidiary of PwC Holdings Ltd.

Dr Ran holds a PhD in Electrical Electronic Engineering from University of North Carolina, USA. He has 25 years of experience in the component parts industry, including four years as a professor in University of Michigan, USA. He has served as an honorary professor of the University of Philippines since 2003, and a non-executive director of Routers Electronics Inc., a corporation listed on the New York Stock Exchange since 2006.

Corporate Governance Report

For the financial year ended 31 December 2017

SGX 710

The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and guidelines of the Code. Listed companies are required to describe their corporate governance practices with specific reference to the principles of the Code and to explain any deviations from any guideline in the Code in their annual reports.

SGX 710

The Board of Directors (the "Board") is committed in ensuring that the highest standards of corporate governance are practised throughout PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance (the "Code") on 2 May 2012 and is effective for annual reports relating to financial years commencing from 1 November 2012. The Code is not mandatory, but Listed Companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their Annual Reports.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2017, with specific reference to the principles and guidelines of the Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Companies Act and the Audit Committee Guidance Committee ("ACGC") Guidebook which was issued on May 2012, focusing on areas such as internal control, risk management, financial reporting, internal and external audits.

The Board confirms the Group has adhered to all principles and guidelines set out in the Code as set out below.

The Code

The Code is divided into four main sections, namely:

(A) Board Matters

(B) Remuneration Matters

(C) Accountability and Audit

(D) Shareholder Rights and Responsibilities

Corporate Governance Report

Reference

(A) BOARD MATTERS

The Board of Directors as at 24 April 2018 comprises:

Mr Tan Cheng Eng (Chairman and Non-executive Director)
Mr Balachandran Nair (Non-executive Director)
Madam Wan Oon Kee (Non-executive Director)
Mr Michael Philip White (Non-executive Director)
Mr Lee Chee Wai (Non-executive Director)
Mr David Grey (Non-executive Director)
Mr Ang Boon Chew (Chief Executive Officer)
Dr Ran Jedwin Gervasio (Executive Director)

A description of the background of each director is presented in the "Board of Directors" section of this annual report. CG Guideline 4.7

Principle 1: The Board's Conduct Of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

CG Guideline 1.1

The Board's role is to:

(a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;

(e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and others are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board's Conduct of Affairs

The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management systems and internal control to safeguard shareholders' interests and the Group's assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy (including social and environmental issues), performance, resources and standards of conduct and ethics. The Board regularly reviews the Group's strategic business plans, the assessment of key risks by management and the operational and financial performance of the Group to enable the Group to meet its objectives. CG Guideline 1.1

Corporate Governance Report

For the financial year ended 31 December 2017

CG Guideline 1.2

All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.

CG Guideline 1.3

The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.

CG Guideline 1.5

Every company should prepare a document with guidelines setting forth:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved by the Board.

The types of material transactions that require board approval under such guidelines should be disclosed in the company's Annual Report.

The Board objectively makes decisions in the interests of the Group. The Board has delegated specific responsibilities to four Committees, namely the Audit, Nominating, Remuneration and Risk Committees. Information on each of the four Committees is set out further in this report. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Matters requiring the Board's decision and endorsement are defined in the Board Terms of Reference.

CG Guidelines 1.2, 1.3 and 1.5

CG Guideline 1.4

The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.

The Board meets at least six times a year. Fixed and optional meetings are scheduled at the start of each year and optional meetings convened as scheduled only when there are matters requiring the Board's decision at the scheduled time. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Board also schedules an annual Board Strategy meeting to discuss strategic matters.

CG Guideline 1.4

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the directors' physical presence at the meeting. The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings are as follows:

CG Guideline 1.4

		Board of Directors Number of meetings[(1)]			Audit Committee Number of meetings[(1)]			Nominating Committee Number of meetings[(1)]			Remuneration Committee Number of meetings[(1)]			Risk Committee Number of meetings[(1)]	
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Director															
Ang Boon Chew	M	10	10	-	-	-	-	-	-	-	-	-	-	-	-
Andrew Lloyd[(2)]	-	1	1	-	-	-	-	-	-	-	-	-	-	3	3
Ran Jedwin Gervasio[(3)]	M	-	-	-	-	-	-	-	-	-	-	-	M	-	-
Non-executive Director															
Tan Cheng Eng	C	10	10	M	7	7	-	-	-	C	2	2	-	-	-
David Grey	M	10	7	M	7	6	-	-	-	-	-	-	-	-	-
Balachandran Nair	M	10	8	C	7	7	M	2	2	M	2	1	-	-	-
Michael Philip White	M	10	10	M	7	7	C	3	3	-	-	-	-	-	-
Wan Oon Kee	M	10	9	M	7	5	M	3	2	-	-	-	C	3	3
Lee Chee Wai[(4)]	M	7	6	-	-	-	-	-	-	M	1	1	M	3	3
Selamat Baharuddin[(5)]	-	3	3	-	4	3	-	1	1	-	-	-	-	-	-

Denotes:
C – Chairman as at 20 March 2018
M – Member as at 20 March 2018

(1) *Number of meetings held/attended during the financial year/period from 1 January 2017 (or from date of appointment of Director, where applicable) to 31 December 2017*
(2) *Resigned on 5 January 2018*
(3) *Appointed on 27 February 2018*
(4) *Appointed on 3 May 2017*
(5) *Resigned on 3 May 2017*

CG Guideline 1.6

Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation programme to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time Director[1] in areas such as accounting, legal and industry-specific knowledge as appropriate.

It is equally important that all directors should receive regular training particularly on relevant new laws, regulations and changing commercial risks, from time to time. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.

CG Guideline 1.7

Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.

[1] *A first-time director is a director who has no prior experience as a director of a listed company.*

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Company also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A manual containing the Group's policies and procedures relating to its business, corporate governance, risk management, interests in securities, and price-sensitive information, is updated yearly and provided to each director. CG Guidelines 1.6 and 1.7

To keep pace with new laws, regulations, changing commercial risks and financial reporting standards, all directors attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders[2]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

[2] The term 10% shareholder shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

CG Guideline 2.1

There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

CG Guideline 2.2

The independent directors should make up at least half of the Board where:

(a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person;

(b) the Chairman and the CEO are immediate family[3] members;

(c) the Chairman is part of the management team; or

(d) the Chairman is not an independent director.

[3] The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the "Listing Manual"), i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

Board Composition and Independent Directors

The Board comprises eight members, six of whom are non-executive directors (including the Chairman). All non-executive directors, except for Mr David Grey who is an Executive Director of PwC Global Limited, the ultimate holding corporation of the Group, are independent i.e., they have no relationship with the Company, its related companies, its 10% shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from management and its 10% shareholders. Independent directors make up more than half of the Board. CG Principle 2, CG Guidelines 2.1, 2.2 and 2.3

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

CG Guideline 2.3

An "independent" director is one who has no relationship with the company, its related corporations[4], its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Directors should disclose to the Board any such relationship as and when it arises. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination including the following:

(a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years;

(b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the Remuneration Committee;

(c) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;

(d) a director:

(i) who, in the current or immediate past financial year, is or was; or

(ii) whose immediate family member, in the current or immediate past financial year, is or was, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments[5] aggregated over any financial year in excess of S$200,000 should generally be deemed significant;

(e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or

(f) a director who is or has been directly associated with[6] a 10% shareholder of the company, in the current or immediate past financial year.

[4] *The term "related corporation", in relation to the company, shall have the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.*

[5] *Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.*

[6] *A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.*

All directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The Board based on the evaluations and results of a review conducted by the Nominating Committee, views all the non-executive directors of the Company, except for Mr David Grey, to be independent in character, judgement and that there are no relationships which are likely to affect or could appear to affect the director's judgement in the course of discharging his fiduciary duties. CG Guideline 2.3

CG Guideline 2.4

The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

None of the directors have served the Company for a period exceeding nine years. As and when directors serve beyond nine years, the Nominating Committee performs a particularly rigorous review to assess the independence of the relevant directors. CG Guideline 2.4

CG Guideline 2.5

The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees. The Board should not be so large as to be unwieldy.

Board Size

The Board reviews the size of the Board on an annual basis, and considers the present Board size of directors as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up more than half of the Board, no individual or group is able to dominate the Board's decision-making process. Although all the directors are equally accountable for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by management are constructively challenged, fully discussed and examined, and take into account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. CG Principle 2, CG Guidelines 2.1 and 2.5

CG Guideline 2.6

The Board and its board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

Board Experience

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. Mr Tan Cheng Eng and Mr Balachandran Nair are trained in finance and management. Mr Ang Boon Chew has experience specifically in the electrical component parts industry, the core business of the Group. Madam Wan Oon Kee, Dr Ran Jedwin Gervasio and Mr Lee Chee Wai are all experienced in risk governance and enterprise risk management. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report. CG Guideline 2.6

CG Guideline 2.7

Non-executive directors should:

(a) constructively challenge and help develop proposals on strategy; and

(b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

CG Guideline 2.8

To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of management.

Role of the Non-executive Directors

Mr Balachandran Nair leads and co-ordinates the activities of the non-executive directors of the Company and aids the non-executive directors to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The non-executive directors meet regularly on their own without management presence. CG Guidelines 2.7 and 2.8

Whilst the Company is controlled by PwC Corporate Limited, its immediate holding company, the investment of minority shareholders is fairly represented through the representation of independent and non-executive directors.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

CG Guideline 3.1

The Chairman and CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.

Chairman

The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr Tan Cheng Eng is a non-executive and independent director responsible for leading the Board and facilitating its effectiveness. He promotes high standards of corporate governance on the Board and within the Group, and is free to act independently in the best interests of the Group. The CEO, Mr Ang Boon Chew, is an executive director responsible for the business direction and operational decisions of the Group. The Chairman and CEO are not related. The division of responsibilities between the Chairman and the CEO has been set out in a set of guidelines reviewed and approved by the Board.

CG Principle 3, CG Guideline 3.1

CG Guideline 3.2

The Chairman should:

(a) lead the Board to ensure its effectiveness on all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate at the Board;

(d) ensure that the directors receive complete, adequate and timely information;

(e) ensure effective communication with shareholders;

(f) encourage constructive relations within the Board and between the Board and management;

(g) facilitate the effective contribution of non-executive directors in particular; and

(h) promote high standards of corporate governance.

The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

Role of the Chairman

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman reviews Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Further he ensures that all agenda items included in the Board papers are provided sufficient airtime and adequately debated at Board meetings. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and management, and between independent and non-independent directors, with a view to encourage constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the abovementioned guidelines approved by the Board.

CG Guideline 3.2

Reference

CG Guideline 3.3

Every company should appoint an independent director to be the lead independent director where:

(a) the Chairman and the CEO is the same person;

(b) the Chairman and the CEO are immediate family members;

(c) the Chairman is part of the management team; or

(d) the Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns when contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) has failed to resolve or is inappropriate.

CG Guideline 3.4

Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.

Lead Independent Director

The Board appointed Mr Balachandran Nair to act as the Lead Independent Director. Shareholders with concerns may contact him directly through channels as described on the company website, when contact through the normal channels via the Chairman, CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least annually without the presence of the other executive and non-independent Directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

CG Guidelines 3.3 and 3.4

Principle 4

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

CG Guideline 4.1

The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.

Nominating Committee

The Nominating Committee comprises the following independent and non-executive directors:

Mr Michael Philip White (Chairman)
Madam Wan Oon Kee
Mr Balachandran Nair

The Nominating Committee was set up on 1 April 2006. The Committee held three meetings during the financial year. All members of this Committee are independent and non-executive directors.

CG Guideline 4.1

CG Guideline 4.2

The NC should make recommendations to the Board on relevant matters relating to:

(a) the review of board succession plans for directors, in particular, for the Chairman and the CEO;

(b) the development of a process for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programs for the Board; and

(d) the appointment and re-appointment of directors (including alternate directors, if applicable).

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.

Roles and Responsibilities of the Nominating Committee

The Nominating Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:

CG Principle 4,
CG Guidelines
4.1 and 4.2

- making recommendations to the Board on all board appointments;
- evaluation of performance of the Board, its committees, members and directors;
- reviewing the adequacy of the Board's training and professional development programmes; and
- reviewing the Board's succession plans for directors, in particular for the Chairman and the CEO.

CG Guideline 4.3

The NC is charged with the responsibility of determining annually, and as when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.

Independence of Directors

The Nominating Committee is also responsible for determining annually, the independence of directors. In doing so, the Nominating Committee takes into account the circumstances set forth in the Code and any other salient factors. Following its annual review, the Nominating Committee has endorsed the following independence status of the directors: CG Guideline 4.3

Independent
Mr Balachandran Nair
Mr Tan Cheng Eng
Mr Michael Philip White
Madam Wan Oon Kee
Mr Lee Chee Wai

Non-independent
Mr Ang Boon Chew
Mr David Grey
Dr Ran Jedwin Gervasio

CG Guideline 4.4

When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments[7]. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.

[7] *The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments*

Sufficient Time and Attention by Directors

The Nominating Committee is satisfied that sufficient time and attention was given by the directors to the affairs of the Group, taking into consideration the director's number of listed company board representations and other principal commitments. The Group has guidelines in place to address the competing time commitments faced by directors serving on multiple boards. The Board has determined that the maximum number of listed company board representations which any director may hold is five. All directors of the Company do not hold more than five listed company board representations. CG Guideline 4.4

CG Guideline 4.5

Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.

The Nominating Committee does not have a practice of appointing alternate directors except for limited periods in exceptional cases such as when a director has a medical emergency. There were no alternate directors in this financial year. CG Guideline 4.5

CG Guideline 4.6

A description of the process for the selection, appointment and re-appointment of new directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.

Selection, Appointment and Re-appointment of Directors

In the search, nomination and selection process for new directors, the Nominating Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, recommendations from the Singapore Institute of Directors are considered and executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for Nominating Committee to assess them, before a decision is reached. The Nominating Committee also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the directors. CG Guideline 4.6

CG Guideline 4.7

Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:

(a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;

(b) a separate list of all current directorships in other listed companies; and

(c) details of other principal commitments.

The information on each director's academic and professional qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in the "Board of Directors" and "Directors' Statement" section of this annual report. CG Guideline 4.7

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

CG Guideline 5.1

Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its Board Committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.

CG Guideline 5.2

The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholders value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.

Assessing Board Performance

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by the Chairman and each director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resources was appointed by the Nominating Committee to help to design and implement the process. The consulting firm is not related to the Group or any of its directors. This is the seventh year in which this board evaluation process has been performed. The Board assessment considered the following key performance criteria (which have not changed from prior years):

CG Principle 5, CG Guidelines 5.1 and 5.2

- Board size and composition;
- Board independence;
- Board processes;
- Board information and accountability;
- Board performance in discharging principle functions;
- Board committee performance;
- Interactive skills;
- Knowledge;
- Directors duties;
- Availability at meetings; and
- Overall contribution.

Corporate Governance Report

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CG Guideline 5.3

Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the Nominating Committee, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

The Nominating Committee performs individual director evaluations, assessing each director if he or she contributes effectively and demonstrates commitment and provides feedback to the Chairman of the Board. The Chairman, in consultation with the Nominating Committee, proposes new directors to be appointed to the Board or seeks the resignation of directors. CG Guideline 5.3

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

CG Guideline 6.1

Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to management. Directors are entitled to request from management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.

CG Guideline 6.2

Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

Board Access to Information

All directors receive a set of Board papers prior to the Board meetings. The Board papers are generally issued to directors at least five working days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details: CG Principle 6, CG Guidelines 6.1 and 6.2

- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees of the Board held since the previous Board meeting;
- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by management, and relevant budgets, forecasts and projections. In respect of budgets and monthly financial statements, any material variance between the budgets and projections and actual results is disclosed and explained to the Board;

Reference

- Major operational and financial issues;
- Statistics on key performance indicators; and
- Statistics on customer satisfaction.

CG Guideline 10.3

Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from management monthly management financial statements which present a balanced and understandable assessment of the Group's performance, position and prospects. The latest set of monthly management financial statements circulated is tabled for discussion at each Board meeting by the directors. CG Guideline 10.3

The directors have separate and independent access to the Group's senior management, including the CEO, the CFO and other key management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to management who will respond accordingly. Where relevant, directors' queries and management's responses are circulated to all Board members for their information. CG Guideline 10.3

CG Guideline 6.3

Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and between management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.

Role of the Company Secretary

All directors have separate and independent access to the advice and services of the Company Secretary. The Board has approved a set of guidelines defining the role and responsibilities of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Risk Committee, Remuneration Committee and Nominating Committee and takes the minutes of all key decisions taken and issues discussed. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. CG Guideline 6.3

Corporate Governance Report

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CG Guideline 6.4

The appointment and the removal of the company secretary should be a matter for the Board as a whole.

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

CG Guideline 6.4

CG Guideline 6.5

The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.

Professional Advice taken by the Board

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacities, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense. The details of this procedure are articulated in the Director Manual.

CG Guideline 6.5

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for determining the remuneration packages of individual directors and senior management.

CG Principle 7

CG Guideline 7.1

The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.

Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors: CG Guideline 7.1

Mr Tan Cheng Eng (Chairman)
Mr Balachandran Nair
Mr Lee Chee Wai

> **CG Guideline 7.2**
>
> The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel[8]. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.
>
> [8] *The term "key management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.*

Roles and Responsibilities of the Remuneration Committee

The principal responsibilities of the Remuneration Committee are:

(a) Recommending to the Board for endorsement, a framework for computation of directors' fees of the Board (both executive and non-executive directors) and senior management of Senior Vice President grade or its equivalent and above. For executive directors and other senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind); CG Guidelines 7.1 and 7.2

(b) Recommending the specific remuneration packages for each director and other senior management of Senior Vice President grade or its equivalent and above; and

(c) Administering the PwC Employee Share Option Scheme.

> **CG Guideline 7.3**
>
> If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.

In determining the Group's remuneration policy above, the Remuneration Committee from time to time seeks advice from external remuneration consultants, who are unrelated to the directors or any organisation they are associated with, as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the Remuneration Committee is submitted for approval by the Board. CG Guidelines 7.2 and 7.3

CG Guideline 7.4

The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and to avoid rewarding poor performance.

The Remuneration Committee reviews the reasonableness of the contracts of service of executive directors and key management personnel. Where necessary the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

CG Guideline 7.4

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

CG Guideline 8.1

A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.

CG Guideline 9.6

For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject to, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

Reference

Remuneration of Executive Directors and Key Management Personnel

The remuneration package of executive directors and other senior management of senior vice president grade or its equivalent and above ("Senior Management") consists of the following components:

(a) Fixed and Variable Components

The fixed component comprises of basic salary, Central Provident Fund ("CPF") contribution and annual wage supplement. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

Principle 8,
CG Guideline 8.1

The variable component comprises variable bonus based on the Group's and the individual's performance, as well as the monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of Senior Management, which includes 360-degree assessments and measuring their performance against selected key performance indicators, is undertaken each year. Bonuses payable to Senior Management are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders and promote the long-term success of the Group.

Principle 8,
CG Guideline 8.1

(b) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and length of service.

CG Guideline 8.2

Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC should review whether directors and key management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.

CG Guideline 9.5

The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes should be disclosed, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted.

(c) Share Options

The directors and other management with more than three years of service are eligible for the grant of options under the PwC Employee Share Option Scheme. The options granted will vest only on completion of another two years of service with the Group, commencing from the grant date. The directors and other management are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability. More information on the PwC Employee Share Option Scheme is set out in the Directors' Statement and the Annual Remuneration Report. CG Guidelines 8.2 and 9.5

CG Guideline 8.3

The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.

Non-executive directors are also encouraged to acquire shares of the Company in order to align their interests with that of shareholders. Through the PwC Directors Share Option Scheme, directors are encouraged to acquire shares of the Company each year until they hold the equivalent of one year's fees in shares. Directors are encouraged to hold these shares as long as they remain on the Board. CG Guideline 8.3

CG Guideline 8.4

Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

Reference

Remuneration of Non-Executive Directors

The Remuneration Committee reviews the scheme put in place by the Company for rewarding the non-executive directors to ensure the compensation is commensurate with effort, time and role of the non-executive directors. Contracts with Directors and Senior Management contain "claw back" termination clauses to safeguard the Group's interests in the event of exceptional circumstances of misstatement of financial statements, misconduct resulting in financial loss or fraud by executive directors and key management personnel. CG Guideline 8.4

The fees and allowances proposed to be paid to directors for the current financial year are determined based on the same formula applied in the previous year as follows:

TYPE OF APPOINTMENT	PROPOSED FEE $
Board of directors	
Basic Fee	50,000
Board Chairman's Allowance	32,000
Audit Committee	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
Risk Committee	
Committee Chairman's Allowance	20,000
Member's Allowance	11,000
Other Board Committees	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
Attendance fee	
Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

Besides the basic fee, every director will receive:

- The Chairman's allowance if he is Chairman of the Board;
- The relevant allowance (depending on whether he is Chairman or a member of the relevant Board Committee) for each position he holds in the Board Committee during the financial year; and
- The relevant attendance fee for each Board and Board Committee meeting he attends during the financial year.

If he occupies a position for part of the financial year, the fee or allowance payable will be prorated accordingly.

Reference

Disclosure on Remuneration

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

CG Guideline 9.1

The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).

CG Guideline 9.2

The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

CG Guideline 9.3

The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

Reference

The Annual Remuneration Report

CG Principle 9, CG Guidelines 9.1, 9.2, 9.3

	Basic salary[(1)] $'000	Fees[(1)] $'000	Bonus $'000	Benefits-in-kind $'000	Termination benefit $'000	Fair value of share options granted[(2)] $'000	Total 2017 $'000	Total 2016 $'000	Total fair value of options granted in[(9)] 2017 $'000	Total fair value of options granted in[(9)] 2016 $'000
Executive Directors										
Ang Boon Chew	286	32[(3)]	420	36	-	86	860	855	100	100
Andrew Lloyd[(4)]	276	32[(3)]	357	15	-	-	680	674	-	-
Ran Jedwin Gervasio[(5)]	-	-	-	-	-	-	-	-	-	-
Non-executive Directors										
Tan Cheng Eng	-	95[(3)]	-	-	-	-	95	95	-	-
David Grey	-	70[(3),(6)]	-	-	-	-	70	70	-	-
Balachandran Nair	-	65[(3)]	-	-	-	-	65	65	-	-
Michael Philip White	-	56	-	-	-	-	56	56	-	-
Wan Oon Kee	-	44	-	-	-	-	44	44	-	-
Lee Chee Wai[(7)]	-	41	-	-	-	-	41	41	-	-
Selamat Baharuddin	-	30	-	-	100[(8)]	-	130	130	-	-
Francis Wong	-	-	-	-	-	-	-	-	-	-
	562	465	777	51	100	86	2,041	2,030	100	100
Key Management Personnel										
Ran Jedwin Gervasio[(5)]	218	-	235	18	-	59	530	523	65	65
Henry Heng	180	-	225	13	-	52	470	460	45	45
Raju Samy	183	-	196	10	-	41	430	427	40	40
Abdul Rahmat	211	-	178	9	-	32	430	419	35	35
Tracy Phung	231	-	132	7	-	30	400	397	32	32
	1,023	-	966	57	-	214	2,260	2,226	217	217

Denotes:

(1) *Includes allowances and contributions to Central Provident Fund (where applicable).*
(2) *Refers to the expense on share options granted to the executive directors/senior management recognised in the financial statements.*
(3) *Includes fees paid/payable for directorship in subsidiary/subsidiaries.*
(4) *Resigned as a director on 5 January 2018.*
(5) *Joined the Group as a key executive on 1 March 2016 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 27 February 2018.*
(6) *Fees paid/payable by PwC Global Limited, ultimate holding company and the director's employer company.*
(7) *Appointed as a director on 3 May 2017.*
(8) *In appreciation of Mr Selamat Baharuddin's service to the Group for the past 15 years, the Board approved the payment of $100,000 as termination benefits to him. He resigned on 3 May 2017.*
(9) *Refers to the total fair value of share options granted to the executive directors/senior management during the financial year. The fair value of the options was estimated using the Binomial Option Pricing model.*

CG Guideline 9.4

For transparency, the report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000. The company need only show the applicable bands.

Ms Ang Sue-Anne, the daughter of Mr Ang Boon Chew, the CEO and an Executive Director of PwC Holdings Ltd, was employed by PwC Property (Singapore) Pte Ltd, a subsidiary of the Group, as a Financial Controller and has received remuneration comprising salary and annual bonus amounting to $168,000 in that capacity during this financial year. CG Guideline 9.4

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

CG Guideline 10.1

The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

CG Guideline 10.2

The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

CG Guideline 10.3

Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Accountability

The Board understands its responsibility and provides a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required). CG Principle 10, CG Guideline 10.1

The Board (through the Risk Committee) also reviews operational and regulatory compliance reports from management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements. CG Guideline 10.2

Board members receive monthly financial statements, operational and other reports from management containing analysis and explanations of variances against budget and projections to understand the Group's financial and operational performance and prospects. CG Guideline 10.3

Risk Management and Internal Controls

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

CG Guideline 11.1

The Board should determine the company's levels of risk tolerance and risk policies, and oversee management in the design, implementation and monitoring of the risk management and internal control systems.

CG Guideline 11.2

The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.

CG Guideline 11.4

The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board (through the Audit Committee and the Risk Committee) approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance. CG Principle 11, CG Guideline 11.1

Risk Committee

CG Guideline 11.4

The Risk Committee consists of the following three Directors:

- Madam Wan Oon Kee (Chairman)
- Mr Lee Chee Wai
- Dr Ran Jedwin Gervasio

The Risk Committee assists the Board in its oversight of risk management. The Risk Committee is independent from management.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management Integrated Framework.

Roles and Responsibilities of the Risk Committee

The Risk Committee has written Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. During the meetings of the Risk Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

CG Guidelines 11.1 and 11.4

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management;
- reviews management's assessment of risks and management's action plans to mitigate such risks;
- proposes risk tolerance settings to the Board;
- reviews reports of any material breaches of risk limits;
- reviews the Group's procedures for detecting fraud including the whistle blowing policy and ensures appropriate follow up actions;
- reports to the Board and the Audit Committee on matters, findings and recommendations relating to risk management; and
- reviews the adequacy and effectiveness of the Group's risk management systems; and
- co-ordinates with the Audit Committee on its oversight over financial, operational, compliance and information technology controls.

The Risk Committee reviewed the adequacy of the Group's risk management framework and systems and conducted four dialogue sessions with management to understand the process to identify, assess, manage and monitor risks within the Group. In addition, the Risk Committee also engaged an external risk management consultant, ABC LLP, during the year to conduct an independent review on the effectiveness, adequacy and robustness of the Group's risk management policies and processes and to make recommendations to enhance the internal controls over the risk management process.

CG Guideline 11.2

Management presented semi-annual reports to the Risk Committee and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- assessment of the Group's key risks by major business units and risk categories;
- identification of specific risk owners who are responsible for the risks identified;
- description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis;
- ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps;
- status and changes in plans undertaken by management to manage key risks; and
- description of the risk monitoring and escalation processes and also systems in place.

Reference

Risk Tolerance Limits

Management has established risk tolerance limits for each key risk by considering the relative importance of the related objectives. On an annual basis, management tests and evaluates the tolerance limits by comparing tolerance calculations with risk retention capacity limits and the level of materiality to assess the Group's resilience to risk.

CG Guideline 11.1

Based on the above, the Risk Committee concluded that the Group's risk management framework is adequate. Management has appropriately defined and the Board, on recommendation by the Risk Committee, has approved the risk appetite of the Group.

"Near-Miss" Programme

In addition, management has implemented a "near-miss" programme, with the Risk Committee's and Audit Committee's endorsement to identify events that indicate system or process weaknesses, which could result in major consequences if not remedied. The objective for such arrangements is to encourage staff to disclose "near-misses" without fear of reprisals. Collection and analysis of such "near-miss" data, together with the subsequent identification of remedial actions are undertaken by a Compliance Manager who reports directly to the Chairman of the Audit Committee.

ACGC Guidebook Page 30, Para 1.2.12

Business Continuity Plan

The Board has reviewed and approved the business continuity plan to deal with pandemic situation, information technology failures and loss of business premises so as to mitigate the negative impact on the Group's operations. The approved plan was endorsed by the Audit Committee and addressed the following:

ACGC Guidebook Page 35, Para 1.2.27

- identification of critical business functions and their operational arrangement;
- impact on the closure of business operation sites and availability of alternate offices;
- communication with business partners on revised operational protocols;
- measures to reduce spread of a pandemic outbreak;
- crisis management procedures; and
- operational continuity plans.

Management has conducted semi-annual tests on the business continuity plan and reported the results of these tests to the Board and the Audit Committee.

Management's Responsibility in Risk Management

Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risks management and internal controls. The Group has a Risk Manager who co-ordinates the Group's risk management efforts.

ACGC Guidebook Page 29, Para 1.2.10

As part of management's efforts in promoting a risk-aware culture, risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed by management, Internal Audit, the Risk Committee and the Audit Committee.

Management also conducted an annual training on risk management and a risk discussion forum to heighten risk awareness for staff at middle management level. Management is responsible for day to day monitoring of these risks and highlighting significant events arising thereon to the Risk Committee and the Board.

CG Guideline 11.3

The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.

The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) regarding the effectiveness of the company's risk management and internal control systems.

Annual Review of the Group's Risk Management and Internal Control Systems

The Board with the assistance of the Risk Committee and the Audit Committee, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Risk Committee, the Audit Committee and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year ended 31 December 2017.

CG Guidelines 11.2 and 11.3

The Board's annual assessment in particular considered:

- the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring to the Risk Committee and the Audit committee; and
- the incidence of significant internal controls weaknesses that were identified during the financial year.

Reference

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

The Board has obtained written assurance from the CEO and CFO: CG Guideline 11.3

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness of the Group's risk management and internal control systems.

Opinion on Adequacy of the Group's Internal Controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate as at 31 December 2017. SGX Listing Rule 1207 (10)

Audit Committee

Principle 12: Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.[9]

[9] The Board may wish to refer to the sample terms of reference contained in the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee which was established on 15 January 2008 by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and Singapore Exchange Limited to develop practical guidance for audit committees of listed companies.

CG Guideline 12.1

The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.

CG Guideline 12.2

The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.

CG Guideline 12.8

The Board should disclose a summary of all the AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.

The Audit Committee comprises the following Directors:

Mr Balachandran Nair (Chairman)
Mr Tan Cheng Eng
Mr David Grey
Mr Michael Philip White
Madam Wan Oon Kee

CG Principle 12, CG Guidelines 12.1 and 12.8

All the members of the Audit Committee including the Chairman are non-executive directors. Except for Mr David Grey who was an Executive Director of PwC Global Limited, the ultimate holding corporation of the Group, all members are independent. As a sub-committee of the Board, the Audit Committee is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal controls, financial and other accounting matters as well as matters pertaining to regulatory compliance.

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee, namely Mr Michael Philip White and Mr Tan Cheng Eng, as well as the Audit Committee Chairman Mr Balachandran Nair, have recent and relevant financial management expertise and experience. One of the Audit Committee members, Mr Michael Philip White is knowledgeable about Information Technology ("IT") systems and controls.

CG Guideline 12.2

During the year, the Audit Committee attended at least eight hours of trainings organised by management and also attended external seminars on financial, corporate governance, regulatory and other business related topics.

CG Guideline 12.8

CG Guideline 12.3

The AC should have explicit authority to investigate any matter within its terms of reference, full access to and cooperation of management, with full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

CG Guideline 12.4

The duties of the AC shared include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

(c) reviewing the effectiveness of the company's internal audit function;

(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and

(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Reference

Roles and Responsibilities of the Audit Committee

The Audit Committee has written Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and cooperation of management, with full discretion to invite any director or executive officer to attend its meetings. The Audit Committee has adequate resources to enable it to discharge its functions properly.

CG Guideline 12.3

During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

CG Guideline 12.4

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
- reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- reviewing the external auditor's audit plan, audit report and the external auditor's evaluation of the system of internal accounting controls with the external auditor, as well as the assistance given by management to the external auditor;

ACGC Guidebook Page 125, Appendix A2

- reviewing the nature and extent of the external auditor's non-audit services to the Group as well as the extent of reliance placed by the external auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board; and
- coordinate with the Risk Committee on its oversight on risk management matters.

Interested Person Transactions

The Audit Committee reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The Audit Committee is satisfied that there were no material contracts involving the interests of the CEO, Directors or the controlling shareholders and their subsidiaries. Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the

ACGC Guidebook Page 91, Para 1.2.1

shareholders' mandate for IPT was last renewed. The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective. Management accordingly recommended that the Company not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the Audit Committee concurred with management's recommendations.

CG Guideline 12.5

The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.

The Audit Committee held seven meetings during the financial year. These meetings were attended by the CEO, CFO, Head of Internal Audit Department ("IAD") and the Risk Manager at the invitation of the Audit Committee. The Group's external auditor was also present at the relevant junctures during these meetings. The Audit Committee has also met the external and internal auditors, without any executive of the Group being present, twice during the financial year to:

CA201B(6) ACGC Guidebook Page 32, Para 1.2.19 and Page 33, Para 1.2.21

CG Guideline 12.5, ACGC Guidebook Page 13, Para 1.2.16, Page 102, Para 1.2.4, Page 76, Para 1.2.7, Page 56, Para 1.2.1 and Page 78, Para 1.2.8.2

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

CG Guideline 12.6

The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for the financial year ended 31 December 2017 was:

CG Guideline 12.6

	$'000
Audit fees	850
Non-audit fees	335
Total fees	1,185

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2017 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

CG Guideline 12.7

The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.

Whistle-blowing Policy

The Group has a zero tolerance approach for unethical practices, as set out in its Code of Ethics. The Group has a whistle-blowing policy in place which encourages the reporting of matters of fraud, corruption or dishonest and unethical practices. The whistle blowing policy is communicated to all staff and covered during staff trainings. The whistle-blowing policy also extends to the public who wish to report similar matters to a hotline and the Group's website that is independently managed by an external service provider.

ACGC Guidebook Page 112, Para 1.2.3 and CG Guideline 12.7

The Group undertakes to investigate complaints of suspected fraud and unethical behaviour in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by a Compliance Manager who reports his findings directly to the Chairman of the Audit Committee.

CG Guideline 12.9

A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

CG Guideline 12.9

Financial Matters

In its review of the financial statements, the Audit Committee has discussed with management the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were reviewed by the Audit Committee and discussed with the management and the external auditor:

Significant Matter	How the Audit Committee reviewed these matter
Impairment assessment on goodwill	The Audit Committee considered the approach and methodology applied to the valuation model in goodwill impairment assessment. The Audit Committee also reviewed the reasonableness of the gross margin, weighted average growth rate and discount rate and concurred with management regarding the estimates.

Corporate Governance Report

For the financial year ended 31 December 2017

Significant Matter	How the Audit Committee reviewed these matter
Impairment assessment on goodwill (continued)	The impairment assessment of goodwill was also included by the external auditor as a key audit matter in its audit report for the financial year ended 31 December 2017.
Revenue recognition and provision for foreseeable losses on on-going contracts	The Audit Committee considered the approach and assessed the reasonableness of management's estimated total contract costs to complete the contracts. Based on its understanding of the various contracts including discussions with the project managers for certain larger contracts, the Audit Committee was satisfied that management had adopted and consistently applied appropriate accounting treatment in the financial statements to ensure that revenue and provision for foreseeable losses were recorded appropriately. This matter was also an area of focus for the external auditor and reported as a key audit matter in the independent auditor's report for the financial year ended 31 December 2017.

Guidance notes

Financial Matters - AC commentary

1. Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and the Singapore Exchange ("SGX") have jointly issued a letter to Audit Committees ("ACs") of all Singapore listed companies, in relation to the inclusion of commentary from ACs on key financial reporting matters. ACs are encouraged to make such disclosure in the annual report.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

CG Guideline 13.1

The Internal Auditor's primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

CG Guideline 13.2

The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.

CG Guideline 13.3

The internal audit function should be staffed with persons with the relevant qualifications and experience.

CG Guideline 13.4

The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CG Guideline 13.5

The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.

Internal Audit Department ("IAD")

IAD is a department independent of management. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the CEO. The appointment, assessment and compensation of the Head of IAD are approved by the Audit Committee. The IAD assists the Risk Committee, Audit Committee and the Board in monitoring risks and internal controls of the Group. CG Principle 13, CG Guideline 13.1

The Group recruits and employs qualified professional staff in the IAD. The IAD staff are provided regular training and development opportunities to ensure that technical knowledge and internal audit skills are maintained. CG Guidelines 13.2 and 13.3

The Head of IAD reports to the Audit Committee on the nature and frequency of training and seminars attended by the IAD staff to enhance their skill sets in specialised areas and professional Internal Auditing standards. CG Guideline 13.2

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the service provider to perform such services is approved by the Audit Committee. The internal audit charter ensures IAD has full access to all documents, records, properties and personnel of the Group.

The IAD is a corporate member of the Singapore Chapter of the Institute of Internal Auditors ("IIA") and adopts the International Standards for the Professional Practice of Internal Auditing laid down by the IIA. CG Guideline 13.4

During the year, IAD has considered the following components of internal control:

1. Control Environment: The nature of the Group's control environment has a pervasive effect on IAD's assessment of risks. IAD assessed the design of the various elements in the control environment to determine the strength of the foundation for all other components of internal control and made appropriate recommendations for improving the control environment. IAD has considered

the following elements (which have a pervasive effect) and how they have been incorporated into the Group's processes:

- Communication and enforcement of integrity and ethical values
- Commitment to competence
- Participation by those charged with governance
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- Human resource policies and practices

2. Risk Assessment: IAD performed a risk assessment process of Group's various operations and identified the relevant risks and their significance and assessed their likelihood (including consideration of the results from the risk management process).
3. Control Activities, Information and Communication: IAD assisted the Group in maintaining effective control by evaluating the effectiveness and efficiency of processes, in particular the adequacy of internal controls over initiation, processing, recording, authorisation of transactions, physical security controls, user access controls, segregation of duties and performance reviews. IAD also obtained an understanding of how the Group has responded to risks arising from information technology and assessed the adequacy of automated application controls.
4. Monitoring of controls: IAD continued to ensure that management adequately monitors internal controls as part of the control activities noted above, especially in processes, people and systems.

The Audit Committee approves the internal audit plan and budget and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group. Associated companies and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed regularly by IAD).

During the financial year, IAD conducted its audit reviews based on the internal audit plan approved by the Audit Committee. Upon completion of each audit assignment, IAD reported its findings and recommendations to management who would respond on the actions to be taken. IAD submitted quarterly internal audit summary reports to the Audit Committee on the status of the audit plan and on audit findings and actions taken by management on the findings.

ACGC Guidebook Page 50, Para 1.2.30

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Corporate Governance Report

For the financial year ended 31 December 2017

Reference

CG Guideline 14.1

Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.

CG Guideline 14.2

Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.

CG Guideline 14.3

Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

CG Guideline 16.5

Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.

Shareholder Rights

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

CG Principle 14, CG Guidelines 14.1, 14.2, 14.3 and 16.5

The Group strongly encourages shareholder participation during the Annual General Meeting ("AGM") which is held in a central location in Singapore. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters. Resolutions are passed through a process of voting by electronic polling and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results in favour and against for each resolution put forth are presented during the AGM.

Registered shareholders including corporations, who are unable to attend the AGM are provided the option to appoint a nominee or custodial services to appoint more than two proxies. This allows shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CG Guideline 15.1

Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

Reference

CG Guideline 15.2

Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.

Communication with Shareholders

The Group values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. CG Principle 15, CG Guideline 15.1

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results via SGXNET. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and media briefing materials are made available on SGXNET and on the Company's website www.pwcholdings.com.sg for the information of shareholders. CG Guideline 15.2

CG Guideline 15.3

The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.

CG Guideline 15.4

The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor road shows or Investors' Day briefings.

CG Guideline 15.5

Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.

The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website www.pwcholdings.com.sg, and where appropriate, through media releases on a timely basis. CG Guidelines 15.1, 15.2 and 15.3

In addition, the Group proactively engages shareholders through one-on-one meetings, conference calls, investor conferences and road shows. Over the past financial year, the Group met with investors in over ten meetings. In these meetings, matters pertaining to business strategy, operational and financial performance and business prospects were shared by the senior management team. CG Guideline 15.4

Reference

Dividend Policy

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group declares annual dividends at the rate of approximately 30-60% of the net profit after tax in accordance with the consolidated financial statements. This is provided that the amount of dividend declared does not exceed the Group's retained earnings. In the event that the financial statements show a retained loss, a dividend will not be declared. CG Guideline 15.5

Principle 16: Conduct of shareholder meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

CG Guideline 16.1

Shareholders should have the opportunity to participate effectively and to vote in general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or appoint a nominee or custodial services to appoint more than two proxies. Principle 16, CG Guideline 16.1

For shareholders present in person, the Company has introduced the system of voting by poll and results of each resolution put to vote at the Annual General Meeting ("AGM") is announced with details of percentages in favour and against. CG Guideline 16.5

CG Guideline 16.2

There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. CG Guideline 16.2

CG Guideline 16.3

All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

At each AGM, the Chairman of the Board presents the progress and performance of the Group and encourages shareholders to participate in the Question and Answer session. The external auditor is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report. CG Guideline 16.3

Corporate Governance Report

For the financial year ended 31 December 2017

The Chairpersons of the Risk, Audit, Nomination and Remuneration Committees, or members of the respective Committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders. CG Guideline 16.3

CG Guideline 16.4

Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and to make these minutes available to shareholders upon their request.

Minutes of the discussion at the AGM are available on the Company website at www.pwcholdings.com.sg. CG Guideline 16.4

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Sustainability Report

Environmental, Social and Governance Performance

Guideline 1

In June 2016, in line with the finalised sustainability reporting guidelines, the Singapore Stock Exchange expects all listed companies to develop a sustainability reporting on a 'comply or explain' basis, within 5 months from the financial year ending 31 December 2017. Companies that are reporting for the first time are given up to 12 months to publish their first sustainability report.

The sustainability report should comprise of five key components:

Sustainability Reporting Framework

A chosen reporting framework (or frameworks) to guide its reporting and disclosure. The company should explain its reasons for choosing the framework(s) and provide a general description of the extent of the company's application of the framework(s). Using an internationally recognised or industry-relevant framework, such as the Global Reporting Initiative (GRI), enhances acceptance and comparability.

Material Environmental, Social, and Governance (ESG) Factors

Identification of material ESG factors, giving reasons for their choice and a description of the process of selection, taking into consideration their relevance to the business strategy, business model and key stakeholders. It is not necessary to include, as a primary component, the consultation with the stakeholders.

Policies, Practices and Performance

Policies, practices and performance of the company in relation to each of the material ESG factors in both descriptive and quantitative information. Performance should be discussed in the context of any previously disclosed targets.

Targets

The report should include targets for the forthcoming year in relation to each material ESG factor identified.

Board Statement

The sustainability report should contain a statement from the Board on the Board having considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

A statement from the Board, stating that the sustainability report complies with the primary component is not required.

The following section provides a sample sustainability report that meets the basic requirements of the new SGX guidelines.

Reference

Board Statement

The PwC Holdings Ltd Board of Directors has assigned responsibility for overseeing the company's sustainability initiatives to the Board's Committee on Directors and Corporate Governance. The Board has always been committed to sustainability and the Board fully supports the adoption of the new SGX sustainability reporting guidelines. Stakeholders have expressed approval and appreciation for the Group's transparency and accountability in this area.

SGX-ST Practice Note 7.6: 4.1(v)

Throughout the year, the Committee and company management reviewed the company's sustainability objectives, challenges, targets and progress. The PwC Holdings Ltd Board of Directors receives frequent reports from management about the company's sustainability initiatives and financial reporting and economic performance. These issues are the subject of active discussion at Board meetings and Board committee meetings.

The 2017 Sustainability Report is our 2nd sustainability report, and continues to reflect the Group's performance as well as the company's strategy and vision for the future. As a leading manufacturer and retailer of electrical components and furniture, we recognise that we must conduct our operations in a manner that considers the environmental and social impact to ensure the success and longevity of the business. We are committed to being transparent, candid and open about our business, and this report is a reflection of that commitment.

The Committee believes this document is a reasonable and clear presentation of the company's plans and of its environmental, social and financial performance. The Board has emphasized that management will continue to be evaluated by its success in executing the company's strategic plan to meet stakeholders' and the Board's expectations, including being agile in responding to changing circumstances while respecting the commitments in this report.

Reference

Message from our CEO

GRI disclosures:
GRI 102-11
GRI 102-14

At PwC Holdings Ltd, we have a pragmatic approach to sustainability. We focus on identifying and putting into practice initiatives and programs that deliver real-world and lasting benefits under the three areas of our sustainability strategy. These areas – 'Maintaining a sustainable supply chain', 'Minimising our environmental footprint', 'Caring for our people' – are not confined to our sustainability program; they apply to all that we do at PwC Holdings Ltd. They are what we think about in our day-to-day operations and business and are fundamental to the way we approach our longer-term objectives.

Today, several of the global challenges the world faces directly or indirectly impacts every industry. They include climate change, population growth, urbanization and the shortage of natural resources and raw materials. Sustainable products and services will be essential for the world in addressing these challenges and provide us with a competitive edge if we can continue to succeed within this field. Striving to reach our vision we will drive product and service development, advance our position and capture market share, while helping to change the world and enabling it to move in a more sustainable direction.

In FY17, we continued to build on the sustainability successes of past years, and increased our efforts in ensuring a sustainable supply chain. Early in 2017, PwC Holdings Ltd introduced a new supplier assessment matrix which we applied to all our existing suppliers. The supplier assessment matrix requires our suppliers to disclose to us their current performance based on the same ESG factors that we have adopted in 2016, as well as any measures they are taking to improve their performance in the coming years. Suppliers that do not meet the minimum threshold that we have set will be dropped off our supply chain, and thus demonstrates our commitment to ensuring that our business partners are also committed to the sustainability agenda.

We're always innovating and improving to manufacture products that are both valuable to our customers and more sustainable. The intersection of sustainability and innovation includes improving our internal operations. New process innovations – like using combined heat and power for alternative energy – are reducing the environmental impact of our manufacturing facilities. On the manufacturing side, we continue to invest in research at the intersection of sustainability and innovation. Apart from adopting energy efficient technologies in all our existing plants by mid 2017, we are also pleased to announce that we are currently in discussions with our largest customers to explore potential partnerships in recycling used electrical components. Our target is to launch the recycling project by early 2019, and reduce our total product waste output by 20% by 2020.

It is clear that corporations have a responsibility to deliver the most responsible products, to solve global issues, and to play a key role in changing consumer behaviour. I believe our industry and PwC Holdings Ltd, in particular, can be a positive force for change, as well as an engine of economic growth and social development, and that we have a great opportunity to be champions of better responsible business.

Mr Ang Boon Chew
Chief Executive Officer

About this Report

Reporting period

GRI disclosures:
GRI 102-12
GRI 102-48
GRI 102-50
GRI 102-51
GRI 102-52
GRI 102-53

This report, which is produced annually, covers the reporting period from 1 January 2017 to 31 December 2017 (Financial Year 2017, or FY17), unless otherwise stated. For selected performance indicators that have been historically tracked, we have included data from the past three years.

This is our fourth Sustainability Report and the fifth Communication on Progress since becoming a signatory to the United Nations Global Compact in September 2012. Our FY16 report was published on 1 March 2017.

A soft copy of the report can be downloaded on our website. Any queries or comments regarding our sustainability report can be addressed to Isabelle.Siry@pwcholdings.sg.com.

Scope

GRI disclosures:
GRI 102-4
GRI 102-49

This report covers the operations of PwC Holdings Ltd in Singapore, Philippines and China only as these operations generate the majority of revenue, and therefore largest impact, for the business. Any other omissions have been stated in the relevant sections.

Audience

This report is distributed to both internal and external stakeholders. They include employees, customers, industry groups, investors, governments, media and communities.

Framework and assurance

GRI disclosures:
GRI 102-54
GRI 102-56

This report has been prepared in accordance with the GRI Standards: Core option. We engaged PwC Right Service Pte. Ltd. to provide limited assurance over selected disclosures within the FY17 Sustainability Report and the assurance report can be found on our website.

Sustainability at PwC Holdings Ltd

At PwC Holdings Ltd, sustainability is at the heart of our business. As a major manufacturer and retailer, we are conscious of the impact we have in the countries we operate in. We engaged in extensive stakeholder consultations with our employees, customers, suppliers and regulatory bodies in 2015, seeking feedback from annual product surveys, staff engagement surveys and supplier feedback forms. We then developed a 5-year strategy that was launched at the start of 2016, which focused on deeply embedding sustainability in everything we do. Now, at the end of the second year of our 5-year plan, we are proud to share with you the results of our sustainability efforts in 2017 in the following key areas which form our core strategic pillars:

Strategic sustainability pillars	Maintaining a sustainable supply chain	Minimising our environmental footprint	Caring for our people
Commitment	We are committed to ensuring our supply chain remains resilient and that our products are sourced ethically	We are committed to reducing our impact on the environment and managing our resources efficiently	We are committed to improving the well-being of our employees, customers and local communities
Material aspects	• Responsible sourcing • Innovation • Government regulations • Social / political movements • Ethical labour	• Product end-of-life • Climate change • Energy and emissions • Waste management • Water consumption and availability	• Customer satisfaction • Employee satisfaction • Employee training and development • Employee health and safety • Diversity and equal opportunity • Public health and safety • Community engagement

Governance

GRI disclosures:
GRI 102-18

In 2015, PwC Holdings Ltd implemented a governance structure around corporate sustainability through the creation of an internal Sustainability Council. The Council consists of some of the top leaders and decision-makers from across the company and is sponsored by our CEO, Mr. Ang Boon Chew and Group Strategy Officer, Ms. Tan Chiew Ean.

The Council established the following goals and objectives:

- Ensure activities and decisions, including performance reporting align with our strategic plan and business objectives.
- Serve as champions of PwC Holdings' sustainability initiatives – seek opportunities to link sustainability with culture, values, business performance and material issues.
- Share work, best practices, and ideas to identify potential risks/opportunities and emerging issues/trends and collaborate in developing solutions and sustainability goals/objectives.
- Manage disclosure to achieve the right balance compatible with PwC Holdings' commitment to transparency, materiality and aligns with reporting guidelines.
- Accountability for accuracy of the information disclosed.

The Council also reflects our commitment to sustainability reporting - addressing stakeholder concerns by telling a balanced, accurate and complete story. Over the years, it is envisioned that the Council will be embedded in our business strategy, supporting our culture initiatives of strategic alignment and employee engagement, as well as, our continuous improvement efforts.

Reference

Sustainability Report

Materiality

We recognize that material issues can directly or indirectly impact our ability to create long-term value for its customers, employees, investors and society at large. Sustainability considers a broader scope of action and issues in determining what is material compared with the origins of materiality in the auditing and accounting processes of financial reporting.

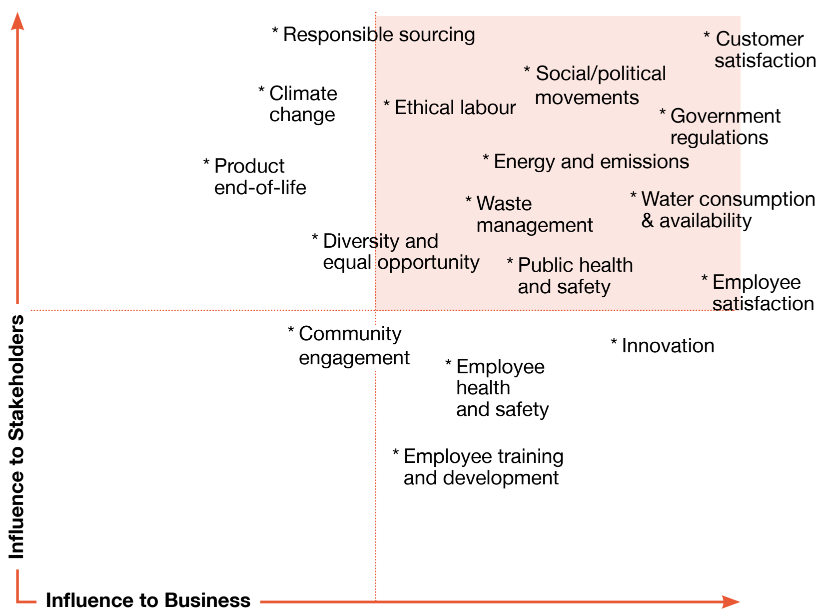
GRI disclosures:
GRI 102-46
GRI 102-47

PwC Holdings views material issues to be those that have affected, or are reasonably likely to affect, the company's reputation, supply chain, credit standing, capital resources or operational results. These issues also take into account the concerns and interest of our many stakeholders.

As part of our sustainability program refresh, we conducted a detailed materiality assessment in 2015 during which we identified 18 material issues for PwC Holdings. We checked the relevance of our material issues through discussions with our Sustainability Council, meetings and discussions with our stakeholders and by reviewing the company's risk reports to seek alignment. Some issues have risen to the top while others have become lower priorities but overall, the two assessments continue to line up with the material topics most relevant to PwC Holdings and its stakeholders.

SGX-ST
Practice Note
7.6: 4.1(i)

Materiality Matrix



Stakeholder engagement

GRI disclosures:
GRI 102-40
GRI 102-42
GRI 102-43
GRI 102-44

Engaging with stakeholders informs our decision-making, strengthens our relationships, and helps us deliver our commitments and succeed as a business. In order to achieve these goals, we recognise that we must work in partnership with other interested stakeholders who share our commitment and have a stake in our business.

Going beyond what we can achieve in our own operations and with our suppliers, we are stepping up our engagement to work with governments, NGOs and others in our industry on these issues. We actively engage with governments, regulators, customers, suppliers, investors, and individual concerned citizens to create an environment that is supportive of solutions.

We identified our stakeholder groups following a stakeholder mapping exercise, done in accordance with the AA1000 Stakeholder Engagement Standard. Using a structured approach, stakeholders were mapped based on their level of influence and interest. The level of stakeholder interest against each material issue was also reviewed and a survey was conducted to invite feedback on our material issues from selected key stakeholder groups. This allowed us to understand the concerns and perspectives of our external stakeholders in relation to our material issues, in order to formulate our sustainability priorities. It also helped to guide our communication to stakeholders on our performance and progress on our material issues.

Taking care to match the appropriate communication channel with each group, PwC Holdings Ltd carefully considers each piece of feedback from stakeholders, and makes every effort to reflect lessons from the feedback in the company's future corporate policies and actions. In order to facilitate effective communication with stakeholders, we have created specialized communications department for various stakeholder groups. Each of these departments holds forums on a regular basis, responds to inquiries, conducts surveys and runs advisory groups for its particular group of stakeholders.

In 2017, we continued to engage our key stakeholders through surveys and interviews, and have incorporated their feedback as follows.

Stakeholders	Major issues	Stakeholder feedback incorporated
Shareholders/ investors	Ensuring compliance	• Launch of a team tasked with monitoring suppliers' compliance with labour laws • Expansion of due diligence concerning suppliers • Supplier training
	Environmental policy	• Establishment of a water resource management policy; • Assessment of water resource risks at facilities • Adoption of water resource reduction technologies
Employees	Workplace environment improvements	• Assuring suitable work hours; work leave sessions providing education on the necessity of employee vacation days
	Production facility conditions	• Assurance of labour rights at production facilities • Strengthening of workplace safety teams that improve HSE Management
NGO	Supplier labour rights	• Distribution of procedure for banning the hiring of underage employees • Routine monitoring for compliance
	Environmental policy	• Establishment of a biodiversity policy; appraisal of water resource-related risks and mitigation system adoption • measuring of GHG emission reduction; banning harmful materials in products
Government	Shared growth	• Expansion of shared growth policy with major suppliers • Support system for supplier recruitment • Development of 'small but strong' support program
	Strengthening workplace safety	• Strengthening of teams in charge of workplace safety management • Strengthening of process improvement and diagnosis
Local communities	Ethical facility management	• Establishment of collaboration councils in production communities • Improvement of chemical emissions / wastewater discharge
	Contributions to local communities	• Expansion of the Hope for Children program • Increase in corporate social contribution investment
Partners	Fair pricing	• Purchase of raw materials for our suppliers to help manage material prices
	Assistance of suppliers' recruitment	• Holding job expos to help suppliers hire employees

Reference

Guideline 2

For each strategic sustainability pillar, the company should report on their performance, policies and initiatives for each relevant material aspect (according to the GRI Standards).

For the purposes of this sample report, we have chosen one material aspect from each sustainability pillar to highlight how it can be reported.

Maintaining a sustainable supply chain → **Ethical Labour**

Our commitment

PwC Holdings Ltd has over 1,200 suppliers that supply goods and services across our operations in five countries. When we manage multi-million dollar contracts and engage multiple service providers for our operations and projects, our own reputation as a business is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practice and adhere to our Supplier Code of Conduct.

GRI disclosures:
GRI 103-1
GRI 103-2
GRI 103-3
GRI 102-9
GRI 102-16
GRI 408-1
GRI 409-1

Our initiatives

Our Supplier Code of Conduct details the standards that we expect our suppliers to meet regardless of local laws, company policies, cultural norms, and business practices around the world. Every contract factory and supplier in our supply chain are expected to adhere to the minimum standards set out in the Code of Conduct, which include labour and environmental practices. With regards to ethical labour, we have a zero tolerance for forced labour or underage labour.

SGX-ST Practice Note 7.6: 4.1(ii)

We revise our Code every two years to align with pertinent emerging legislation, best practice and stakeholder expectations. This year we included a new section on Migrant Labour to ensure that migrant workers are treated in accordance with the same standards that apply to other workers. Under 'Voluntary Labor/Forced Labour', criteria were added governing employment through private agencies and prohibiting the collection of fees from workers. This is an important provision, as workers hired through third-party agencies that charge excessive placement fees are generally vulnerable to forced labour, debt bondage and poor working conditions.

How we work with our suppliers

We regularly audit our suppliers to ensure compliance with our Code of Conduct and other local legal requirements. In addition to highlighting violations of our code, audits also raise supplier awareness of the issues and enable us to target improvements. We use pre-qualified auditors from independent 3rd party auditing firms to carry out our onsite auditing programs. We use a risk-based approach to decide which suppliers to audit. We consider issues like the social, environmental, health and safety, and business risks of a facility. Then we prioritize audits based on geographic risk, commodity risk, planned spending, and previous audit performance.

When we identify issues during an on-site audit, our process requires the supplier to develop an effective corrective action plan that addresses the root cause of the issue. The plan must specify a timely schedule for implementation – our guidelines on timing depend on the severity of the issue. We then schedule a closure verification audit within 6 to 12 months of the initial audit to verify closure of the findings identified. Working with suppliers to improve labour and environmental conditions is crucial to our program. In most cases, if a supplier does not meet corrective action deadlines or develop appropriate corrective action plans, we apply an escalating series of enforcement penalties.

When suppliers require extra support to comply with the Code of Conduct, we send our team of experts as part of our partnership programme. We tailor our approach to help the facility improve through refining business practices and management systems relating to labour, human rights, environment, health and safety.
By working with our suppliers instead of only policing them, we have improved their compliance significantly.

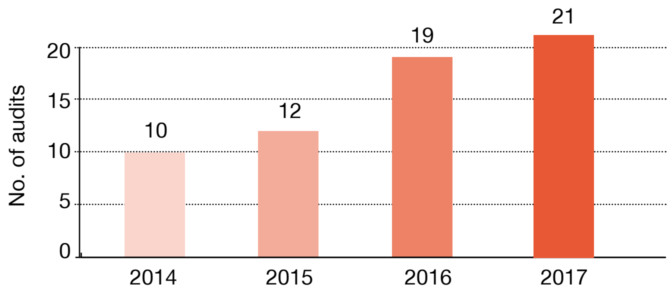
Targets and performance

SGX-ST Practice Note 7.6: 4.1(ii), 4.1(iii)

This year we exceeded our performance targets and conducted more audits than our FY17 target. In 2017, we conducted 21 on-site audits of our suppliers. The most common issue we found in our audits relates to working hours. To help address this, we initiated a project in partnership with select suppliers to bring them together with 3rd party advisors who analyse the root cause of this. Based on the initial analysis, the advisors identify and help to implement opportunities that will increase efficiency, reduce working hours, and maintain/increase worker satisfaction, which leads to reduced turnover. We did not find any incidences of forced or underage labour.

In addition, we also introduced a new supplier assessment matrix in early 2017. All our suppliers were asked to disclose to us their current performance based on the same ESG factors that we have adopted by completing the supplier assessment matrix. Suppliers were also allowed to disclose current/planned measures they were taking to improve their performance in the coming years. Suppliers that did not meet a minimum threshold based on our own internally developed scoring system were dropped off our approved supplier list. All new suppliers would also have to complete and pass the supplier assessment matrix prior to approval, and all existing suppliers will be re-evaluated on an annual basis.

Our long-term goal to achieve by 2030, is to source all our goods and services from suppliers that meet our definition of sustainable. Specifically under ethical labour, we want to create the opportunity for factory workers to share in productivity gains and establish partnerships to support the needs of factory workers in their professional and personal lives.



	FY17 target	FY17 performance	Remarks	FY18 target
No. of annual audits	20	Target exceeded – 21 audits conducted	One supplier has been identified to have poor labour practices – we have since removed the supplier from our approved vendor list.	23
No. of unannounced audits	5	Target met – 5 audits conducted	No issues noted.	7

Minimising our environmental footprint > **GHG emissions**

Our commitment

GRI disclosures:
GRI 103-1
GRI 103-2
GRI 103-3
GRI 305-1
GRI 305-2
GRI 305-3

Our operations span across five countries and we have a responsibility to look after the environment, both for people today and for future generations. Managing our environmental impacts at our own sites and along our supply chain, where our products are designed, created, manufactured, transported and sold, is a key focus of our work.

Building on several environmental initiatives over the past years, we developed a coherent Environmental Strategy for PwC Holdings Ltd, which aims to reduce our relative environmental footprint by 15% by 2020. The strategy follows a clear vision and mission and sets annual milestones which will enable the achievement of the 2020 targets. These targets cover our whole supply chain from product creation to sourcing and manufacturing and from our own operations to our stores and all other sales points. Our approach is to manage environmental issues as an integral part of our daily operations, positively contributing to the Group's overall business performance. To ensure we integrate environmental considerations into our daily operations, we have a Group Environmental Policy that specifies the principles that steer us in embedding environmental best-practice on a day-to-day basis.

Our initiatives

SGX-ST Practice Note 7.6:4.1(ii)

Greenhouse gas emissions and pollution from manufacturing can have major environmental impacts. So we partner with our suppliers to implement programmes to reduce their carbon footprint.

We replace outdated or inefficient heating, cooling, and lighting systems, repair compressed air leaks, and recover and redirect waste heat. These initiatives alone helped reduce our carbon emissions by more than 11,200 metric tons. In addition to making facilities energy efficient, we explore ways to power them using cleaner and renewable sources. Our Clean Energy Program launched in 2016 to reduce carbon emissions across our supply chain continues to be a huge success. Over the past one year, we worked with our suppliers in China to install more than 600 megawatts of clean energy, and aim to replicate the success in the Philippines next year.

In our offices and retail outlets, we continue to encourage employees to help reduce energy consumption by switching off their computers and lights at the end of the day. We have Environmental officers in each department to identify ways to reduce our carbon footprint and help to implement initiatives across the company.

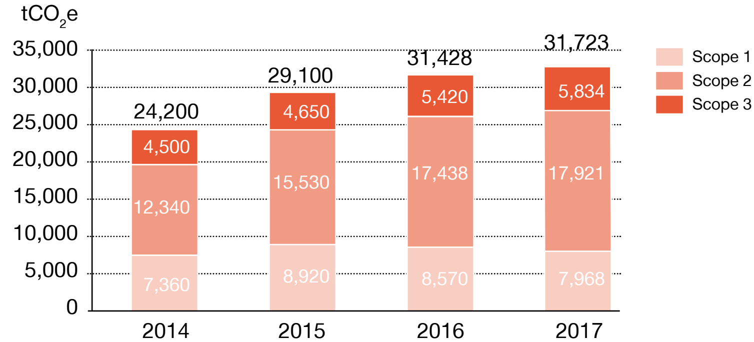
Reference

Targets and performance

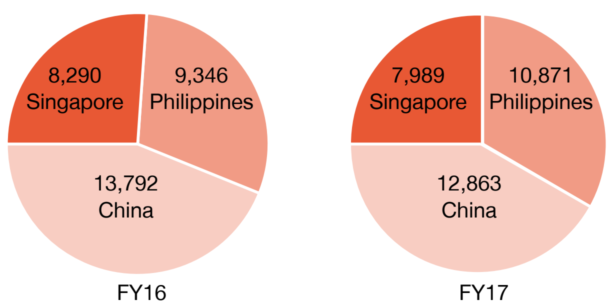
SGX-ST Practice Note 7.6: 4.1(ii), 4.1(iii)

In 2017, we managed to stabilise our total GHG emission to a level that is similar to the FY16 level of emissions. Although we did not achieve the target of a 2% decrease in GHG emissions, the 1% increase from the FY16 level of emissions is a significant improvement from the 8% increase from the FY15 to FY16 levels of emissions. We have made significant progress in reducing our GHG emissions in Singapore and China, with the bulk of the increase being attributable to increases in production levels in the Philippines. We will continue to work hard to implement initiatives to reduce our emissions by 2% in FY18.

GHG emissions



GHG emissions by region



	FY17 target	FY17 performance	Remarks	FY18 target
GHG emissions intensity	Decrease by 2%	Increase by 1%	Main increase in GHG emissions was from the Philippines – we will focus on implementing new initiatives in FY18 to reduce the GHG emissions in this location.	Decrease by 2%

Caring for our people | **Employee satisfaction**

Our commitment

At PwC Holdings Ltd, our employees are the drivers of our success. As we continue to witness surging demand for our products and services, we rely ever more deeply on the skills and talents of our dedicated workforce. We are committed to growing with our people and making the company a great workplace that supports professional and personal development, offers a variety of career opportunities and creates high performance and collaborative teams.

GRI disclosures:
GRI 103-1
GRI 103-2
GRI 103-3
GRI 404-2

Our initiatives

We invest in providing the best working environment for our employees. Recognition and appreciation of our employees is a core part of this. Our Employee Recognition Program allows all employees to recognise their teammates for demonstrating one or more of our corporate value behaviours with a recognition card. Team Leaders are also given movie tickets to reward those employees who consistently go above and beyond what is required in their roles.

SGX-ST Practice Note 7.6: 4.1(ii)

We also have an annual Innovation Awards to recognise and reward teams that implemented something innovative that significantly achieved improved results for our business. Many of our divisions and teams also hold their own award ceremonies to recognise excellence, and this has helped to encourage a high-performance culture.

PwC Holdings Ltd promotes a healthy lifestyle and provides an on-site corporate fitness center with free group exercise classes and subsidized membership to sponsored fitness clubs, or a healthy living reimbursement for club memberships. All employees receive health insurance cover which provides free annual health screening that helps to identify any problems early on.

We also encourage our employees to continually build on their existing skills and knowledge and invest heavily in our learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee. We also offer a tuition reimbursement program for employees seeking to further educate or advance themselves through formal programs relating to their current or prospective jobs.

Targets and performance

Each year, we engage all our 2,500 employees to participate in an Employee Survey to gain insight into employees' overall satisfaction with the company, their jobs and other aspects of their workplace experience. We encourage our employees to provide candid feedback, and we benchmark results and participation externally. Results of the Employee Survey are incorporated into our business planning review processes. Improving Employee survey scores is an annual performance objective for many of our senior managers.

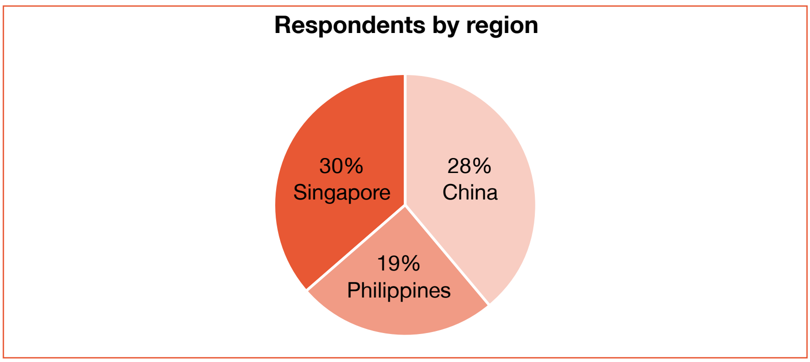
SGX-ST Practice Note 7.6: 4.1(ii), 4.1(iii)

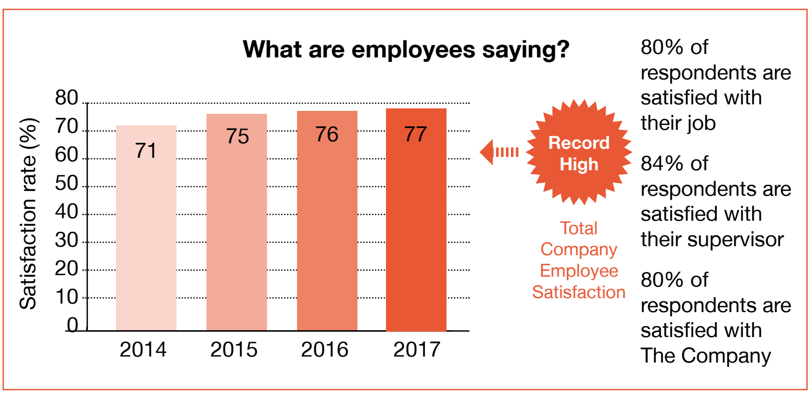
In 2017, PwC Holdings continued to receive positive feedback from employees who took part in the Employee Survey. 81% of our employees across our operations participated in the survey, which included a total of 30 multiple-choice questions across 10 dimensions of workplace life, including training and development, diversity and workplace safety practices, among others. 9 out of 10 dimensions showed improvement over the previous year, with the only dimension having a 2% decrease in rating being the availability of overseas secondment opportunities. We are thus exploring additional opportunities for short-term secondments in the coming year, and will also improve the transparency of the selection criteria and process.

The Employee Satisfaction Index (ESI) section of the survey, which asks employees questions such as whether they feel valued at work and whether they believe they are rewarded for job performance, increased 1 percentage point from 2016, a statistically significant increase.

Employees were most satisfied about company mindset, quality work practices and training. 89% of these employees said the company's values concerning quality have been communicated clearly to them, and 78% responded favourably that the people they work with cooperate to get the job done and that they receive the training needed to do a quality job.

	FY17 target	**FY17 performance**	**Remarks**	**FY18 target**
Employee Satisfaction Index	Increase ESI by 1%	Target met	Improvement noted in 9 out of 10 dimensions of the survey	Increase ESI by 1%





Moving forward, we will continue to provide the best working environment we can for our employees and aim to improve our Employee Survey results by acting on our lowest performing areas as rated by our employees.

Guideline 3

If a company chooses to report in accordance with the GRI Standards, it is mandatory to include a GRI content index at the back of the report (or on the company's website). The GRI content index should list all the indicators for the chosen option (i.e. core or comprehensive) and inform the reader of whether the indicator has been fully reported on and where the information can be found. If an indicator has only been partially reported or not reported on at all, then the company must provide an explanation for omitting the information and when they intend to report on the indicator.

For the purpose of this illustrative report, we have only included the GRI content index for the generic indicators for the GRI Standards: Core option.

GRI Content Index

GRI disclosures: GRI 102-55

Disclosure Number	Disclosure requirements	Reported? (Y/N)	Location
102-1	Name of the organization	Y	Front cover
102-2	Activities, brands, products, and services	Y	Annual report
102-3	Location of headquarters	Y	Annual report
102-4	Location of operations	Y	About this report
102-5	Ownership and legal form	Y	Annual report
102-6	Markets served	Y	Annual report
102-7	Scale of the organization	Y	Annual report
102-8	Information on employees and other workers	Y	Caring for our people
102-9	Supply chain	Y	Maintaining a sustainable supply chain
102-10	Significant changes to the organization and its supply chain	Y	Annual report
102-11	Precautionary Principle or approach	Y	Message from our CEO
102-12	External initiatives	Y	About this report
102-13	Membership of associations	Y	Annual report
102-14	Statement from the most senior decision-maker	Y	Message from our CEO
102-16	Values, principles, standards, and norms of behavior	Y	Maintaining a sustainable supply chain, Minimising our environmental footprint, Caring for our people

GRI Content Index (continued)

Disclosure	Disclosure requirements	Reported? (Y/N)	Location
102-18	Governance structure	Y	Sustainability at PwC Holdings Ltd
102-40	List of stakeholder groups	Y	Sustainability at PwC Holdings Ltd
102-41	Collective bargaining agreements	N	PwC does not have collective bargaining agreements
102-42	Identifying and selecting stakeholders	Y	Sustainability at PwC Holdings Ltd
102-43	Approach to stakeholder engagement	Y	Sustainability at PwC Holdings Ltd
102-44	Key topics and concerns raised	Y	Sustainability at PwC Holdings Ltd
102-45	Entities included in the consolidated financial statements	Y	Annual report
102-46	Defining report content and topic boundaries	Y	Sustainability at PwC Holdings Ltd
102-47	List of material topics	Y	Sustainability at PwC Holdings Ltd
102-48	Restatements of information	Y	About this report
102-49	Changes in reporting	Y	About this report
102-50	Reporting period	Y	About this report
102-51	Date of most recent report	Y	About this report
102-52	Reporting cycle	Y	About this report
102-53	Contact point for questions regarding the report	Y	About this report
102-54	Claims of reporting in accordance with the GRI Standards	Y	About this report
102-55	GRI content index	Y	GRI Content Index
102-56	External assurance	Y	About this report

Statutory Report

Directors' Statement

Independent Auditor's Report

Directors' Statement

For the financial year ended 31 December 2017

Reference

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017. CA 201(16)

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 87 to 294 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements[1,2,3,4]; and Section 1, Twelfth Schedule

(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.

Directors

The directors of the Company in office at the date of this statement are as follows: Section 7, Twelfth Schedule

Mr Tan Cheng Eng
Mr David Grey
Mr Ang Boon Chew
Mr Michael Philip White
Mr Balachandran Nair
Madam Wan Oon Kee
Mr Lee Chee Wai (appointed on 3 May 2017)[5]
Dr Ran Jedwin Gervasio (appointed on 27 February 2018)[5]

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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, other than as disclosed under "Share options" in this statement. Section 8, Twelfth Schedule CA 164(1)(c,d)

Directors' interests in shares or debentures[6]

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations[6], except as follows: Section 9, Twelfth Schedule CA 164(1)(a,b)

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment if later	**At 31.12.2017**	At 1.1.2017 or date of appointment if later
PwC Holdings Ltd (No. of ordinary shares)				
Mr David Grey	**1,270,000**	500,000	**1,500,000**	1,000,000
Mr Ang Boon Chew	**97,000**	65,000	**–**	–
Mr Lee Chee Wai	**2,000**	2,000	**–**	–
Ultimate Holding Corporation - PwC Global Limited (No. of ordinary shares)				
Mr David Grey	**1,000,000**	1,000,000	**–**	–
Immediate Holding Company - PwC Corporate Limited (No. of ordinary shares)				
Mr Andrew Lloyd (resigned on 5 January 2018)[6]	**200,000**	200,000	**–**	–

Statutory Report

Directors' interests in shares or debentures[6] (continued)

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the PwC Employee Share Option Scheme as set out below and under "Share options" below. CA 164(1)(c)

	No. of unissued ordinary shares under option	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later
Mr Ang Boon Chew		
2015 Options	**–**	30,000
2016 Options	**50,000**	50,000
2017 Options	**50,000**	–

(c) Mr David Grey, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group: CA 7(4A)

	At 31.12.2017	At 1.1.2017 or date of appointment, if later
PwC Components (China) Pte Ltd - No. of ordinary shares	**2,000,000**	–
PwC Components (Singapore) Pte Ltd - No. of ordinary shares	**1,300,000**	1,300,000
PwC Furniture (Phillippines) Pte Ltd - No. of ordinary shares	**700,000**	700,000
PwC Furniture (PRC) Co., Ltd - Registered and issued share capital	**RMB 8,500,000**	RMB 8,500,000
PwC Glass Sdn Bhd - No. of ordinary shares	**70,000**	70,000

(d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2018 were the same as those as at 31 December 2017. SGX 1207(7)

Directors' Statement

For the financial year ended 31 December 2017

Reference

Share options

(a) PwC Employee Share Option Scheme[8]

The PwC Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 6 December 2014.

The Scheme provides a means to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees with more than three years of service with the Group. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. No options are granted at a discount to the prevailing market price of the shares. The vesting of the options is conditional on the key management personnel or employees completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Section 2(c), Twelfth Schedule
Sections 2(d) & 6, Twelfth Schedule

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

The Company granted options under the Scheme to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2015 ("2015 Options") and 1,965,000 ordinary shares on 1 January 2016 ("2016 Options"). Particulars of these options were set out in the Directors' statement for the financial years ended 31 December 2015 and 31 December 2016 respectively[9].

Section 3, Twelfth Schedule

On 1 January 2017, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of $2.95 per share ("2017 Options"). The 2017 Options are exercisable from 1 January 2019 and expire on 31 December 2022. The total fair value of the 2017 Options granted was estimated to be $600,000 using the Binomial Option Pricing Model. Details of the options granted to an executive director of the Company are as follows:

Section 2(a) & (b), Twelfth Schedule

SGX 852(1)(b)(i)

	No. of unissued ordinary shares of the Company under option			
Name of director	Granted in financial year ended 31.12.2017	Aggregate granted since commencement of scheme to 31.12.2017	Aggregate exercised since commencement of scheme to 31.12.2017	Aggregate outstanding as at 31.12.2017
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

Reference

Share options (continued)

(a) PwC Employee Share Option Scheme[8] (continued)

No options have been granted to controlling shareholders of the Company or their associates[10] (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited). SGX 852(2,1(b)(ii))

No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme. SGX 852 (2,1(b(iii),c(i))

During the financial year, 750,000 treasury shares of the Company were re-issued at the exercise price of $1.31 per share, upon the exercise of the 2015 Options. Section 5, Twelfth Schedule

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the PwC Employee Share Option Scheme outstanding at the end of the financial year was as follows: Section 6, Twelfth Schedule

	No. of unissued ordinary shares under option at 31.12.2017	Exercise price	Exercise period
2015 Options	1,000,000	$1.31	1.1.2017 - 31.12.2020
2016 Options	1,532,000	$1.28	1.1.2018 - 31.12.2021
2017 Options	964,000	$2.95	1.1.2019 - 31.12.2022
	3,496,000		

Audit Committee[11]

The members of the Audit Committee at the end of the financial year were as follows:

Mr Balachandran Nair (Chairman)
Mr Tan Cheng Eng
Mr David Grey
Mr Michael Philip White
Madam Wan Oon Kee

All members of the Audit Committee were non-executive directors. Except for Mr David Grey who was an Executive Director of PwC Global Limited, the ultimate holding corporation of the Group, all members were independent.

Directors' Statement

For the financial year ended 31 December 2017

Audit Committee[11] (continued)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed: CA 201B(9)

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment. DV

On behalf of the directors[12]

Tan Cheng Eng
Director

Ang Boon Chew
Director

20 March 2018[12,13]

Guidance notes

Directors' Statement

Compliance with Singapore Financial Reporting Standards ("FRS")

1. Directors are required to present statutory financial statements that comply with FRS unless: CA 201(5)

   (a) the Company has obtained the approval of the ACRA for such non-compliance with FRS requirements; or CA 201(12)
   (b) such compliance will not give a true and fair view of the consolidated financial statements. In this regard, the following disclosure is needed: CA 201(13)
      (i) a statement by the independent auditor of the Company (in the Independent Auditor's Report) that he agrees that such non-compliance is necessary for the consolidated financial statements to give a true and fair view of the matter concerned; CA 201(14)
      (ii) particulars of the departure, the reason therefor and its effect, if any; and
      (iii) such further information and explanations as will give a true and fair view of that matter.

   FRS are prescribed by the Accounting Standards Council, under the Accounting Standards Act.

2. Companies with primary listing on the Singapore Exchange are required to present their statutory financial statements that comply with FRS, or International Financial Reporting Standards ("IFRS") or United States Generally Accepted Accounting Principles ("US GAAP"), and financial statements that are prepared in accordance with IFRS or US GAAP need not be reconciled to FRS. Companies with secondary listing on the Singapore Exchange need only be reconciled to FRS or IFRS or US GAAP. CA 201(15) Companies Order 2003 S2/2003 SGX 220(1, 2)

3. On 29 May 2014, the Singapore Accounting Standards Council had introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS"). Specifically, Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore (Singapore-listed companies) will apply this new Singapore financial reporting framework for annual periods beginning on or after 1 January 2018.

Inclusion of Company's statement of changes in equity

4. A holding company may choose to present the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, paragraph (a) in the Directors' Statement can be replaced with the following:

   "the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages [ ] to [ ] are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017, the financial performance, 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"

   In addition to the above, a holding company may also choose to present the statement of comprehensive income and/or the statement of cash flows of the Company. When this occurs, the above paragraph needs to be tailored.

Directors' Statement

For the financial year ended 31 December 2017

Reference

Guidance notes

Directors' Statement (continued)

Directors in office at the date of the statement

5. The names of the directors that are holding office at the date of the Directors' Statement are required to be disclosed. There is no requirement to give details of director(s) who resigned during the financial year/period and up to the date of the Directors' Statement. If a director is appointed during the financial year/period and remains in office at the date of the Directors' Statement, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director. — Section 7, Twelfth Schedule

Directors' interests in shares or debentures

6. A director's interests include his personal holdings, the beneficial interests of his immediate family and any deemed interest as defined under Section 7 of the Companies Act. — Section 9, Twelfth Schedule

   Interests in rights or share options are also required to be disclosed. — Section 2, Twelfth Schedule

   If a director resigns after the end of the financial year/period but before the date of the Directors' Statement, his interests at the end of the financial year/period are still required to be disclosed.

   If none of the directors has any interests in shares or debentures in the Company or any related corporations, the following disclosure is suggested:

   "None of the directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company or any related corporations."

7. Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries. — CA 6

Share options

8. The disclosures required by Section 2 of the Twelfth Schedule of the Companies Act relate to share options granted by the Company. If the share options are granted by the parent of the Company or by another related corporation directly to the employees of the Company and/or its subsidiaries, the Company is not required to make those disclosures required by Section 2 of the Twelfth Schedule in the Directors' Statement. The share options shall however be accounted for in accordance with FRS 102 *Share-Based Payment* in the financial statements. — Section 2, Twelfth Schedule

9. Where such disclosures have been made in a previous statement, reference may be made to that statement. — Section 3, Twelfth Schedule

Statutory Report

Reference

Guidance notes

Directors' Statement (continued)

Definition of associates

10. The SGX Listing Manual defines associates differently to that in paragraph 3 of FRS 28 *Investments in Associates and Joint Ventures*. An associate is defined in the SGX Listing Manual as:

    (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual): — SGX (General – Definitions)
    (i) his immediate family;
    (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

    (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

Audit Committee

11. The details and functions of the audit committee shall be included in the Directors' Statement of listed companies if the statutory financial statements (which would not contain a section on corporate governance), rather than the annual report, are filed with the Accounting and Corporate Regulatory Authority ("ACRA"). If the annual report is filed with the ACRA, this section is not required. — CA 201B(9)

Signing of statement

12. This phrase is not necessary if the Company has only two directors.

Date of Directors' Statement

13. The Directors' Statement shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The statement may be sent less than 14 days before the date of the AGM if all the persons entitled to receive notice of general meetings of the Company so agree. The statement shall specify the day on which it was made out and be signed by two directors of the Company. — CA 203(1), (2); SGX 707(2); CA 201(16)

Date of AGM

14. AGMs for listed companies shall be held within four months after the end of their financial year. AGMs for non-listed companies shall be held within six months after the end of their financial year. — CA 201(1)(a,b); SGX 707(1); CA 201(5)(a)(i,ii)

Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference
CA 201(4)
CA 207

Report on the Audit of the Financial Statements

Our opinion

SSA 700 (10-19)

In our opinion, the accompanying consolidated financial statements of PwC Holdings Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet[1,2] of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position[3] of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise[4]:

- the consolidated statement of comprehensive income[5] of the Group for the year ended 31 December 2017;
- the balance sheet of the Group[6] as at 31 December 2017;
- the balance sheet of the Company[7] as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

SSA 700(28)

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach[8]

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Reference

SSA 701(13)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill *Refer to Note 3.1(a) (Critical accounting estimates, assumptions and judgements) and Note 29(a) (Goodwill) to the financial statements.* As at 31 December 2017, goodwill amounted to $11,468,000 after recognising an impairment charge of $4,650,000. We focused on goodwill impairment assessment performed by management because of the significant judgements required in estimating the gross margin, weighted average growth rate and discount rate, in computing the recoverable amounts of the cash-generating units ("CGU") associated with the goodwill.	We evaluated the reasonableness of management's estimate of gross margin by taking into consideration each CGU's past performance, management's plans and expectation of market developments in Singapore, China and the Philippines, as well as our understanding of the industry trends for electronic component parts and household/office furniture. We involved valuation specialists[9] to assist in the assessment of the appropriateness of the methodology used to compute the recoverable amounts and the discount rate applied by management. We noted that the methodology and discount rate used by management was appropriate. We evaluated management's sensitivity analysis on the recoverable amounts of each CGU. The sensitivity analysis involved assessing the impact to the recoverable amounts of each CGU when reasonable possible changes to the estimated gross margin, the weighted average growth rate and discount rate are made. We found that the estimates used were appropriate in reflecting the risks associated with each CGU. We also found the disclosure on the sensitivity analysis in Note 3.1(a) to be appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition and provision for foreseeable losses on on-going contracts *Refer to Note 3.1(c) (Critical accounting estimates, assumptions and judgements) and Note 19 (Construction contracts) to the financial statements.*	
For the financial year ended 31 December 2017, construction revenue from on-going contracts of specialised equipment recognised on percentage of completion ("POC") method amounted to $32,067,000 and it represented 15% of the total revenue of the Group. We focused on revenue recognition and provision for foreseeable losses on on-going contracts based on POC as significant judgements were made to estimate the total contract costs to complete, which were used to measure the stage of completion for the Group's recognition of construction revenue. When it is probable that the total contract costs would exceed the total construction revenue, a provision for foreseeable losses would be recognised as expense immediately. No provision for foreseeable losses was recognised for the financial year ended 31 December 2017.	We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to actual costs incurred, we: • assessed the competence of the surveying engineers; • agreed the progress of the construction to certified progress reports from engineers; and • agreed the related costs incurred to relevant suppliers' invoices. In relation to estimated total contract costs, we: • discussed with the project managers to assess the reasonableness of estimated total contract costs; • evaluated management's underlying assumptions made using our understanding of past completed projects; and • agreed the cost to complete for each contract by substantiating costs that have been committed to quotations from and contracts with suppliers. Our procedures did not indicate significant management bias or other exceptions that would have caused us to modify the nature, extent and timing of our planned procedures. We also recomputed the cumulative construction revenue and the construction revenue for the current financial year and agreed to the accounting records and found no exceptions. We evaluated management's sensitivity analysis on the amount of construction revenue recognised by assessing the impact of reasonable possible changes to these estimates. We found the disclosure on the sensitivity analysis in Note 3.1(c) to be appropriate.

Other Information

SSA 700(32)

Management is responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Report, Sustainability Report and Directors’ Statement (but does not include the financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the other sections of the annual report (“the Other Sections”), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

SSA 700(33-36)

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

SSA 700(37-40)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

CA 207

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ken Wang.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 20 March 2018

Reference

Guidance notes

Independent Auditor's Report

Presentation

1. The Our Opinion section above is appropriate where only the balance sheet of the Company is presented in accordance with the provisions of the Companies Act, together with the Group's consolidated financial statements. This section should be amended for situations where one or more of the Company's statement of comprehensive income, statement of changes in equity or the complete set of financial statements are also presented.

2. If the name of the statement is "statement of financial position", replace this phrase accordingly with "statement of financial position".

3. See guidance note 1 above.

4. The contents and order of contents in this sub-section should be consistent with the underlying financial statements. See also guidance note 1 above.

5. If the Company chooses to present a separate income statement (i.e. in addition to the statement of comprehensive income), the income statement needs to be listed separately.

6. See guidance note 2 above.

7. See guidance note 2 above.

Materiality and scoping

8. While disclosures relating to materiality and group scoping are not required by ISA/SSA, voluntarily describing materiality and group scoping judgements in the auditor's reports is consistent with the aim for informative and insightful auditor's reports. Collectively, materiality, group scoping and key audit matters enable auditor to more fully describe important judgements made in the audit. These disclosures may also have a positive effect of helping to address the expectation gap of the users of the financial statements.

Involvement of specialists

9. Specialists are involved to assist in the assessment of estimates applied by management. It is important to describe specifically the scope of involvement in the key audit matter. SSA 620

Independent Auditor's Report

For the financial year ended 31 December 2017

Reference

Guidance notes

Independent Auditor's Report (continued)

Date of Independent Auditor's Report

10. The directors are required to take reasonable steps to ensure that the accounts are audited not less than 14 days before the AGM of the company. In general, the Independent Auditor's Report will be dated on the same date as the Directors' Statement. The auditor shall date the Independent Auditor's Report no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements. Sufficient audit evidence includes evidence that the entity's complete set of financial statements has been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

CA 201(4A)

SSA 700(41)

Primary Statements

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2017

Reference

FRS 1(10)(b), (10A)
SGX 1207(5)(a)

	Note	2017[3] $'000	2016[3] $'000	Reference
Continuing operations[4]				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Cost of sales		**(77,366)**	(46,682)	FRS 1(103)
Gross profit		**132,848**	65,678	FRS 1(103)
Other income	7	**3,898**	1,166	FRS 1(103)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Distribution and marketing		**(52,140)**	(19,993)	FRS 1(103)
- Administrative		**(29,179)**	(10,107)	FRS 1(103)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies and joint ventures	23, 24	**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations[4]		**31,895**	18,494	
Discontinued operations[4]				FRS 1(82)(ea)
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 105(33)(a)
Total profit[4]		**31,995**	18,014	
Other comprehensive income[7]:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)(b)
Available-for-sale financial assets				
- Fair value gains		**582**	72	
- Reclassification[8]		**(164)**	–	FRS 1(92)
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification[8]		**(279)**	(315)	FRS 1(92)
Share of other comprehensive income of associated companies	23	**27**	-	
Currency translation differences arising from consolidation				
- Gains/(losses)		**1,788**	(96)	
- Reclassification[8]		**(1,200)**	-	FRS 1(92)
		1,096	(8)	
Items that will not be reclassified subsequently to profit or loss:				FRS 1(82A)(a)
Revaluation gains on property, plant and equipment[9]		**207**	894	
Currency translation differences arising from consolidation				
- Gains/(losses)		**546**	(22)	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	

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

Primary Statements

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Profit attributable to:			
Equity holders of the Company		**29,446**	17,085
Non-controlling interests		**2,549**	929
		31,995	18,014
Profit/(loss) attributable to equity holders of the Company relates to:			
Profit from continuing operations		**29,376**	17,421
Profit/(loss) from discontinued operations		**70**	(336)
		29,446	17,085
Total comprehensive income attributable to:			
Equity holders of the Company		**30,738**	17,836
Non-controlling interests		**3,106**	1,042
		33,844	18,878
Earnings per share[6] for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)			
Basic earnings per share			
From continuing operations	12(a)	**1.31**	0.89
From discontinued operations		*	(0.02)
Diluted earnings per share			
From continuing operations	12(b)	**1.16**	0.87
From discontinued operations		*	(0.02)

** Less than $0.01*

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

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2017

Reference

Guidance notes

Consolidated statement of comprehensive income

Statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent

1. The Statement of Comprehensive Income may also be titled Statement of Profit and Loss and Other Comprehensive Income. If consolidated financial statements are presented, the statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent need not be presented. If consolidated financial statements are not presented (e.g. exempted under FRS 110), the statement of comprehensive income, statement of cash flows, balance sheet and statement of changes in equity of the parent, forming a set of financial statements of the parent, should be presented. FRS 1(10) CA 201(5) SGX 1207(5) CA 201(5)

   For further information on exemption from preparing consolidated financial statements and exception from consolidation, please refer to Guidance notes on Group accounting – (a) Subsidiaries in Note 2.4 FRS 1(99)

Alternative format

2. An entity shall present an analysis of expenses using a classification based on either the function or the nature of the expenses, whichever provides information that is reliable and more relevant. FRS 1(104) FRS 1(99)

   If the expenses are presented by function, additional disclosures on the nature of expenses are required (as illustrated in Note 5 to the financial statements).

   Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue; for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified.

   Entities should not mix functional and natural classifications of expenses by excluding certain expenses such as inventory write-downs, employee termination benefits and impairment charges from the functional classifications to which they relate.

   In addition, an entity has the choice of presenting the statement of comprehensive income using a one-statement or a two-statement approach. These alternative presentations have been illustrated in Appendix 1 Example 1. FRS 1 (IN13b)

Financial years/periods of different length

3. Where the current reporting period and the comparative reporting period are of unequal time frame, an entity shall disclose the period covered, the reason for using that period and the fact that comparative amounts for the statement of comprehensive income, statement of cash flows, statement of changes in equity of the parent, and related disclosure notes are not entirely comparable. FRS 1(36)

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2017

Guidance notes

Consolidated statement of comprehensive income (continued)

Continuing/Discontinued operations

4. The single amount disclose in the statement of comprehensive income shall include the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. FRS 105 (33)(b)

   If there is no discontinued operation, the heading "Continuing operations" is not required. "Profit from continuing operations" and "Total profit" should also be changed to "Net profit".

   FRS 105 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of FRS 105 to do so, as it would provide a useful basis for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

Share of results of associated companies and joint ventures

5. The share of results of associated companies and joint ventures refers to the group's share of associated companies and joint ventures' results after tax and non-controlling interests accounted for in accordance with FRS 28 *Investments in Associates and Joint Ventures*. FRS 1(82)(c) FRS 1 IG6

Earnings per share

6. The basic and diluted earnings per share for each class of ordinary shares shall be presented, even if the amounts are negative (i.e. a loss per share). FRS 33(69)

Consolidated Statement of Comprehensive Income[1, 2]

For the financial year ended 31 December 2017

Reference

Guidance notes

Consolidated statement of comprehensive income (continued)

Tax effects – Other comprehensive income

7. This publication illustrates the presentation of these items individually net of tax and disclosure of the gross amounts and their tax effects in Note 10(c) to the financial statements. Alternatively, an entity can present these items individually gross of tax and their total tax effects as a separate line item. FRS 1(91)

Reclassification adjustments

8. Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. FRS 1(93) FRS 1(95)

   Examples of reclassification adjustments are described in paragraphs 93 and 95 of FRS 1.

9. Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with FRS 16 or FRS 38 or on remeasurements of defined benefit plans recognised in accordance with paragraph 122 of FRS 19. FRS 1(96)

   These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised. Remeasurements of net defined benefit liability (asset) recognised in other comprehensive income may also be transferred with equity. FRS 16(41) FRS 38(89) FRS 19(122)

Additional disclosures

10. Additional line items, headings and subtotals shall be presented on the face of the statement of comprehensive income and separate income statement (if presented) only when such presentation is necessary for an understanding of the entity's financial performance, the presentation is free of bias and undue prominence, the presentation is applied consistently and the methods are described in detail in the accounting policies. FRS 1(85)

Amendment to FRS 1 on disclosure initiative

11. These amendments to FRS 1 require entity not to aggregate or disaggregate information in a manner that obscures useful information. Additional subtotals are acceptable if they are made up of items recognised and measured under FRS, presented and labelled in a manner understandable and consistent from period to period. An entity is also permitted to disaggregate specific line items required by FRS 1. Management has to consider the understandability and comparability of financial statements when determining the order of notes. FRS 1(30A), (55A), (85A), (85B)

    For example, the significant accounting policies of the Company can be disclosed along with each relevant Notes to make these critical information more prominent and easier to find.

Reference

Balance Sheet – Group[1]

As at 31 December 2017

	Note	31 December 2017 $'000	2016 $'000	Reference
				FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				FRS 1(60), (66)
Cash and cash equivalents	13	**22,010**	36,212	FRS 1(54)(i)
Financial assets, at fair value through profit or loss	14	**10,785**	8,326	FRS 1(54)(d)
Derivative financial instruments	15	**1,069**	452	FRS 1(54)(d)
Available-for-sale financial assets	16	**1,950**	646	FRS 1(54)(d)
Trade and other receivables	17	**19,510**	16,399	FRS 1(54)(h)
Inventories	18	**24,258**	17,094	FRS 1(54)(g)
Construction contract work-in-progress	19	**262**	147	
		79,844	79,276	
Asset of disposal group classified as held-for-sale	11	**3,333**	-	FRS 105(38)
		83,177	79,276	FRS 1(54)(j)
Non-current assets				FRS 1(60), (66)
Derivative financial instruments	15	**395**	112	FRS 1(54)(d)
Available-for-sale financial assets	16	**15,298**	12,291	FRS 1(54)(d)
Trade and other receivables	20	**3,322**	1,990	FRS 1(54)(h)
Investments in associated companies	23	**7,008**	6,404	FRS 1(54)(e)
Investment in a joint venture	24	**1,200**	2,165	FRS 1(55)
Investment properties	26	**5,550**	5,455	FRS 1(54)(b)
Held-to-maturity financial assets	27	**2,122**	1,593	FRS 1(54)(d)
Property, plant and equipment	28	**153,611**	97,890	FRS 1(54)(a)
Intangible assets	29	**24,930**	19,600	FRS 1(54)(c)
Deferred income tax assets	36	**3,319**	3,228	FRS 1(54)(o)
		216,755	150,728	
Total assets		**299,932**	230,004	
LIABILITIES				
Current liabilities				FRS 1(60), (68)
Trade and other payables	30	**16,441**	10,556	FRS 1(54)(k)
Current income tax liabilities	10	**2,942**	3,833	FRS 1(54)(n)
Derivative financial instruments	15	**440**	240	FRS 1(54)(m)
Borrowings	31	**9,524**	15,670	FRS 1(54)(m)
Provisions	35	**2,126**	2,295	FRS 1(54)(l)
		31,473	32,594	
Liabilities directly associated with disposal group classified as held-for-sale	11	**220**	-	FRS 105(38) FRS 1(54)(p)
		31,693	32,594	
Non-current liabilities				FRS 1(60), (69)
Trade and other payables	30	**350**	-	FRS 1(54)(k)
Derivative financial instruments	15	**135**	44	FRS 1(54)(m)
Borrowings	31	**118,300**	89,214	FRS 1(54)(m)
Deferred income tax liabilities	36	**11,646**	8,406	FRS 1(54)(o)
Provisions	35	**1,655**	1,585	FRS 1(54)(l)
		132,086	99,249	
Total liabilities		**163,779**	131,843	
NET ASSETS		**136,153**	98,161	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	**41,495**	32,024	FRS 1(78)(e)
Treasury shares	37	**(1,418)**	(900)	FRS 1(78)(e)
Other reserves	38	**9,628**	6,419	FRS 1(78)(e)
Retained profits	39	**78,196**	58,852	FRS 1(78)(e)
		127,901	96,395	FRS 1(54)(r)
Non-controlling interests		**8,252**	1,766	FRS 1(54)(q)
Total equity		**136,153**	98,161	

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

Balance Sheet – Company[1]

As at 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000	Reference
				FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				FRS 1(60), (66)
Cash and cash equivalents	13	**16,252**	2,977	FRS 1(54)(i)
Derivative financial instruments	15	**232**	78	FRS 1(54)(d)
Trade and other receivables	17	**7,612**	2,166	FRS 1(54)(h)
Inventories	18	**2,200**	335	FRS 1(54)(g)
		26,296	5,556	
Non-current asset classified as held-for-sale	11	**1,000**	-	FRS 1(54)(j)
		27,296	5,556	FRS 105(38)
Non-current assets				FRS 1(60), (66)
Derivative financial instruments	15	**34**	6	FRS 1(54)(d)
Available-for-sale financial assets	16	**1,500**	1,218	FRS 1(54)(d)
Trade and other receivables	20	**3,136**	3,200	FRS 1(54)(h)
Investments in associated companies	23	**1,000**	1,000	FRS 1(54)(e)
Investment in a joint venture	24	**880**	880	FRS 1(55)
Investments in subsidiaries	25	**95,160**	96,460	FRS 1(55)
Property, plant and equipment	28	**855**	400	FRS 1(54)(a)
Intangible assets	29	**1,200**	1,100	FRS 1(54)(c)
		103,765	104,264	
Total assets		**131,061**	109,820	
LIABILITIES				
Current liabilities				FRS 1(60), (69)
Trade and other payables	30	**707**	549	FRS 1(54)(k)
Current income tax liabilities	10	**235**	325	FRS 1(54)(n)
Derivative financial instruments	15	**35**	45	FRS 1(54)(m)
Borrowings	31	**3,500**	10,200	FRS 1(54)(m)
Provisions	35	**100**	210	FRS 1(54)(l)
		4,577	11,329	
Non-current liabilities				FRS 1(60), (69)
Derivative financial instruments	15	**12**	2	FRS 1(54)(m)
Borrowings	31	**78,267**	61,751	FRS 1(54)(m)
Deferred income tax liabilities	36	**2,779**	2,051	FRS 1(54)(o)
Provisions	35	**200**	95	FRS 1(54)(l)
		81,258	63,899	
Total liabilities		**85,835**	75,228	
NET ASSETS		**45,226**	34,592	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	**41,495**	32,024	FRS 1(78)(e)
Treasury shares	37	**(1,418)**	(900)	FRS 1(78)(e)
Other reserves	38	**3,873**	2,034	FRS 1(78)(e)
Retained profits	39	**1,276**	1,434	FRS 1(78)(e)
Total equity		**45,226**	34,592	

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

Reference

Balance Sheet – Company[1]

As at 31 December 2017

Guidance notes

Statement of financial position/balance sheet

Comparative

FRS 1(38)
FRS 1(40A)

1. An entity shall present a third statement of financial position as at the beginning of the preceding period if:

   (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
   (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

   For further information, please refer to paragraphs 40B to 40D of FRS 1.

   Refer to Appendix 1 Example 2 for illustrative disclosure.

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement Of Changes In Equity[1,2]

For the financial year ended 31 December 2017

	Note	Share capital	Treasury shares	Share option reserve	Capital reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Equity component of convertible bonds	Asset[3] revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity	Reference
		← Attributable to equity holders of the Company →													
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
2017															
Beginning of financial year		**32,024**	**(900)**	**1,892**	**-**	**127**	**24**	**2,376**	**-**	**2,000**	**58,852**	**96,395**	**1,766**	**98,161**	FRS 1(106)(d)
Profit for the year		-	-	-	-	-	-	-	-	-	29,446	29,446	2,549	31,995	FRS 1(106)(d)(i)
Other comprehensive income for the year		-	-	-	-	445	63	582	-	202	-	1,292	557	1,849	FRS 1(106)(d)(ii)
Total comprehensive income for the year[2]		**-**	**-**	**-**	**-**	**445**	**63**	**582**	**-**	**202**	**29,446**	**30,738**	**3,106**	**33,844**	FRS 1(106A)
Purchase of treasury shares	37(a)	-	(2,072)	-	-	-	-	-	-	-	-	(2,072)	-	(2,072)	FRS 32(33)
Employee share option scheme															
- Value of employee services	38(b)(i)	-	-	690	-	-	-	-	-	-	-	690	-	690	FRS 102(7)
- Treasury shares re-issued	37(a), 38(b)	-	1,554	(946)	488	-	-	-	-	-	-	1,096	-	1,096	FRS 32(33)
Issue of new shares	37	9,884	-	-	-	-	-	-	-	-	-	9,884	-	9,884	FRS 1(106)(d)(iii)
Share issue expenses	37	(413)	-	-	-	-	-	-	-	-	-	(413)	-	(413)	FRS 1(106)(d)(iii)
Convertible bond															
- equity component	38(b)(vi)	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685	FRS 32(28)
Dividend relating to 2016 paid	40	-	-	-	-	-	-	-	-	-	(10,102)	(10,102)	(1,920)	(12,022)	FRS 1(106)(d)(iii)
Disposal of subsidiary	13	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)	FRS 1(106)(d)(iii)
Acquisition of a subsidiary	47(c)	-	-	-	-	-	-	-	-	-	-	-	5,600	5,600	FRS 1(106)(d)(iii)
Total transactions with owners, recognised directly in equity		**9,471**	**(518)**	**(256)**	**488**	**–**	**–**	**-**	**1,685**	**-**	**(10,102)**	**768**	**3,380**	**4,148**	FRS 1(106)(d)(iii)
End of financial year		**41,495**	**(1,418)**	**1,636**	**488**	**572**	**87**	**2,958**	**1,685**	**2,202**	**78,196**	**127,901**	**8,252**	**136,153**	

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

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity[1,2]

For the financial year ended 31 December 2017

	Note	Share capital	Treasury shares	Share option reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity	Reference
		← Attributable to equity holders of the Company →											
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
2016													
Beginning of financial year		**32,024**	**-**	**1,270**	**55**	**8**	**2,454**	**1,259**	**57,503**	**94,573**	**1,274**	**95,847**	FRS 1(106)(d)
Profit for the year		-	-	-	-	-	-	-	17,085	17,085	929	18,014	FRS 1(106)(d) (i)
Other comprehensive income for the year		-	-	-	72	16	(78)	741	-	751	113	864	FRS 1(106)(d) (ii)
Total comprehensive income for the year[2]		**-**	**-**	**-**	**72**	**16**	**(78)**	**741**	**17,085**	**17,836**	**1,042**	**18,878**	FRS 1(106A)
Purchase of treasury shares	37(a)	-	(900)	-	-	-	-	-	-	(900)	-	(900)	
Employee share option scheme													FRS 32(33)
- Value of employee services	38(b)(i)	-	-	622	-	-	-	-	-	622	-	622	FRS 102(7)
Dividend relating to 2015 paid	40	-	-	-	-	-	-	-	(15,736)	(15,736)	(550)	(16,286)	FRS 1(106)(d)(iii)
Total transactions with owners, recognised directly in equity		**-**	**(900)**	**622**	**-**	**-**	**-**	**-**	**(15,736)**	**(16,014)**	**(550)**	**(16,564)**	FRS 1(106)(d)(iii)
End of financial year		**32,024**	**(900)**	**1,892**	**127**	**24**	**2,376**	**2,000**	**58,852**	**96,395**	**1,766**	**98,161**	

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

Guidance notes

Consolidated Statement of Changes in Equity ("SoCE")

Presentation of each component of equity in the SoCE

1. FRS 1 requires an entity to show in the SoCE, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period. FRS 1(106)(d)

   Components of equity include, e.g., each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits. FRS 1(108)

2. The reconciliation of changes in each component of equity shall show separately each item of comprehensive income. However, this reconciliation may be presented either in the notes or in the SoCE. This presentation illustrates the former. FRS 1(106A)

3. An entity can choose to present the aggregation of reserve in the SoCE. For instance, share option reserve, fair value reserve, hedging reserve, currency translation reserve and asset revaluation reserve can be aggregated to be presented as "Other reserves". The entity should continue to disclose in the notes a description of the nature and purpose of each reserve within equity.

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000	
				FRS 7(1) SGX 1207(5)(c)
Cash flows from operating activities[1]				
Total profit		**31,995**	18,014	FRS 7(10), (18)(b)
Adjustments for:				FRS 7(20)(b,c)
- Income tax expense		**14,939**	7,537	
- Employee share option expense		**690**	622	
- Amortisation, depreciation and impairment[2]		**23,100**	10,097	
- Gain on disposal of property, plant and equipment		**(17)**	(8)	
- Impairment loss on available-for-sale financial assets		**575**	-	
- Net gain on disposal of available-for-sale financial assets		**(200)**	-	
- Reclassification adjustments from hedging reserve to profit or loss		**(230)**	(354)	
- Loss on disposal of a subsidiary		**945**	-	
- Fair value loss/(gain) on investment property		**123**	(50)	
- Interest income[3]		**(1,180)**	(620)	FRS 7(31-34)
- Dividend income[3]		**(2,230)**	(400)	FRS 7(31-34)
- Finance expenses[3]		**9,812**	7,884	FRS 7(31-34)
- Share of loss/(profit) of associated companies and joint ventures		**174**	(145)	
- Unrealised currency translation losses[7,8]		**1,074**	1,001	FRS 7(25-28)
		79,570	43,578	
Change in working capital, net of effects from acquisition and disposal of subsidiaries:				FRS 7(20)(a)
- Inventories and construction work-in-progress		**(7,887)**	1,031	
- Trade and other receivables		**(6,986)**	1,117	
- Financial assets, at fair value through profit or loss		**(2,651)**	(500)	
- Trade and other payables		**(8,527)**	526	
- Provisions for liabilities and other charges		**(308)**	39	
Cash generated from operations		**53,211**	45,791	
Interest received[3]		**35**	13	FRS 7(31)
Interest paid[3]		**(5,789)**	(9,574)	FRS 7(31)
Income tax paid[4]		**(15,504)**	(10,974)	FRS 7(35), (36)
Net cash provided by operating activities		**31,953**	25,256	
Cash flows from investing activities				FRS 7(21)
Acquisition of a subsidiary, net of cash acquired[6]	47	**(13,400)**	-	FRS 7(39,42)
Additions to property, plant and equipment[5]		**(9,565)**	(6,042)	FRS 7(16(a), 43)
Additions to investment property		**(288)**	(2,040)	FRS 7(16)(a)
Additions to intangible assets		**(2,813)**	(700)	FRS 7(16)(a)
Purchases of available-for-sale financial assets		**(3,956)**	(691)	FRS 7(16)(c)
Purchases of financial assets, held-to-maturity		**(472)**	(372)	FRS 7(16)(c)
Disposal of a subsidiary, net of cash disposed of	13	**179**	-	FRS 7(39,42)
Disposal of property, plant and equipment		**4,974**	2,995	FRS 7(16)(b)
Disposal of investment property		**70**	-	FRS 7(16)(b)
Disposal of available-for-sale financial assets		**300**	-	FRS 7(16)(d)
Loans to an associated company		**(1,455)**	(547)	FRS 7(16)(e)
Repayment of loans by an associated company		**63**	98	FRS 7(16)(f)
Dividends received[3]		**2,230**	396	FRS 7(31)
Interest received[3]		**2,290**	346	FRS 7(31)
Net cash used in investing activities		**(21,843)**	(6,557)	

Primary Statements

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

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000	Reference
Cash flows from financing activities				FRS 7(21)
Proceeds from issuance of ordinary shares		**9,884**	-	FRS 7(17)(a)
Proceeds from re-issuance of treasury shares		**982**	-	FRS 7(17)(a)
Share issue expense[9]		**(413)**	-	FRS 7(17)(b)
Proceeds from issuance of convertible bonds		**50,000**	-	FRS 7(17)(a,c)
Proceeds from issuance of redeemable preference shares		**-**	30,000	FRS 7(17)(c)
Proceeds from borrowings		**8,500**	18,000	FRS 7(17)(c)
Purchase of treasury shares		**(2,072)**	(900)	FRS 7(17)(b)
Repayment of borrowings		**(71,434)**	(36,745)	FRS 7(17)(d)
Repayment of lease liabilities		**(165)**	(93)	FRS 7(17)(e)
Interest paid[3]		**(3,180)**	(450)	FRS 7(31)
Dividends paid to equity holders of the Company		**(10,102)**	(15,736)	FRS 7(31)
Dividends paid to non-controlling interests		**(1,920)**	(550)	FRS 7(31)
Net cash used in financing activities		**(19,920)**	(6,474)	
Net (decrease)/increase in cash and cash equivalents		**(9,810)**	12,225	
Cash and cash equivalents				
Beginning of financial year	13	**29,548**	17,387	FRS 7(45)
Effects of currency translation on cash and cash equivalents[8]		**(578)**	(64)	FRS 7(28)
End of financial year	13	**19,160**	29,548	FRS 7(45)

Reconciliation of liabilities arising from financing activities[12]

FRS 7(44A)

	1 January 2017 $'000	Principal and interest payments $'000	Non-cash changes $'000				31 December 2017 $'000
			Acquisition	Equity conversion	Interest expense	Foreign exchange movement	
Convertible bonds	-	50,000		(2,106)	373		48,267
Bank borrowings	67,970	(66,084)	39,587		4,922	(413)	45,982
Lease liabilities	420	(165)	603		67		925

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

Reference

Guidance notes

Consolidated statement of cash flows

Direct method

1. An entity can present its Statement of Cash Flows using the direct or indirect method; the latter is illustrated in this publication. When the direct method is used, the cash flows from operating activities shall be presented as follows: FRS 7(18)(a)

	2017	2016
	$'000	$'000
Cash flows from operating activities		
Cash receipts from customers	**205,483**	143,507
Cash paid to suppliers and employees	**(152,272)**	(97,716)
Cash generated from operations	**53,211**	45,791
Interest received	**35**	13
Interest paid	**(5,789)**	(9,574)
Income taxes paid	**(15,504)**	(10,974)
Net cash provided by operating activities	**31,953**	25,256

FRS 7(19)

The rest of the "direct method" consolidated statement of cash flows is similar to that of the indirect method.

Discontinued operations

2. Non-cash items excluded from profit for purposes of the statement of cash flows should include those non-cash items attributed to discontinued operations.

The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the notes or on the face of the statement of cash flows. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements. Please refer to Note 11(b). FRS 105 (33)(c)

If the entity elects to present net cash flows on the face of the statement of cash flows, the relevant net cash flows should be presented under operating, investing and financing activities respectively. It is not appropriate to combine and present the net cash flows from three activities as one line item under operating, investing or financing activities.

Dividends and interest

3. Cash flows from interest received and paid and dividends received shall each be disclosed separately, and classified consistently from period to period. FRS 7(31-34)

The interest amounts to be adjusted against profit after tax are the amounts charged or credited to profit or loss. The amounts to be shown under financing or investing cash flows shall be strictly cash paid or received during the period. Differences will be reflected in the changes in operating assets and liabilities or as additions to qualifying assets if interest has been capitalised in the cost of these assets.

Taxes on income

4. Cash flows from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Taxes paid are usually classified as cash flows from operating activities as it is often impracticable to identify tax cash flows that are related to investing or financing activities. However, when it is practicable to be identified, the tax cash flow is classified as an investing or financing activity as appropriate. The total amount of taxes paid however needs to be disclosed.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

Guidance notes

Consolidated statement of cash flows (continued)

Additions to property, plant and equipment

5. Additions to property, plant and equipment in the statement of cash flows should be net of hedging gains/losses transferred from hedging reserve.

Changes in ownership interests that do not result in loss of control

6. Cash flow arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities.

Currency translation differences

7. The adjustment of total profit for unrealised currency translation losses/(gains) usually includes currency translation differences on monetary items that form part of investing or financing activities such as long-term loans. This is because these currency translation differences are included as a part of profit or loss for the financial year and need to be eliminated in arriving at the net cash flows from operating activities, as they do not relate to operating activities.

   On the other hand, unrealised currency translation differences on monetary items that form part of operating activities, such as trade receivables or payables, do not usually require such adjustments, as they are already adjusted through the change in working capital lines.

8. Currency translation differences that arise on the translation of foreign currency cash and cash equivalents should be reported in the statement of cash flows in order to reconcile opening and closing balances of cash and cash equivalents, separately from operating, financing and investing cash flows. FRS 7(28)

Cash flows reported on a gross or net basis

9. Major classes of cash receipts and cash payments arising from investing and financing activities should be reported on a gross basis, except for the cash flows described in paragraphs 22 to 24 of FRS 7, which are reported on a net basis. FRS 7(21)

Non-cash transactions

10. Investing and financing transactions that do not require the use of cash or cash equivalent shall be excluded from the statement of cash flows. FRS 7(43)

Classification of borrowing costs capitalised into cost of qualifying assets

11. The classification of payments of interest that are capitalised shall be classified in a manner consistent with the classification of the underlying asset to which those payments were capitalised. For example, payments of interest that are capitalised as part of cost of property, plant and equipment should be classified as part of an entity's investing activities; payments of interest that are capitalised as part of the cost of inventories should be classified as part of an entity's operating activities.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2017

Reference

Guidance notes

Consolidated statement of cash flows (continued)

Net debt reconciliation – new disclosure requirement for 2017

FRS 7(44C)

12. The entity should include changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) in the disclosures if such cash flows were, or will be, included in cash flows from financing activities.

    Changes in other items are included where an entity considers that such disclosures would meet the disclosure objective. For example, an entity might consider including changes in cash and cash equivalents and interest payments that are classified as operating activities in the cash flow statement. Any such disclosure should be clearly distinguished from the disclosure of changes in liabilities arising from financing activities.

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Significant Accounting Policies

Reference

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

PwC Holdings Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 350 Harbour Street, PwC Centre, #30–00, Singapore 049929.[1] FRS 1(138)(a)

The principal activities of the Company are the manufacturing and sale of electronic component parts, and investment holding. The principal activities of its subsidiaries are the manufacturing and sale of electronic component parts, the sale of furniture, the construction of specialised equipment, and logistics services. FRS 1(138)(b)

The Group acquired control of XYZ Electronics Group (now known as PwC Components (China) Group), an electronics components manufacturing group operating in China during the financial year (Note 47). DV

The glass business segment was discontinued during the financial year (Note 11). DV

Guidance notes

General information

1. If the company changes its name during the financial year and up to the date of the financial statements, the change shall be disclosed. A suggested disclosure is as follows: FRS 1(51)(a)

   "With effect from [effective date of change], the name of the Company was changed from [XYZ Pte Ltd] to [ZYX Pte Ltd]."

   Further, all references to the company's name in the directors' statement, auditors' report and financial statements should be based on the new name, followed by the words *"Formerly known as [old name]."*

Reference

2. Significant accounting policies[1,2,3]

FRS 1(112)(a)

Guidance notes

Significant accounting policies

Disclosure of accounting policies

1. In deciding whether a particular accounting policy shall be disclosed, management considers whether the disclosure will assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. **Accounting policies shall be disclosed for all material components. The accounting policies illustrated in this publication <u>must be tailored</u> if they are adopted by other reporting entities to suit the particular circumstances and needs of readers of those financial statements.** FRS 1(119)

2. **Disclosure of accounting policies is particularly useful to users when there are alternatives allowed in Standards and Interpretations.** Example include measurement bases used for classes of property, plant and equipment (FRS 16). FRS 1(119)

3. An accounting policy may also be significant because of the nature of the entity's operations, even if amounts shown for current and prior periods are not material. **Omissions or misstatements of items are <u>material if they can, individually or collectively, influence the economic decisions of users</u> taken on the basis of the financial statements.** Materiality depends on the size and nature of the omission or misstatement, taking into consideration the surrounding circumstances. The size or nature of the item, or a combination of both, can be the determining factor. FRS 1(121) FRS 1(17)

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS")[1] under the historical cost convention, except as disclosed in the accounting policies below. FRS 1(16) SGX 1207(5)(d) FRS 1(117)(a)

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. DV

Reference

Guidance notes

Basis of preparation

Compliance with FRS

1. Please refer to guidance notes 1 to 3 under Directors' Statement.

Going concern assumption

2. When preparing financial statements, management shall make an assessment of the entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. This is so even if decision made by management arose after the balance sheet date. FRS 1(25), (26) FRS 10(14)

3. When management is aware of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed, even if management eventually concludes that it is appropriate to prepare the financial statements on a going concern basis. One disclosure example is *"These financial statements are prepared on a going concern basis because the holding company has confirmed its intention to provide continuing financial support so that the Company is able to pay its debts as and when they fall due".* FRS 1(25), (26)

4. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not considered a going concern. One disclosure example is *"These financial statements are prepared on a realisation basis because management intends to liquidate the Company within 12 months from the balance sheet date".* FRS 1(25), (26)

Reference

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. FRS 8(28)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows FRS 7(44A)

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

Guidance notes

Basis of preparation – New or amended Standards and Interpretations effective for 2017 calendar year-ends

1. The following are the other new or amended Standards and Interpretations that should be disclosed in the Basis of preparation note if the change in accounting policy had a material effect on the current or prior periods, or may have a material effect on future periods: FRS 8(28)

   Effective for annual periods beginning on or after 1 January 2017:

1 January 2017	Amendments to: - FRS 7 *Statement of cash flows* (Disclosure initiative) - FRS 12 *Income Taxes* (Recognition of deferred tax assets for unrealised losses) **Annual improvements 2016** - FRS 112 *Disclosure of Interests in Other Entities* (Clarification of the scope of the Standard)

Reference

Guidance notes

Basis of preparation – New or amended Standards and Interpretations effective after 1 January 2017

2. The following are the new or amended Standards and Interpretations (issued by the ASC up to 20 July 2017) that are not yet applicable, but may be early adopted for the current financial year.

Annual periods commencing on	**Description**
1 January 2018	FRS 109 *Financial instruments* FRS 115 *Revenue from Contract with Customers* INT FRS 122 *Foreign Currency Transactions and Advance Consideration* *Amendments to:* - FRS 115 *Revenue from Contract with Customers* (Clarifications of guidance) - FRS 102 *Share-based Payment* (Classification and measurement of share-based payment transactions) - FRS 40 *Investment Property* (Transfer of investment property) - FRS 104 *Insurance Contracts* (Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts*) **Annual Improvements 2016** - FRS 28 *Investments in Associates and Joint Ventures* (Measuring an associate or joint venture at fair value) - FRS 101 *First-time Adoption of Financial Reporting Standards* (Definition of short-term exemptions for first-time adopters)
1 January 2019	FRS 116 *Leases*
To be determined	FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (Sale or contribution of assets between an investor and its associate or joint venture)

Refer to Practical Guide on Singapore Financial Reporting Standards for 2017 for details of the above amendments/new accounting standards.

Effects on adoption of new accounting standards

3. The tax-related implications of any changes in accounting policy should be considered. For the purposes of this illustration we have assumed that the tax impact is not significant.

Reference

2.2 Revenue recognition[1]

FRS 18(35)(a)

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax[2], rebates and discounts, and after eliminating sales within the Group. FRS 18(9)

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows: FRS 18(8) FRS 18 IE (21) FRS 18(14)(c-e)

(a) *Sale of goods – Electronic component parts*

Revenue from these sales is recognised when the Group has delivered the parts to locations specified by its customers and the customers have accepted the parts in accordance with the sales contract. FRS 18(14)(a,b)

Electronic component parts are sold to certain customers with volume discount and these customers also have the right to return faulty parts. Revenue from these sales is recorded based on the contracted price less the estimated volume discount and returns at the time of sale. Past experience and projections are used to estimate the anticipated volume of sales and returns.

(b) *Sale of goods – Furniture*

The Group sells furniture through retail stores and wholesalers.

Revenue from sales through retail stores is recognised when the Group delivers the furniture to its customers and it is probable that the furniture will not be returned. Customers are given a right to return the furniture within seven days of delivery. Past experience and projections are used to estimate and provide for such returns at the time of sale. FRS 18(14)(a,b)

The Group does not operate any customer loyalty programme. DV

Revenue from sales to wholesalers is recognised when the Group has delivered the furniture to the wholesalers. FRS 18(14)(a,b)

(c) *Rendering of service – Logistics services*

Revenue from logistics services is recognised when the services are rendered. Where services are provided in stages, revenue is recognised using the percentage-of-completion method based on the actual service provided as a proportion of the total services to be performed. FRS 18(20)

(d) *Construction of specialised equipment*

Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

Reference

2.2 Revenue recognition (continued)

(e) Interest income[3]

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method. FRS 18(30)(a)

(f) Dividend income

Dividend income is recognised when the right to receive payment is established. FRS 18(30)(c)

(g) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term[4]. FRS 17(50) INT FRS 15(4)

Guidance notes

Revenue recognition

1. Revenue recognition policy for each principal activity is required to be disclosed and the disclosure **should be tailored** to the entity's specific revenue sources and terms of business so as to provide the readers with information for a proper understanding of the policies. For example, the following disclosure can be considered if the group operates a customer loyalty programme:

   "The Group operates a customer loyalty programme for its furniture retail stores. A customer who purchases from any of the Group's furniture retail store will be given purchase credits entitling them to a discount on subsequent purchase. A portion of the revenue from the sale of furniture attributable to the award of purchase credits, estimated based on expected redemption of these credits, is deferred until they are redeemed. These are included under "deferred revenue" on the balance sheet. Any remaining unutilised credits are recognised as revenue upon expiry."

   For transactions where the group is acting as an agent:

   "The Group assesses its role as an agent or principal for each transaction and in a transaction where the Group acts as an agent, revenue would exclude amounts collected on behalf of the principal."

2. If the group operates predominantly in Singapore, the term "value-added tax" may be replaced by "goods and services tax". FRS 18(13)

Accounting Policies

Reference

Guidance notes

Revenue recognition (continued)

3. When unpaid interest has accrued before the acquisition of an interest-bearing investment, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; only the post-acquisition portion is recognised as revenue. FRS 18(32)

   Where such interest is material, the following disclosure can be considered:

   "Where the Group receives interest that has accrued before its acquisition of an interest bearing investment, such interest received are accounted for as a reduction of the carrying amounts of those investments."

4. When there is a fixed increase in lease payments stipulated in a lease agreement, such as a quasi-compensation for inflation-related increases, the fixed increases in lease payments are part of the minimal lease payments and are spread on a straight-line basis over the lease term.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. FRS 20(7)

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income[1]. FRS 20(12)

Government grants relating to assets are deducted against the carrying amount of the assets[2]. FRS 20(24)

Guidance notes

Government grants

1. Grants relating to income should be presented as a credit to the statement of comprehensive income, either separately or under a general heading such as "Other Income". Alternatively, they may be deducted in reporting the related expense. FRS 20(29)

2. Grants related to assets shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying value of the asset. FRS 20(24)

Both methods are acceptable for the presentation of grants relating to income/assets, however needs to be consistently applied.

Reference

2.4 Group accounting[1]

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

FRS 110(5-7)
FRS 110(20)
FRS 110(25)

In preparing the consolidated financial statements[2], intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FRS 110(B86)(c)
FRS 110(19)(B87)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

FRS 110(B94)

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

FRS 103(4)

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

FRS 103(37)
FRS 103(39)

Acquisition-related costs are expensed as incurred.

FRS 103(53)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

FRS 103(18)
FRS 103(20)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

FRS 103(19)

Reference

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill[4]. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill. FRS 103(32)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard. FRS 110(B98)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss. FRS 110(B98)(b)(iii)

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company[1]. DV

Reference

Guidance notes

Group accounting – (a) Subsidiaries

Exemption from preparing consolidated financial statements

1. When a parent is exempted under paragraph 4(a) of FRS 110 from preparing consolidated financial statements and elects to use the exemption and prepare separate financial statements of the company, the following disclosure can be considered: FRS 110(4)(a)

"These financial statements are the separate financial statements of [Company name]. The Company is exempted from the requirement to prepare consolidated financial statements as the Company is [a wholly-owned subsidiary of PwC Corporate Limited, a Singapore-incorporated company which produces consolidated financial statements available for public use]. The registered office of PwC Corporate Limited, where those consolidated financial statements can be obtained, is as follows: 320 Pier Street, #17-00 Singapore 049900." FRS 27(16)(a)

The exempted parent that elects to prepare separate financial statements shall also disclose a list of significant investments in subsidiaries, joint ventures and associates, including the name, principal place of business (and if different, country of incorporation), proportion of ownership interest (and if different, proportion of voting rights held) and a description of the method used to account for these investments. FRS 27(16)(b,c)

Exception to consolidation – when a parent is an investment entity

2. When an investment entity that is a parent (other than a parent covered by paragraph 16 of FRS 27) prepares, in accordance with paragraph 8A of FRS 27 *Separate Financial Statements* as its only financial statements, the following disclosure should be considered: FRS 110(31)

"These financial statements are the separate financial statements of [Company name]. The Company has not prepared consolidated financial statements as the Company has determined that it meets the definition of an Investment Entity per paragraph 27 of FRS 110 Consolidated Financial Statements. Accordingly, the Company has measured its investment in subsidiaries at fair value through profit or loss in accordance with FRS 39 Financial Instruments: Recognition and Measurement." FRS 27(16A)

The investment entity that is a parent shall also present the disclosures relating to investment entities required by FRS 112 *Disclosure of Interests in Other Entities.* FRS 112(9A-B) FRS 112(19A-G)

Reference

Guidance notes

Group accounting – (a) Subsidiaries (continued)

Reporting dates of parent and its subsidiaries

3. This publication illustrates the situation where the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements have the same reporting date. Where it is impracticable to do so, the parent may use financial statements of a subsidiary as of a different reporting date provided the difference in periods does not exceed three months, adjustments are made for the effects of significant transactions or events occurring during that period, and the length of reporting periods and any difference in the reporting dates are the same from period to period. Where this occurs, the reporting date of the financial statements of the subsidiary shall be disclosed, together with the reason for using a different reporting date or period. FRS 110(B92),(B93) FRS 112(11)

   A similar requirement applies to the financial statements of associated companies and joint ventures used for the purpose of equity accounting. FRS 112(22)(b)

Bargain purchase

4. When the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference – often referred to as "negative goodwill" – is recognised in profit or loss. The following is an illustrative disclosure when "negative goodwill" arises on an acquisition of business (to be inserted after the sentence describing the computation of goodwill): FRS 103(34)

   "If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase."

   Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date. FRS 103(36)

   For further information, please refer to Application Guidance B64(n) of FRS103.

2.4 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company. FRS 110(23), (B96)

Reference

2.4 Group accounting (continued)

(c) *Associated companies and joint ventures*[5]

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. FRS 28(5)

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities. FRS 111(16)

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any. FRS 28(16)

(i) *Acquisitions*

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at 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. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments[4]. FRS 27(10)(a) FRS 28(32)(a)

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. FRS 28 (10)
When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. FRS 28(38),(39)

Accounting Policies

Reference

2.4 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(ii) Equity method of accounting (continued)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

FRS 28(28)
FRS 28(29)
FRS 28(35,36)

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss[3].

FRS 28(22)(b)

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

DV

Reference

Guidance notes

Group accounting – (c) Associated companies and joint ventures

Reporting dates of investor and its associated companies

1. Please refer to guidance note 3 under Group accounting – (a) Subsidiaries. FRS 28(33), (34)

Exemption from applying equity accounting

2. Exemption from applying equity accounting to its investments in associated companies or joint ventures is available to an entity when it meets the same conditions as those required under FRS 110 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries. FRS 28(17)

   In addition, when an investment in associated company or joint venture, or a portion of an investment in associated company or joint venture, is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities, the entity may elect to measure investments in those associated companies and joint ventures, or the portion of those investments, at fair value through profit or loss in accordance with FRS 39. If the entity makes that election, the entity shall apply the equity method to any remaining portion of its investments in associated companies or joint ventures. FRS 28(18), (19)

Decrease in interest in associated companies

3. When significant influence or joint control is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associated company or joint venture are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence or joint control is lost, the entire amounts previously recognised in other comprehensive income relating to that associated company or joint venture are reclassified to profit or loss. FRS 28(22c), (23)

Bargain purchase

4. On acquistion of the investment, when the group's share of the fair value of the identifiable net assets of the associated company or joint venture exceeds the cost of acquisition paid by the group, the excess is recognised in profit and loss as part of the share of profit from associated companies. FRS 28(32)(b)

Reference

Guidance notes

Group accounting – (c) Associated companies and joint ventures (continued)

Joint operations

5. When the joint arrangement is classified as a joint operation, the following disclosure should be considered:

"The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. FRS 111(15)

The Group recognises, in relation to its interest in the joint operation: FRS 111(20)
- *its assets, including its share of any assets held jointly;*
- *its liabilities, including its share of any liabilities incurred jointly;*
- *its revenue from the sale of its share of the output arising from the joint operation;*
- *its share of the revenue from the sale of the output by the joint operation; and*
- *its expenses, including its share of any expenses incurred jointly.*

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets. FRS 111(B34,B35)

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss. FRS 111 (B36, B37)

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group. FRS 111(21)

The Company applies the same accounting policy on joint operations in its separate financial statements." DV

Reference

2.5 Property, plant and equipment

(a) Measurement[1]

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. FRS 16(15), (31)

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. FRS 16(34) FRS 16(35)(b)

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income and accumulated in equity, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase are recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss. FRS 16(39) FRS 21(30) FRS 16(40)

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. FRS 16(15), (30)

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable[5] to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs) and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve. FRS 16(16) FRS 16(17) FRS 23(10), (11) FRS 39(98)(b), (99)

Reference

Guidance notes

Property, plant and equipment ("PPE") – (a) Measurement

Method of accounting

1. An item of PPE shall be initially measured at cost, but can be subsequently measured using either the cost model (as illustrated in Note 2.5(a)(ii)) or the revaluation model (as illustrated in Note 2.5(a)(i)). FRS 16(29)

   The elected policy shall be applied consistently to an entire class of PPE. A class of PPE is a grouping of assets of a similar nature and used in an entity's operations. FRS 16(37)

Provision for dismantlement, removal or restoration

2. The initial estimate of the cost of dismantlement, removal or restoration is recognised as part of the cost of PPE if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period. For an illustration of the accounting policy and other disclosures, please refer to Appendix 1 Example 3. FRS 16(16)(c)

Computer software licence and development costs

3. Computer software licence and development costs shall be accounted for as intangible assets using FRS 38 when they are not an integral part to the related hardware. Computer software that is an integral part to the related hardware shall be accounted for as PPE using FRS 16. FRS 38(4)

Spare parts and servicing equipment

4. Minor spare parts and servicing equipment are typically carried as inventory and recognised in profit or loss as consumed. Major spare parts and stand-by equipment are carried as PPE when an entity expects to use them during more than one period or when they can be used only in connection with an item of PPE. FRS 16(8)

Directly attributable costs – Self-constructed assets

5. The initial cost of an item of PPE shall include any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. While this may be relatively straightforward for items of PPE that are acquired, determining the production cost of a self-constructed asset may be more complex. Such production cost would normally comprise costs associated with material, labour and other inputs used in the construction. It would exclude other costs such as start-up costs, administrative and other general overhead costs, advertising and training costs that should be recognised as an expense when incurred. FRS 16(16)(b) FRS 16(17), (19) FRS 16(21), (22)

Reference

2.5 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives[1] as follows: FRS 16(50), (73)(b), (73)(c)

	Useful lives
Leasehold land[2]	99 years
Buildings	25 – 50 years
Motor vehicles	4 years
Furniture and fittings	5 years
Plant and equipment	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise. FRS 16(51), (61)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred. FRS 16(12), (13)

(d) Disposal FRS 16(67)

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses". Any amount in revaluation reserve relating to that item is transferred to retained profits directly. FRS 16(68), (71) FRS 16(41)

Guidance notes

Property, plant and equipment ("PPE") – (b) Depreciation

Component approach to depreciation

1. Parts of some items of PPE may require replacements or major overhauls at regular intervals. An entity allocates the amount initially recognised in respect of an item of PPE to its **significant parts** and depreciates **separately each significant part** if those parts have different useful lives. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised. FRS 16(7), (13), (14), (43)

Accounting Policies

Guidance notes

Property, plant and equipment ("PPE") – (b) Depreciation (continued)

Component approach to depreciation (continued)

If the amount is material, a suggested disclosure is as follows:

"The [specific class of plant and equipment] are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of [years] in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss."

Depreciation of leasehold land

2. This publication illustrates the accounting for leasehold land classified as a finance lease. It is accounted for as PPE and is depreciated over the shorter of its lease term and useful life. The useful life is the period over which an asset is expected to be available for use by an entity. When assessing the useful life of an asset, all commercial, technical and legal factors, as well as the intention of management should be considered. FRS 16(6), (56), (57) FRS 17(27)

2.6 Intangible assets

(a) *Goodwill*

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. FRS 103(32)

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments. FRS 28(32)(a)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

Reference

2.6 Intangible assets (continued)

(b) Acquired trademarks and licences

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 15 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights. FRS 38(74) FRS 38(118)(a), (b) FRS 38(94), (97)

(c) Acquired computer software licences[1]

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred. FRS 38(24) FRS 38(27,28) FRS 38(66,67)

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years. FRS 38(74) FRS 38(118)(a), (b) FRS 38(97)

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise. FRS 38(104)

Guidance notes

Intangible assets

Development of software

1. If an entity is involved in research and development activities, the following disclosure is suggested (using the example of the development of a computer software): FRS 38(57)

   "Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project."

Reference

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. FRS 23(8,12,14)

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

Guidance notes

Borrowing costs

Capitalisation of general borrowing costs

1. Where funds are borrowed generally and used for financing an asset's construction or development, the borrowing costs eligible for capitalisation can be determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate should be the weighted average of the borrowing rates applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period. FRS 23(14)

Reference

2.8 Contract to construct specialised equipment ("Construction contracts")[1]

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

FRS 11(22)
FRS 11(32)
FRS 11(36)

Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim, and these amounts are capable of being reliably measured.

FRS 11(11), (13), (14), (15)

The stage of completion is measured[2] by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

FRS 11(39)(c)
FRS 11(31)
FRS 11 (27)

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings[3], the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

FRS 11(43)
FRS 11(44)

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances[3] received are included within "trade and other payables".

Reference

Guidance notes

Construction contracts

Scope of FRS 11

1. A significant feature of a construction contract is that the date of commencement and the date of completion fall into different accounting periods. A revenue-generating contract must meet the definition of a construction contract to be in the scope of FRS 11. Otherwise, FRS 18 applies. FRS 18 contains less stringent rules in the segmenting of contracts, compared to FRS 11.

Measuring stage of completion

2. The proportion of contract costs incurred to date over the total estimated contract costs may not be a reliable measure of the stage of completion for all construction contracts. Other methods such as a survey of work performed or the completion of a physical proportion of contract work may be more appropriate. An entity should select the method that best reflects the stage of completion of its construction contracts. FRS 11(30)

3. Progress billings are amounts billed for the work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed. Both often do not reflect the work performed and accordingly, are not used to determine the stage of completion. FRS 11(41)

2.9 Investment properties

Investment properties include those portions[1] of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases[2] that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties. FRS 40(5) FRS 40(6), (10) FRS 40(75)(b) FRS 40(8)

Investment properties are initially recognised at cost and subsequently carried at fair value[3], determined annually by independent professional valuers on the highest and best use[4] basis. Changes in fair values are recognised in profit or loss. FRS 40(20), (30) FRS 40(75)(e) FRS 40(35)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. FRS 40(17) The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred. FRS 40(18)

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss. FRS 40(66)

Reference

Guidance notes

Investment properties

Classification as investment property

1. When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved. In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building. FRS 40(75)(c) FRS 1(122) FRS 40(11)

Property interests

2. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if: (a) the property will otherwise meet the definition of an investment property; and (b) the lessee uses the fair value model to account for its investment properties. Once this classification is selected for one such property, all properties classified as investment properties shall be accounted for using the fair value model. FRS 40(6), (25), (75b)

Cost model

3. A reporting entity can choose to apply the cost model, provided it does not classify any property interest held under operating leases as investment property. The following accounting policy may be adopted: FRS 40(30,34)

   "Investment properties comprise significant portions of freehold office buildings that are held for long-term rental yields and/or for capital appreciation.

   Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [ ] years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise….." FRS 40(56)

   When the cost model is applied, **the fair value of investment property shall be disclosed at each reporting date.** In the exceptional cases when an entity cannot determine the fair value of investment property reliably, it shall disclose: FRS 40(79)(e)

   (a) a description of the investment property;
   (b) an explanation of why fair value cannot be determined reliably; and
   (c) if possible, the range of estimates within which fair value is highly likely to lie.

Accounting Policies

Reference

Guidance notes

Investment properties (continued)

Determination of fair value

4. Under FRS 113, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. — FRS 40(5); FRS 113(27-33)

Transfer in and out of investment properties

5. There are specific recognition and/or measurement requirements dealing with transfers from investment properties to property, plant and equipment or inventories and vice versa. Please refer to paragraphs 57-65 of FRS 40 for details.

2.10 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost[1,2] less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. — FRS 27(10)(a); FRS 27(16), (17)

Guidance notes

Investments in subsidiaries, associated companies and joint ventures

Investments accounted for in accordance with FRS 39 and FRS 28

1. When separate financial statements of the company are prepared, investments in subsidiaries, associated companies and joint ventures that are not classified as held-for-sale, shall be accounted for either: (a) at cost; (b) in accordance with FRS 39; or (c) equity method as described in FRS 28. — FRS 27(10)

2. If an entity elects, in accordance with paragraph 18 of FRS 28, to measure its investments in associated companies and joint ventures at fair value through profit or loss in accordance with FRS 39, it shall also account for those investments in the same way in its separate financial statements. — FRS 27(11)

3. If a parent is required, in accordance with paragraph 31 of FRS 110, to measure its investment in a subsidiary at fair value through profit or loss in accordance with FRS 39, it shall also account for its investment in a subsidiary in the same way in its separate financial statements. — FRS 27(11A)

Reference

Guidance notes

Investments in subsidiaries, associated companies and joint ventures (continued)

Dividends received from subsidiaries, associated companies and joint ventures

4. The receipt of a dividend from a subsidiary, associated company or a joint venture is an indicator of impairment of the relevant investment when: FRS 36(12)(a)

   (a) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or

   (b) the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared.

2.11 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. FRS 36(9), (10)(b)

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination. FRS 36(80)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. FRS 36(8), (90)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. FRS 36(104)

An impairment loss on goodwill is recognised as an expense and is not reversed[1] in a subsequent period. FRS 36(60) FRS 36(124)

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. FRS 36(9), (10) FRS 28(42)

Reference

2.11 Impairment of non-financial assets (continued)

(b) Intangible assets
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures (continued)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. FRS 36(22)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. FRS 36(59)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount[2], in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease. FRS 36(60)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. FRS 36(114) FRS 36(117)

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount[2], in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset[2] was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss. FRS 36(119)

Reference

Guidance notes

Impairment of non-financial assets

Impairment loss on goodwill

1. An entity shall not reverse an impairment loss recognised in a previous interim period (e.g. in the quarterly financial announcement) in the annual period end financial statements in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. INT FRS 110(8)

Assets carried at revalued amounts

2. In this illustration, certain classes of non-financial assets are carried at their revalued amounts. The disclosures related to revalued amounts shall be removed if the group applies only the cost model for all non-financial assets.

2.12 Financial assets

(a) *Classification* FRS 107(21)

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition[1] and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date. FRS 39(9)

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. FRS 39(9) Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. FRS 107 AppB5(a) Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date. FRS 1(66)

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. FRS 39(9) They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. FRS 1(66) Loans and receivables are presented as "trade and other receivables" (Note 17) and "cash and cash equivalents" (Note 13) on the balance sheet.

Accounting Policies

Reference

2.12 Financial assets (continued)

(a) Classification (continued)

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

FRS 39(9)
FRS 1(66)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

FRS 107 AppB5(b)
FRS 39(9)
FRS 1(66)

(b) Recognition and derecognition

Regular way[2] purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

FRS 107 AppB5(c)
FRS 39(38)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

FRS 39(17), (20)
FRS 39(26)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

FRS 39(20)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

FRS 39(43)

Reference

Guidance notes

Financial assets – (a) Classification

Reclassification of financial assets

1. An entity is permitted to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in the following circumstances: FRS 39(50)

   - If the financial asset meets the definition of loans and receivables at the date of reclassification and the entity at that date has the intent and ability to hold it for the foreseeable future or to maturity. Note that a financial asset cannot meet the definition of loans and receivables if it is quoted in an active market or if it represents an interest in a pool of assets that are not themselves loans and receivables. FRS 39(50D)
   - For other financial assets (that is, those that do not meet the definition of loans and receivables) only in rare circumstances, provided that these financial assets are no longer held for the purpose of selling or repurchasing in the near term and meet the definition of the target category. A "rare circumstance" is defined as arising "from a single event that is unusual and highly unlikely to recur in the near-term", like the deterioration of the world's financial markets that occurred during the third quarter of 2008. FRS 39(50B)

Financial assets – (b) Recognition and derecognition

Trade date versus settlement date

2. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. A regular way purchase or sale gives rise to a fixed price commitment between trade date and settlement date that meets the definition of a derivative, but it is not recognised as such. Rather, FRS 39 allows these transactions to be recognised and derecognised using either trade date accounting or settlement date accounting. If such transactions are not material, this disclosure can be omitted. FRS 39(9) FRS 39(38)

2.12 Financial assets (continued)

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. FRS 39(46)

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends[1], are recognised in profit or loss when the changes arise. FRS 39(55)(a) FRS 107 AppB5(e) FRS 21(30)

Accounting Policies

Reference

2.12 Financial assets (continued)

(d) Subsequent measurement (continued)

Interest and dividend income[1] on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

FRS 39(55)(b)
FRS 107 AppB5(e)
FRS 39 AG83
FRS 21(30)

Guidance notes

Financial assets – (d) Subsequent measurement

Inclusion of interest and dividend income in the changes of fair value

1. For financial assets at fair value through profit or loss, an entity is allowed to:

   (a) recognise interest income, interest expense and dividend income as part of net gains or net losses on these financial instruments; or
   (b) recognise interest income, interest expense and dividend income separately.

   The elected policy shall be consistently applied and disclosed. Method (a) has been illustrated in this publication.

   This policy choice is however not available to available-for-sale financial assets and therefore, the related dividend and interest income calculated using effective interest method shall be accounted for in accordance with FRS 18, i.e. not part of the net gains or losses on fair values.

FRS 39(55)(a)
FRS 107 AppB5(e)
FRS 39 (9)
FRS 39(55)(b)

Reference

2.12 Financial assets (continued)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. FRS 39(58) FRS 107 AppB5(f)

(i) Loans and receivables/Held-to-maturity financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired. FRS 39(59)

The carrying amount of these assets is reduced through the use of an impairment allowance account[1] which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss. FRS 39(63)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods. FRS 39(65)

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.12(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. FRS 39(61)

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period. FRS 39(67) FRS 39(68) FRS 39(70) FRS 39(69)

Reference

Guidance notes

Financial assets – (e) Impairment

1. FRS 39 allows an impairment loss on financial assets carried at amortised cost to be recognised through the use of an allowance account or by reducing the carrying amount of the financial asset directly. This publication illustrates the former. FRS 39(63)

2. An entity shall not reverse an impairment loss recognised in the previous interim period in respect of an investment in either an equity instrument or a financial asset carried at cost or goodwill. INT FRS 110(8)

2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. FRS 32(42)

2.14 Financial guarantees[1,2]

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. FRS 39(9)

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet. FRS 39(43)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet. FRS 39(47)(c)

Intra-group transactions are eliminated on consolidation[3].

Reference

Guidance notes

Financial guarantees

Definition of financial guarantee

1. A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down. FRS 39(9)

Financial guarantees versus insurance contracts

2. Financial guarantees shall be accounted for under FRS 39, unless the issuer has previously asserted explicitly that it regards certain financial guarantees as insurance contracts and has accounted for them as insurance contracts, in which case the issuer may then elect to apply either FRS 39 or FRS 104 for these contracts. The issuer shall make the election contract by contract, but once the election is made, it is irrevocable. FRS 104(4)(d) FRS 39(2)(e)

Financial guarantees for associated companies and joint ventures

3. Where the entity has issued financial guarantees to banks for bank borrowings of its associated companies and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures as required by FRS 24 shall also be made. FRS 24(21)

4. Where a subsidiary has issued corporate guarantees to banks for borrowings of third parties, such financial guarantees are similarly accounted for in the group's consolidated financial statements.

Reference

2.15 Borrowings

FRS 107(21)

Borrowings are presented as current liabilities[1] unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. FRS 1(69)

(a) *Borrowings*

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. FRS 39(43), (47)

(b) *Redeemable preference shares*[4]

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised as finance expenses. FRS 32(18)(a) FRS 32(36)

(c) *Convertible bonds*[5]

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet. FRS 32(28)

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds. FRS 32 AG31(a)

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits. FRS 32(32) FRS 32 AG32

Guidance notes

Borrowings

Current/non-current classification of borrowings

1. When an entity breaches a provision of a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the balance sheet date, the entity does not have an unconditional right to defer its settlement for at least twelve months after the date. FRS 1(74)

2. Where the entity expects, and has the discretion, to re-finance or roll over an obligation for at least 12 months after the balance sheet date under an existing loan facility with the same lender, on the same or similar terms, the liability is classified as non-current. FRS 1(75)

Derecognition

3. Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. FRS 39 AG57 FRS 39 AG63

Classification of preference shares

4. Preference shares that are redeemable on a specific date or at the option of the shareholder, or carry non-discretionary dividend obligations, shall be classified as liabilities. As for non-redeemable preference shares, their terms and conditions shall be critically evaluated using the criteria in FRS 32 to determine whether they shall be classified as a liabilities or equity. FRS 32(15,16) FRS 32(18)(a) FRS 32(15,16,28)

Conversion options

5. If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss. FRS 32(11)

   An example of a conversion option that is a derivative liability is found in a convertible bond that is denominated in a foreign currency. This is because the fixed amount of the foreign currency bond that will be extinguished if the holder converts represents a variable amount of cash in the functional currency of the issuer. An example of such a convertible bond is given in the illustrative disclosure in Appendix 1 Example 7 of this publication. FRS 32(15,16,28) FRS 32 AG27(d)

Reference

Guidance notes

Facility fees

6. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. FRS 39 IG E1.1

Debt for equity swap

7. When equity instruments are issued to a creditor to extinguish all or part of a financial liability, an entity shall measure the equity instrument at its fair value, unless that fair value cannot be reliably measured in which case, the instrument shall be measured using the fair value of the financial liability extinguished.

The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the consideration paid shall be recognised in profit or loss. The equity instruments issued shall be recognised initially and measured at the date the financial liability is extinguished. INT FRS 119(9)

An entity shall disclose a gain or loss from such debt for equity swap as a separate line item in profit or loss or in the notes.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. FRS 39(43), (47) FRS 1(69)

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. FRS 39((43), (47)

2.17 Derivative financial instruments and hedging activities FRS 107(21)

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge. FRS 39(43), (47) FRS 39(71) FRS 39(86)

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise. FRS 39(55)

Reference

2.17 Derivative financial instruments and hedging activities (continued)

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items. FRS 39(88)

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability. FRS 1(66), (69)

(a) Fair value hedge FRS 107(22)

The Group has entered into currency forwards that are fair value hedges for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies ("hedged item"). The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the effective portion of currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised separately in profit or loss. FRS 39(93) FRS 39(89)(b) FRS 39(89)(a)

(b) Cash flow hedge FRS 107(22)

(i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss. FRS 39(95)(a) FRS 39(95)(b)

Reference

2.17 Derivative financial instruments and hedging activities (continued)

(ii) Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised. FRS 39(95)(a), (97-100)

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately. FRS 39(95)(b), (101)

(c) Net investment hedge FRS 107(22)

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss. FRS 39(102)

2.18 Fair value estimation of financial assets and liabilities

FRS 113(70)

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments. FRS 113(61,62)

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2.19 Leases

(a) *When the Group is the lessee[1,3]:*

The Group leases land, motor vehicles and certain plant and machinery under finance leases and land, factories and warehouses under operating leases from non-related parties.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. FRS 17(4)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. FRS 17(20)

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability. FRS 17(25)

(ii) *Lessee – Operating leases* FRS 17(4)

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. FRS 17(33) INT FRS 15(5)

Contingent rents[2] are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor[3]:*

The Group leases equipment under finance leases and investment properties under operating leases to non-related parties.

(i) *Lessor – Finance leases*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. FRS 17(4)

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in “trade and other receivables”. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income. FRS 17(36)

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. FRS 17(40) FRS 17(39)

Reference

2.19 Leases (continued)

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. FRS 17(38)

(ii) Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. FRS 17(4) FRS 17(50) INT FRS 15(4)

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. FRS 17(52)

Contingent rents[2] are recognised as income in profit or loss when earned.

Guidance notes

Leases

Initial direct costs – lessees

1. Initial direct costs are the incremental costs directly attributable to negotiating and arranging a lease excluding such costs incurred by manufacturers or dealer lessors. Where initial direct costs are also incurred by the reporting entity as a lessee, the following disclosure is suggested: FRS 17(4)

   Lessee – Finance leases
   "Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the estimated useful life of the asset." FRS 17(24)

   Lessee – Operating leases
   FRS 17 is silent on the accounting of initial direct costs by lessees in operating leases. Either of the following accounting policies can be adopted:

   (i) "Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as pre-payments and recognised in profit or loss over the lease term on a straight-line basis."

   or

   (ii) "Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred."

Contingent rents

2. Contingent rents recognised as an expense or income, if material, shall be disclosed for each class of leases (i.e. operating and financing), irrespective of whether the reporting entity is a lessee or lessor. The basis upon which the contingent rent payable was determined is required to be disclosed when the reporting entity is a lessee. FRS 17(31)(c,e) FRS 17(47)(e) FRS 17(56)(b)

Reference

Guidance notes

Penalties for early termination

3. Where such penalties are material, the following disclosure is suggested:

"When a lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when termination takes place." FRS 17(4)

2.20 Inventories[1]

Inventories are carried at the lower of cost[2] and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories[3]. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

FRS 2(9)
FRS 2(25), (36(a))
FRS 2(10)
FRS 23(6),(7)
FRS 39(98(b), (99)
FRS 2(6)

Guidance notes

Inventories

Cost of inventories of a service provider

1. Where materials and supplies to be consumed in the rendering of services are material, the following disclosure is suggested: FRS 2(19)

"Inventories comprise materials and supplies to be consumed in the rendering of [ ] services.....Net realisable value is the estimated selling price of [ ] services less the applicable costs of conversion to complete the services and variable selling expenses."

Cost of inventories

2. Costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. FRS 2(10-18)

3. Costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. FRS 2(11)

4. Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories. FRS 2(15,16)

   Please refer to paragraph 16 of FRS 2 for examples of costs excluded from the cost of inventories.

Reference

Guidance notes

Inventories (continued)

Hedging of purchases of inventories

5. Management may choose to keep these gains in the hedging reserve until the acquired asset affects profit or loss. At this time, management should reclassify the gains to profit or loss. However, if management expects that all or a portion of a loss recognised directly in other comprehensive income will not be recovered in one or more future periods, it shall reclassify the amount that is not expected to be recovered into profit or loss. FRS 39(98)(a)

Property under development for future sale

6. Property under development for sale that is sold prior to completion shall be accounted for in accordance to the requirements of INT FRS 115 Agreements for the Construction of Real Estate. INT FRS 115

2.21 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. FRS 12(46)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. FRS 12(15) (b)(ii)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. FRS 12(39)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. FRS 12(24), (34), (44)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and FRS 12(47)

2.21 Income taxes (continued)

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale. FRS 12(51)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition. FRS 12(58) FRS 12(61A) FRS 12(66)

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised. FRS 12(34)

2.22 Provisions[1]

Provisions for warranty, refunds and volume discounts, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. FRS 37(14), (23) FRS 37(72) FRS 37(63)

The Group recognises the estimated liability to repair or replace products still under warranty, to refund and to provide volume discounts to customers at the balance sheet date. This provision is calculated based on historical experience. FRS 37 IG AppC Example 1

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense. FRS 37(45), (47) FRS 37(60)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise. FRS 37(59)

Reference

Guidance notes

Provisions

Onerous contracts

1. If the entity has entered into any onerous contract, the following disclosure is suggested: FRS 37(66)

"Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it."

2.23 Employee compensation[1]

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. FRS 19(11)(b)

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. FRS 19(8)

(b) *Share-based compensation[2,3,4]*

The Group operates an equity-settled, share-based compensation plan. FRS 102(2)(a) The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase FRS 102(7,8) in the share option 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 on grant date. FRS 102(16) Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. FRS 102(19) At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates FRS 102(20) in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees[5].

Reference

2.23 Employee compensation[1] (continued)

(c) Termination benefits[6]

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

FRS 19(159)
FRS 19(165)
FRS 19(169)(b)

Guidance notes

Employee compensation

Defined benefit plan[6]

1. Defined benefit pension or medical obligation is mandatory in some countries. Where the group has a material defined benefit pension plan and/ or post-employment medical plan, the suggested disclosure included in Appendix 1 Example 4 can be made.

Share-based compensation – Cash-settled plan

2. If the group operates a cash-settled share-based compensation plan, the following disclosure is suggested: (FRS 102(30))

   "For cash-settled share-based compensation, the fair value of the employee services received in exchange for the grant of options is recognised as an expense with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in profit or loss."

Group share-based payment arrangements

3. A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the reporting entity who receives the services. FRS 102 is applicable in such cases. (FRS 102(3A))

Share-based compensation – Modification

4. If there is any modification of the share option plan, the following disclosure is suggested: (FRS 102(27))

   "Where the terms of the share option plan are modified, the expense that is not yet recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification."

Accounting Policies

Reference

Guidance notes

Employee compensation (continued)

Share-based compensation – Transfer of share option reserve

5. The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained profits upon expiry of the option are not mandatory. Alternatively, the share option reserve may be kept as a separate reserve upon expiry or exercise of the option. It may also be transferred to retained profits upon exercise of the option. FRS 102(23)

Termination benefits versus post-employment benefits

6. Some termination benefits are payable regardless of the reason for the employee's departure. Although these benefits are described in some countries as termination indemnities or termination gratuities, they can be post-employment benefits, rather than termination benefits. FRS 19(164)

Post-employment benefits versus other long-term benefits

7. In circumstances where employees are entitled to one month of their final pay for every year of completed service and these payments are made in full at the point of retirement, these benefits shall be accounted for as "other long-term employee benefits" in accordance with FRS 19. FRS 19(153)

   The measurement of these benefits follows that of post-employment defined benefits except that remeasurements are not recognised in other comprehensive income. FRS 19(154)

Profit sharing and bonus plans

8. If such benefits are material, the following disclosure is suggested: FRS 19(19)

   "The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay."

9. Under some profit-sharing or deferred bonus plans, employees receive a share of the profits/bonus only if they remain with the entity for a specified period in the future. The measurement of such benefit shall reflect the possibility that some employees may leave without receiving the profit-sharing payment. A liability for the benefit shall be accrued over the vesting period. FRS 19(20)

Short-term compensated absences

10. If such benefits are material, the following disclosure is suggested: FRS 19(16)

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

Reference

2.24 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"[1]). The financial statements are presented[2,3] in Singapore Dollar, which is the functional currency of the Company. FRS 21(8) FRS 1(51)(d)

Guidance notes

Currency translation – (a) Functional and presentation currency

1. Where there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and reason for the change in the functional currency shall be disclosed. FRS 21(54)

2. When the financial statements are presented in a currency different from the company's functional currency, the following are required to be disclosed: FRS 21(53)

   (i) the company's functional currency; and
   (ii) the reason for using a different currency as its presentation currency.

3. Where a non-Singapore Dollar presentation currency is used for a Singapore-incorporated entity, it is recommended as a best practice to prominently denote this fact.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve. FRS 21(21) FRS 21(23)(a) FRS 21(28) FRS 21(32) FRS 39(102)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal. FRS 21(48)

2.24 Currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. FRS 21(23)(c)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: FRS 21(39)

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the 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 currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve. FRS 1(79)(b)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. FRS 21(47)

2.25 Segment reporting

FRS 108(5)(b)

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.26 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents. FRS 7(45)

Reference

2.27 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account[1]. FRS 32(35)

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued. FRS 32(33)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company. CA 76G

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve. FRS 32(33)

Guidance notes

Share capital and treasury shares

1. FRS 32 requires directly attributable costs relating to equity transactions to be recognised in equity, but does not specify which equity account. Accordingly, these costs may also be recognised against retained profits. FRS 32(35)

2.28 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment. FRS 10(12) FRS 32(35)

2.29 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss. FRS 105(6), (15) FRS 105(25) FRS 105(20) FRS 105(22)

2.29 Non-current assets (or disposal groups) held-for-sale and discontinued operations (continued)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and: FRS 105(32)

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Notes to the Financial Statements

Reference

3. Critical accounting estimates, assumptions and judgements[1,2]

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

FRS 1(122), (125), (126), (129)

3.1 Critical accounting estimates and assumptions

(a) Estimated impairment of goodwill

The Group has recognised an impairment charge on its goodwill of $4,650,000 during the financial year which resulted in the carrying amount of goodwill as at 31 December 2017 to reduce to $11,468,000.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 29(a), the recoverable amounts of the CGUs in which goodwill has been attributable to, are determined using value-in-use (VIU) calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and the pre-tax discount rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on past performance, its expectations of market developments in Singapore, China and Philippines, the industry trends for electronic component parts and industries of household and office furniture. Specific estimates are disclosed in Note 29(a).

For its goodwill attributable to China Furniture CGU[3]:

- if the estimated gross margin used in the VIU calculation had been 10% lower than management's estimates, the Group would have recognised a further impairment charge on goodwill of $1,600,000;
- if the estimated weighted average growth rate used had been 1% lower than management's estimates (for example: 1.6% instead of 2.6%), the Group would have recognised a further impairment charge on goodwill of $1,090,000; and
- if the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been 1% higher than management's estimates (for example: 14.8% instead of 13.8%), the Group would have recognised a further impairment charge on goodwill of $1,850,000.

For its remaining goodwill, the change in the estimated recoverable amount from any reasonably possible change on the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

(b) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances and deductible expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with a tax authority at the balance sheet date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions, not recognised in these financial statements is $3,500,000.

3.1 Critical accounting estimates and assumptions (continued)

(c) *Construction contracts*

The Group has significant contracts that are on-going as at 31 December 2017, as disclosed in Note 19. For these contracts, management has to estimate the total contract costs to complete, which are used to measure the stage of completion for the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for foreseeable losses is recognised as expense immediately.

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the surveying engineers to determine the progress of the construction and also on past experience of completed projects.

If the total contract costs of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue would have been lower/higher by $1,800,000 and $1,700,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 13% from management's estimates, a provision for foreseeable losses of $800,000 would have been recognised as expense.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Impairment of available-for-sale financial assets*

At the balance sheet date, the fair values of certain equity securities classified as available-for-sale financial assets with a carrying amount of $10,230,000 have declined below cost by $203,000. The Group has made a judgement that this decline is neither significant nor prolonged. In making this judgement, the Group has considered, among other factors, the short-term duration of the decline, the small magnitude by which the fair value of the investment is below cost; and the positive financial health and short-term business outlook of the investee.

If the decline in fair value below cost was considered significant or prolonged, the Group would have recognised an additional loss of $203,000 in its 2017 financial statements, being the reclassification of the fair value loss included in the fair value reserve to profit or loss[3].

Reference

Guidance notes

Critical accounting estimates, assumptions and judgements

1. These disclosures **must be tailored** for another reporting entity as they are specific to an entity's particular circumstances.

2. Disclosure of key sources of estimation uncertainty is not required for assets and liabilities that are measured at fair value based on recently observable market prices. This is because even if their fair values may change materially within the next financial year, these changes will not arise from assumptions or other sources of estimation uncertainty at the balance sheet date. FRS 1(128)

3. The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation is required to be disclosed only when it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty. FRS 1(129) FRS 1(126)

4. Examples of situations which could give rise to significant judgements and assumptions are:
   - The entity has more than half of the voting rights but has no control over the entity; FRS 112(9)(a)
   - The entity has less than of the voting rights but has control (e.g. de facto control); FRS 112(9)(b)
   - Whether the entity is an agent or a principal; FRS 112(9)(c)
   - The entity does not have significant influence even though it holds 20% or more of the voting rights; FRS 112(9)(d)
   - The entity holds less than 20% of the voting rights but has significant influence; and FRS 112(9)(e)
   - Determination of the classification of joint arrangements as joint operations or joint ventures. FRS 112(7)(c)

   Entities are required to disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions). These significant judgements and assumptions include those made by the entity when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period. FRS 112(7) FRS 112(8)

5. When a parent determines that it is an investment entity in accordance with paragraph 27 of FRS 110, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more typical characteristics of an investment entity (see paragraph 28 of FRS 110), it shall disclose its reasons for concluding that it is nevertheless an investment entity. FRS 112(9A)

Reference

Guidance notes

Critical accounting estimates, assumptions and judgements (continued)

When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including: FRS 112(9B)

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;
(b) the total gain or loss, if any, calculated in accordance with paragraph B101 of FRS 110; and
(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Reference

4. Revenue

	Group		Reference
	2017	2016	
	$'000	$'000	
Sale of goods	**159,619**	76,854	FRS 18(35)(b)(i)
Construction revenue	**42,808**	31,527	FRS 11(39)(a)
Rendering of services - logistic services	**7,659**	3,929	FRS 18(35)(b)(ii)
	210,086	112,310	
Reclassification from hedging reserve (Note 38(b)(iv))[1,2]	**128**	50	FRS 107(23)(d)
Total sales	**210,214**	112,360	

Guidance notes

Revenue

1. FRS 39 does not prescribe the income statement line item in which reclassification from hedging reserve should be included. Accordingly, an entity can also elect to present the reclassification from hedging reserve under "Other gains and losses". The elected presentation should however be applied consistently.

2. The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivatives (please refer to Note 8 to the financial statements). There is limited guidance on where such derivative gains and losses should be presented on the income statement. Such gains and losses are usually most appropriately shown within 'other operating gains and losses', or 'other operating income and expense', or as a separate line item, if the amount is significant. However, it may be appropriate to classify fair value changes in other financial statement line items after considering the nature and purpose of the derivative and the entity's risk management policy. The manner of presentation policy should be applied consistently from period to period.

Reference

5. Expenses by nature[1]

	Group 2017 $'000	Group 2016 $'000	Reference
Purchases of inventories and construction materials	**59,401**	23,688	
Amortisation of intangible assets (Note 29(d))	**775**	515	FRS 38(118)(d)
Depreciation of property, plant and equipment (Note 28)	**17,675**	9,582	FRS 16(73)(e)(vii)
Impairment loss of goodwill (Note 29(a))	**4,650**	-	FRS 36(126)(a)
Total amortisation, depreciation and impairment	**23,100**	10,097	FRS 1(104)
Employee compensation (Note 6)	**40,090**	15,500	FRS 1(104)
Sub-contractor charges[2]	**12,400**	7,700	
Advertising expense[2]	**10,871**	6,952	
Rental expense on operating leases	**10,588**	8,697	FRS 17(35)(c)
Research expense	**473**	200	FRS 38(126)
Transportation expense[2]	**7,763**	5,876	
Write-down of inventories[2]	**-**	350	FRS 2(36)(e)
Reversal of inventory write-down[2]	**(200)**	-	FRS 2(36)(f)
Other expenses	**1,478**	672	
Changes in inventories and construction contract work-in-progress	**(7,279)**	(2,950)	
Total cost of sales, distribution and marketing costs, and administrative expenses	**158,685**	76,782	

Included in the Group's rental expense on operating leases is contingent rent amounting to $40,000 (2016: $45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics. FRS 17(35)(c)

Guidance notes

Expenses by nature

1. This disclosure is required only for entities that present their expenses by function on the face of the statement of comprehensive income. This publication illustrates a reconciliation of significant/material expenses to the total expenses by function (excluding finance expenses). This presentation is encouraged, but not required as it ensures that all significant/material expenses have been disclosed. As an alternative, the reporting entity can present only selected significant/material expenses in this note. FRS 1(104)

2. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, the nature and amount of such items shall be disclosed separately. FRS 1(97)

   Please refer to paragraph 98 of FRS 1 for items that would require separate disclosure.

3. The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and developments (R&D) activities may be classified as employee benefits expense, while amounts paid to external organisations for R&D may be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

Reference

6. Employee compensation

	Group 2017 $'000	Group 2016 $'000	Reference
Wages and salaries	**28,514**	11,679	
Employer's contribution to defined contribution plans[1]	**9,246**	3,717	FRS 19(53)
Termination benefits	**1,600**	-	FRS 19(171),DV
Other long-term benefits	**300**	282	
Share option expense (Note 38(b)(i))	**690**	622	FRS 102(50,51(a))
	40,350	16,300	
Less: Amounts attributable to discontinued operations	**(260)**	(800)	
Amounts attributable to continuing operations (Note 5)	**40,090**	15,500	

Guidance notes

Employee compensation

1. For Singapore entities, defined contribution plans include contributions to the Central Provident Fund. A number of countries in the region (e.g. Korea, Taiwan, Thailand, Vietnam, Indonesia, India, Sri Lanka, Pakistan and Bangladesh) have local legislation that requires companies to contribute to defined benefit plans. Accounting for such plans is complicated and the disclosures are extensive. Please refer to Appendix 1 Example 4 for an illustrated disclosure.

Notes

Reference

7. Other income[1]

FRS 1(97,98)

	Group 2017 $'000	Group 2016 $'000
Interest income[2]		
- Bank deposits	**830**	380
- Held-to-maturity financial assets	**130**	110
- Available-for-sale financial assets	**70**	30
- Loan to an associated company	**60**	30
- Loans and receivables from non-related parties	**90**	70
	1,180	620
Dividend income[2]	**2,230**	400
Rental income from investment properties (Note 26)	**488**	146
	3,898	1,166

FRS 107(20)(b)
FRS 18(35)(b)(iii)
FRS 24(18)
FRS 18(35)(b)(v)
FRS 40(75)(f)(i)

Included in the Group's interest income on loans and receivables from non-related parties is interest income of $80,000 (2016: $16,000) on impaired receivables. FRS 107(20)(d)

Included in the Group's rental income from investment properties is contingent rent of $50,000 (2016: $62,000). The contingent rent was computed based on sales achieved by the lessees. FRS 17(56)(b)

Guidance notes

Other income

1. Where "Other income" is immaterial, a reporting entity may combine it with "Other losses" (Please refer to Note 8 to the financial statements).

Interest and dividend income

2. As indicated in the guidance notes under Accounting Policy Note 2.12(d), this publication illustrates the disclosure where the entity has elected to recognise interest income, interest expense and dividend income on financial assets, at fair value through profit or loss, as part of the net fair value gains or losses. FRS 39(55)(a) FRS 107((20)(a), AppB5(e))

   As an alternative, an entity may recognise interest income, interest expense and dividend income separately. When this option is adopted, interest income and expense shall be computed using the effective interest method in accordance with FRS 18(30)(a) and FRS 39(9).

   This choice is not applicable to available-for-sale financial assets. Interest calculated using the effective interest method and dividends are recognised in profit or loss and are not part of the fair value gains or losses recognised in other comprehensive income. FRS 39(55)(b)

Reference

8. Other gains and losses

FRS 1(97,98)

	Group		Reference
	2017	2016	
	$'000	$'000	
Fair value gains/(losses)			
- Financial assets held for trading	**(891)**	(1,778)	FRS 107(20)(a)(i)
- Financial assets designated as fair value through profit or loss at initial recognition	**610**	-	FRS 107(20)(a)(i)
- Derivatives held for trading	**424**	226	FRS 107(20)(a)(i)
	143	(1,552)	
Available-for-sale financial assets			
- Impairment loss (Note 16)	**(575)**	-	
- Reclassification from other comprehensive income on disposal (Note 38(b)(iii))	**200**	-	FRS 107(20)(a)(ii)
	(375)	-	
Fair value gains/(losses) on fair value hedges			
- Hedged item: Firm commitments	**117**	133	FRS 107(24)(a)(ii)
- Hedging instrument: Currency forwards	**(116)**	(131)	FRS 107(24)(a)(i)
Ineffectiveness on cash flow hedges[1]	**(11)**	(3)	FRS 107(24)(b)
Currency exchange loss – net[2]	**(90)**	(116)	FRS 21(52)(a)
Gain on disposal of property, plant and equipment	**17**	8	
Net fair value (losses)/gains on investment properties (Note 26)	**(123)**	50	FRS 40(76)(d)
Loss on disposal of subsidiary (Note 13)	**(945)**	-	FRS 1(97)
	(1,383)	(1,611)	

Guidance notes

Other gains and losses

Ineffectiveness on hedges

1. Please see guidance notes under Note 4 to the financial statements.

Currency exchange differences

2. Currency exchange differences arising from operating activities should form part of other gains and losses while those arising from financing activities should form part of finance expenses.

Offsetting of income and expenses

3. Consider the size, nature, incidence of the items aggregated and presented net in the Income Statement and if they are permitted to be offset.

Offsetting is generally **prohibited** because it detracts from giving users a full and proper understanding of the transactions, and of other events and conditions that have occurred and assess the entity's future cash flows.In addition, gains and losses arising from groups of similar transactions are not reported on a net basis, unless they are immaterial.

FRS 1 (32, 33)

FRS 1 (35)

Reference

9. Finance expenses

	Group 2017 $'000	Group 2016 $'000	Reference
Interest expense			
- Bank borrowings	**(4,922)**	(5,872)	
- Convertible bonds (Note 32)	**(2,873)**	-	
- Dividend on redeemable preference shares	**(1,950)**	(1,950)	FRS 24(18,19(a))
- Finance lease liabilities	**(67)**	(62)	
	(9,812)	(7,884)	FRS 107(20)(b)
Amortisation of discount on provision for legal claims (Note 35(c))	**(70)**	(65)	FRS 37(84)(e)
Cash flow hedges, reclassified from hedging reserve (Note 38(b)(iv))	**102**	304	FRS 107(23)(d)
Currency exchange gains/(losses) – net	**2,578**	(1,540)	FRS 21(52)(a)
	2,610	(1,301)	
Less: Borrowing costs capitalised in investment property and property, plant and equipment	**129**	125	FRS 23(26)(a)
Finance expenses recognised in profit or loss	**(7,073)**	(9,060)	

Borrowing costs on general financing were capitalised[1] at a rate of 6.2% per annum (2016: 5.6% per annum). FRS 23(26)(b)

Guidance notes

Finance expenses

Capitalisation of finance costs

1. Where funds are borrowed generally, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on qualifying assets. The capitalisation rate is determined as the weighted average of the borrowing rates applicable to the entity's borrowings that are outstanding during the period, other than specific borrowings. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period.

Reference

10. Income taxes

(a) Income tax expense

	Group 2017 $'000	Group 2016 $'000	Reference
Tax expense attributable to profit is made up of:			FRS 12(79)
- Profit for the financial year:			
From continuing operations			
Current income tax			
- Singapore	**9,701**	3,470	
- Foreign	**4,841**	1,513	
	14,542	4,983	FRS 12(80)(a)
Deferred income tax (Note 36)	**360**	2,641	FRS 12(80)(c)
	14,902	7,624	
From discontinued operations			
Current income tax			
- Foreign (Note 11(a))	**37**	(187)	FRS 12(81)(h)
	14,939	7,437	
- Under provision in prior financial years:			
From continuing operations			
Current income tax	**-**	100	FRS 12(80)(b)
	14,939	7,537	
Tax expense is attributable to:			
- continuing operations	**14,902**	7,724	
- discontinued operations (Note 11(a))	**37**	(187)	
	14,939	7,537	

Notes

Reference

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows: FRS 12(81)(a)

	Group	
	2017	2016
	$'000	$'000
Profit before tax from		
- continuing operations	**46,797**	26,218
- discontinued operations (Note 11(a))	**137**	(667)
	46,934	25,551
Share of profit/(loss) of associated companies and joint ventures net of tax	**174**	(145)
Profit before tax and share of profit of associated companies and joint ventures	**47,108**	25,406
Tax calculated at tax rate of 17% (2016: 17%)[1]	**8,008**	4,319
Effects of:		
- different tax rates in other countries	**5,143**	2,451
- tax incentives	**(60)**	(33)
- expenses not deductible for tax purposes	**2,873**	977
- income not subject to tax	**(1,010)**	(225)
- utilisation of previously unrecognised		
• tax losses	**-**	(23)
• capital allowances	**(26)**	(15)
- under provision of tax in prior financial years	**-**	100
- others	**11**	(14)
Tax charge	**14,939**	7,537

FRS 12(80)(e)

(b) Movement in current income tax liabilities

DV

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**3,833**	9,595	**325**	285
Currency translation differences	**14**	316	**-**	-
Acquisition of subsidiary (Note 47(c))	**100**	-	**-**	-
Income tax paid	**(15,504)**	(10,974)	**(399)**	(145)
Tax expense	**14,579**	4,796	**309**	185
Disposal of subsidiary (Note 13)	**(80)**	-	**-**	-
Under provision in prior financial years	**-**	100	**-**	-
End of financial year	**2,942**	3,833	**235**	325

Included in the Company's current tax liabilities is consideration of $132,000 (2016: $125,000) that will be payable to a subsidiary when that subsidiary's tax losses are being utilised by the Company under the group relief tax system. DV

Reference

10. Income taxes (continued)

(c) The tax (charge)/credit relating to each component of other comprehensive income is as follows:

Group	2017 Before tax $'000	2017 Tax charge $'000	2017 After tax $'000	2016 Before tax $'000	2016 Tax charge $'000	2016 After tax $'000	FRS 12(81)(ab)
Fair value gains and reclassification adjustments on available-for-sale financial assets	**510**	**(92)**	**418**	88	(16)	72	FRS 1(90)
Fair value gains and reclassification adjustments on cash flow hedges	**77**	**(14)**	**63**	20	(4)	16	FRS 1(90)
Currency translation differences arising from consolidation and disposal of subsidiary	**1,134**	**-**	**1,134**	(118)	-	(118)	FRS 1(90)
Revaluation gains on property, plant and equipment	**253**	**(46)**	**207**	1,133	(239)	894	FRS 1(90)
Share of other comprehensive income of associated companies	**27**	**-**	**27**	-	-	-	FRS 1(90)
Other comprehensive income	**2,001**	**(152)**	**1,849**	1,123	(259)	864	

Notes

Reference

10. Income taxes (continued)

(d) Income tax recognised directly in equity is as follows:

	Group 2017 $'000	Group 2016 $'000	
			FRS 12(81)(a)
Equity component of convertible bonds (Note 38(b)(vi))	**(421)**	-	
Excess tax on employee share option scheme (Note 38(b)(ii))	**114**	-	
	(307)	-	

Guidance notes

Income taxes

Applicable tax rate(s)

1. In explaining the relationship between tax expense (or income) and accounting profit, an entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. This publication illustrates the disclosure where the corporate tax rate in the country in which the company is domiciled (Singapore) is the most meaningful tax rate. FRS 12(85)

   Another entity operating in several jurisdictions may find it more meaningful to aggregate separate reconciliations prepared using the domestic rates in those jurisdictions. When that approach is used, the line item "effect of different tax rates in other countries" will no longer be relevant.

2. In the event that changes to tax laws relating to new tax incentives are not finalised by the reporting date and the effect is expected to be material, the following disclosure can be considered: FRS 12(81)(d)

   "The tax liabilities of the Group and the Company have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On [date of budget announcement], the Singapore Government announced changes to the Singapore tax laws, which included new incentives that might be available to certain group entities with effect from the year of assessment 2018. The tax expense of the Group and the Company for the financial year ended [31 December 2017] have not taken into consideration the effect of these incentives as the final detailed interpretation of the incentives had not been released by the tax authority as of the date of authorisation of these financial statements."

Reference

11. Discontinued operations and disposal group classified as held-for-sale

Following the approval of the Group's management and shareholders on 31 May 2017 to sell 50% out of its 70% interest in PwC Glass Sdn Bhd in Malaysia (comprising the Group's glass business segment), the entire assets and liabilities related to PwC Glass Sdn Bhd are classified as a disposal group held-for-sale on the balance sheet, and the entire results from PwC Glass Sdn Bhd are presented separately on the statement of comprehensive income as "Discontinued operations". The transaction is expected to be completed by April 2018. FRS 105(41)(a,b,d)

(a) The results[2] of the discontinued operations and the re-measurement of the disposal group are as follows: FRS 105(33)(b)

	Group		
	2017	2016[1]	
	$'000	$'000	
Revenue	**1,200**	4,600	
Expenses	**(1,003)**	(5,267)	
Profit/(loss) before tax from discontinued operations	**197**	(667)	
Tax	**(53)**	187	FRS 12(81)(h)(ii)
Profit/(loss) after tax from discontinued operations	**144**	(480)	
Pre-tax loss recognised on the re-measurement of disposal group to fair value less cost to sell	**(60)**	-	
Tax	**16**	-	FRS 12(81)(h)(ii)
After tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	**(44)**	-	
Profit/(loss) for the year from discontinued operations	**100**	(480)	

(b) The impact of the discontinued operations on the cash flows of the Group is as follows: FRS 105(33)(c)

	Group	
	2017	2016
	$'000	$'000
Operating cash inflows	**300**	790
Investing cash outflows	**(103)**	(20)
Financing cash outflows	**(295)**	(66)
Total cash (outflows)/inflows	**(98)**	704

Reference

11. Discontinued operations and disposal group classified as held-for-sale (continued)

		Group 2017 $'000	Reference
(c)	Details of the assets in disposal group classified as held-for-sale are as follows:		FRS 105(38)
	Property, plant and equipment (Note 28)	**1,563**	
	Trademark and licences (Note 29(b))	**100**	
	Inventory	**1,670**	
		3,333	
(d)	Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:		FRS 105(38)
	Trade and other payables	**104**	
	Other current liabilities	**20**	
	Provisions (Note 35(a))	**96**	
		220	

In accordance with FRS 105, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of $3,113,000. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within Level 2 of the fair value hierarchy. The fair value has been measured by calculating the ratio of transaction price to annual revenue for the similar businesses and applying the average to PwC Glass Sdn Bhd.

		Group 2017 $'000	Group 2016 $'000	Reference
(e)	Cumulative income/(expense) recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:			
	- Currency translation differences	**200**	(100)	FRS 105(38)

		Company 2017 $'000	Reference
(f)	Details of assets in non-current asset classified as held-for-sale are as follows:		FRS 105(38)
	Investment in subsidiary	**1,000**	

Notes

Reference

Guidance notes

Discontinued operations and disposal group classified as held-for-sale

Comparative

1. An entity shall re-present the prior period's results for the discontinued operations. FRS 105(34)

Results of the discontinued operations and the re-measurement of the disposal group

2. The analysis of the results of the discontinued operations and the re-measurement of the disposal group shall be disclosed either in the notes or on the face of the statement of comprehensive income. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements. FRS 105(33)(b)

   If the entity elects to present the analysis of the results of the discontinued operations on the face of the statement of comprehensive income, the analysis should be presented in a section identified as relating to discontinued operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see FRS 105(11)). FRS 105(39)

Other disclosure requirements

3. Disclosures required by other standards do not apply to each of the non-current assets classified as held-for-sale or included in a disposal group except for those assets that are outside the scope of FRS 105 measurement requirements, which include: FRS 105(5) FRS 105(5B)

   (i) deferred tax assets (FRS 12 *Income Taxes*).
   (ii) assets arising from employee benefits (FRS 19 *Employee Benefits*).
   (iii) financial assets within the scope of FRS 39 *Financial Instruments: Recognition and Measurement.*
   (iv) non-current assets that are accounted for in accordance with the fair value model in FRS 40 *Investment Property.*
   (v) non-current assets that are measured at fair value less estimated point-of-sale costs in accordance with FRS 41 *Agriculture*.
   (vi) contractual rights under insurance contracts as defined in FRS 104 *Insurance Contracts.*

For example, disclosures requirements in FRS 113 are required for financial assets within the scope of FRS 39 and investment property and accounted for at fair value, even if they are classified as held-for-sale.

Reference

12. Earnings per share[1,2]

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. FRS 33(9,10)

	Continuing operations		Discontinued operations		Total		
	2017	2016	**2017**	2016	**2017**	2016	
Net profit/(loss) attributable to equity holders of the Company ($'000)	**29,376**	17,421	**70**	(336)	**29,446**	17,085	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**22,454**	19,500	**22,454**	19,500	**22,454**	19,500	FRS 33(70)(b)
Basic earnings/(loss) per share ($ per share)	**1.31**	0.89	*	(0.02)	**1.31**	0.88	

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. FRS 33(30,31) FRS 33(33,36) FRS 33(44)

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect. FRS 33(49)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit. FRS 33(45)

Reference

12. Earnings per share (continued)

(b) Diluted earnings per share (continued)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	Continuing operations		Discontinued operations		Total		
	2017	2016	**2017**	2016	**2017**	2016	
Net profit/(loss) attributable to equity holders of the Company ($'000)	**29,376**	17,421	**70**	(336)	**29,446**	17,085	FRS 33(70)(a)
Interest expense on convertible bonds, net of tax ($'000)	**2,528**	-	**-**	-	**2,528**	-	
Net profit/(loss) used to determine diluted earnings per share ($'000)	**31,904**	17,421	**70**	(336)	**31,974**	17,085	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**22,454**	19,500	**22,454**	19,500	**22,454**	19,500	FRS 33(70)(b)
Adjustments for ('000)							
- Convertible bonds	**3,300**	-	**3,300**	-	**3,300**	-	
- Share options	**1,858**	600	**1,858**	600	**1,858**	600	
	27,612	20,100	**27,612**	20,100	**27,612**	20,100	FRS 33(70)(b)
Diluted earnings/(loss) per share ($ per share)	**1.16**	0.87	*****	(0.02)	**1.16**	0.85	

** Less than $0.01*

Notes

Reference

Guidance notes

Earnings per share ("EPS")

1. If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted **retrospectively**, even when this occurs after the balance sheet date. FRS 33(64)

2. If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on FRS 33. The basic and diluted per share amount shall be disclosed in the notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the statement of comprehensive income. FRS 33(73)

13. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**12,480**	30,798	**7,607**	243
Short-term bank deposits[1]	**9,530**	5,414	**8,645**	2,734
	22,010	36,212	**16,252**	2,977

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following: FRS 7(45)

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances (as above)	**22,010**	36,212
Less: Bank deposits pledged[2]	**(200)**	(200)
Less: Bank overdrafts (Note 31)	**(2,650)**	(6,464)
Cash and cash equivalents per consolidated statement of cash flows	**19,160**	29,548

FRS 7(8)

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 31(a)).

Notes

Reference

Guidance notes

Cash and cash equivalents

Cash equivalents for the purpose of presenting statement of cash flows

1. Under FRS 7, cash equivalents are defined as "short-term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value". An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three months or less from the date of "acquisition". FRS 7(7-9)

2. The classification of the movement of cash subjected to restriction that does not meet the definition of cash and cash equivalents would depend on the nature of the item and the restriction in force. For example, where the cash deposited is placed as collateral for a performance bond, the movement in the cash deposit would form part of operating cash flows. FRS 7(6)

Cash subject to restriction

3. There may be circumstances in which cash and bank balances held by an entity are not available for use by the Group. An example is when a subsidiary operates in a country where exchange controls or other legal restrictions apply. FRS 7(48), (49)

   The economic substance of the restrictions would depend on the facts and circumstances in each individual case and should be assessed separately. If the funds do meet the criteria to be classified as cash and cash equivalents but the use of the funds is subject to restrictions, disclosure is required of the relevant amounts along with a commentary on their restriction. The following disclosure can be considered:

   "Included in cash and cash equivalents are bank deposits amounting to $[ ] (2016: $[ ]) which are not freely remissible for use by the Group because of currency exchange restrictions."

Reference

13. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries

FRS 7(40)

Please refer to Note 47 for the effects of acquisitions of subsidiaries on the cash flows of the Group.

On 28 June 2017, the Company disposed of its entire interest in PwC Logistics (PRC) Co., Ltd for a cash consideration of $983,000. Please refer to Note 41(b) for details of additional consideration receivable. The effects of the disposal on the cash flows of the Group were[1]:

	Group 2017 $'000	Reference
Carrying amounts of assets and liabilities disposed of		
Cash and cash equivalents	804	FRS 7(40)(c)
Trade and other receivables	4,404	FRS 7(40)(d)
Property, plant and equipment	1,380	FRS 7(40)(d)
Goodwill (Note 29(a))	100	FRS 7(40)(d)
Other current assets	114	FRS 7(40)(d)
Total assets	6,802	
Trade and other payables	(1,257)	FRS 7(40)(d)
Current income tax liabilities (Note 10(b))	(80)	FRS 7(40)(d)
Deferred income tax liabilities (Note 36)	(2,037)	FRS 7(40)(d)
Total liabilities	(3,374)	
Net assets derecognised	3,428	
Less: Non-controlling interests	(300)	
Net assets disposed of	3,128	

The aggregate cash inflows arising from the disposal of PwC Logistics (PRC) Co, Ltd were[1]:

	Group 2017 $'000	Reference
Net assets disposed of (as above)	3,128	
– Reclassification of currency translation reserve (Note 38(b)(v))	(1,200)	
	1,928	
Loss on disposal (Note 8)	(945)	
Cash proceeds from disposal	983	FRS 7(40)(a,b)
Less: Cash and cash equivalents in subsidiaries disposed of	(804)	FRS 7(40)(c)
Net cash inflow on disposal	179	

Reference

Guidance notes

Cash and cash equivalents

Acquisition and disposal of subsidiaries

1. Where the reporting entity acquires another subsidiary in the preceding financial year, the comparative information in respect of the assets acquired, liabilities assumed and related cash flows shall be disclosed. The same applies to disposal. FRS 1(38)

14. Financial assets, at fair value through profit or loss

FRS 107(31,34(c))
FRS 113(93)

	Group		
	2017	2016	
	$'000	$'000	
Held for trading			
Listed securities:			
- Equity securities – Singapore[1]	**5,850**	4,023	
- Equity securities – US[1]	**3,997**	4,303	
	9,847	8,326	FRS 107(8)(a)(ii)
Designated at fair value on initial recognition			
Listed securities:			
- Equity securities – US[1]	**938**	-	FRS 107(8)(a)(i)
	10,785	8,326	

Guidance notes

Financial assets, at fair value through profit or loss

1. Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets. FRS 107(31)

Reference

15. Derivative financial instruments

	Group			Company			Reference
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability	
	$'000	$'000	$'000	$'000	$'000	$'000	FRS 107(31)
2017							
Derivatives held for hedging							
Cash-flow hedges							
- Interest rate swaps	30,324	645	-	-	-	-	FRS 107(22)(a,b)
- Currency forwards	52,120	50	(535)	-	-	-	FRS 107(22)(a,b)
Fair-value hedges							
- Currency forwards	3,200	359	(40)	2,220	266	(47)	FRS 107(22)(a,b)
		1,054	(575)		266	(47)	
Derivatives not held for hedging							
- Currency forwards	2,108	410	-	-	-	-	
Total		1,464	(575)		266	(47)	
Less: Current portion		**(1,069)**	**440**		**(232)**	**35**	FRS 1(66,69)
Non-current portion		**395**	**(135)**		**34**	**(12)**	
2016							
Derivatives held for hedging							
Cash-flow hedges							
- Interest rate swaps	53,839	245	-	-	-	-	FRS 107(22)(a,b)
- Currency forwards	20,080	60	(255)	-	-	-	FRS 107(22)(a,b)
Fair-value hedges							
- Currency forwards	1,804	149	–	1,200	84	(47)	FRS 107(22)(a,b)
		454	(255)		84	(47)	
Derivatives not held for hedging							
- Currency forwards	1,023	110	(29)	-	-	-	
Total		564	(284)		84	(47)	
Less: Current portion		**(452)**	**240**		**(78)**	**45**	FRS 1(66,69)
Non-current portion		**112**	**(44)**		**6**	**(2)**	

Period when the cash flows on cash flow hedges are expected to occur or affect profit or loss — FRS 107(23)(a)

(a) Interest rate swaps

Interest rate swaps are transacted to hedge variable quarterly interest payments on borrowings that will mature on 31 December 2017. Fair value gains and losses on the interest rate swaps recognised in the other comprehensive income are reclassified to profit or loss as part of interest expense over the period of the borrowings. FRS 39(100)

(b) Currency forwards

Currency forwards are transacted to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within three months from the balance sheet date. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period or periods during which the hedged forecast transaction affects profit or loss. FRS 39(100)

This is generally within three months from the balance sheet date except for those forwards used to hedge highly probable forecast foreign currency purchases of property, plant and equipment. Gains and losses on these forwards recognised in other comprehensive income prior to the purchases are reclassified and included in the cost of the respective assets and recognised in profit or loss over their estimated useful lives as part of depreciation expense. FRS 39(98)

Reference

16. Available-for-sale financial assets

DV

	Group		Company		Reference
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**12,937**	11,958	**1,218**	1,124	
Currency translation differences[1]	**47**	200	**-**	-	
Acquisition of subsidiary (Note 47(c))	**473**	-	**-**	-	
Additions	**3,956**	691	**316**	-	
Fair value gains/(losses) recognised in other comprehensive income (Note 38(b)(iii))	**710**	88	**(34)**	94	FRS 107(20)(a)(ii)
Impairment losses (Note 8)	**(575)**	-	**-**	-	FRS 107(20)(e)
Disposals	**(300)**	-	**-**	-	
End of financial year	**17,248**	12,937	**1,500**	1,218	FRS 107(8)(d)
Less: Current portion	**(1,950)**	(646)	**-**	-	FRS 1(66)
Non-current portion	**15,298**	12,291	**1,500**	1,218	FRS 1(66)

Available-for-sale financial assets are analysed as follows:

FRS 107(31,34(c))
FRS 113(93)(d)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Listed securities				
- Equity securities – Singapore[2]	**7,885**	5,587	**1,500**	1,218
- Equity securities – US[2]	**3,728**	2,086	**-**	-
- SGD corporate fixed rate notes of 4% due 27 August 2020[2]	**288**	-	**-**	-
	11,901	7,673	**1,500**	1,218
Unlisted securities				
- SGD corporate variable rate notes due 30 November 2020[2]	**4,237**	5,264	**-**	-
- Mandatorily redeemable preferance shares	**1,110**	-	**-**	-
Total	**17,248**	12,937	**1,500**	1,218

The fair values of unlisted debt securities are derived using cash flows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2017: 4.2%, 2016: 4.0%).

During the financial year, the Group recognised an impairment loss of $575,000 (2016: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period.

Guidance notes

Available-for-sale financial assets

1. These currency translation differences arise from debt securities only. Please refer to Note 2.12(d). FRS 107(31)

2. Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets. FRS 107(31)

Reference

17. Trade and other receivables – current

FRS 1(77,78(b))

	Group		Company		Reference
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Finance lease receivables (Note 21)	**156**	218	**-**	-	FRS 17(47)(a)
Trade receivables					FRS 24(18(b),24)
- Associated companies	**188**	217	**-**	-	FRS 24(19)(d)
- Subsidiaries	**-**	-	**1,200**	600	FRS 24(19)(c)
- Non-related parties	**17,240**	14,779	**6,412**	1,531	FRS 1(78)(b)
	17,428	14,996	**7,612**	2,131	
Less: Allowance for impairment of receivables – non-related parties	**(509)**	(470)	**(100)**	(50)	
Trade receivables – net	**16,919**	14,526	**7,512**	2,081	
Construction contracts					
- Due from customers (Note 19)	**1,384**	1,188	**-**	-	FRS 11(42)(a)
- Retentions (Note 19)	**60**	40	**-**	-	FRS 11(40)(c)
	1,444	1,228	**-**	-	
Loan to an associated company	**2,668**	1,276	**-**	-	FRS 24(18(b),19(d))
Less: Non-current portion (Note 20)	**(2,322)**	(1,240)	**-**	-	
	346	36	**-**	-	
Staff loans (Note 22)	**60**	25	**30**	20	
Deposits	**345**	221	**-**	-	
Prepayments	**200**	105	**50**	50	
Other receivables	**40**	40	**20**	15	
	19,510	16,399	**7,612**	2,166	

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of $1,260,000 (2016: $1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2017. The transaction has been accounted for as a collateralised borrowing as the bank has full recourse to those subsidiaries in the event of default by the debtors (Note 31(a)). FRS 107(14)

The loan to an associated company, PwC A Property (Hong Kong) Limited, is unsecured and repayable in full by 31 December 2019. Interest is fixed at 2.2% per annum. FRS 24(18)(b) FRS 107(31)

Reference

18. Inventories

FRS 1(78)(c)
FRS 2(36)(b)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Raw materials	**7,622**	7,612	**-**	-
Work-in-progress	**1,810**	1,796	**-**	-
Finished/trading goods[1]	**14,826**	7,686	**2,200**	335
	24,258	17,094	**2,200**	335

FRS 2(37)
FRS 2(37)
FRS 2(37)

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $37,842,000 (2016: $20,738,000).

FRS 2(36)(d),(38),(39)

Inventories of $1,200,000 (2016: $1,000,000) of the Group and $600,000 (2016: $300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 31(a)).

FRS 2(36)(h)

The Group reversed $200,000 (2016: Nil) of a previous inventory write-down in July 2016. The Group has sold all the goods that were written down to an independent retailer in China at original cost. The amount reversed has been included in "cost of sales".

FRS 2(36)(f,g)

Guidance notes

Inventories

1. Separate disclosure of finished goods at fair value less costs to sell is required (e.g. commodity broker-traders who measure their inventories at fair value less costs to sell), where applicable. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

FRS 113(5)
FRS 2(3)(b),(36)(c)

Reference

19. Construction contracts

	Group 2017 $'000	Group 2016 $'000	Reference
Construction contract work-in-progress[1]:			
Beginning of financial year	**147**	347	DV
Contract costs incurred	**13,847**	8,991	DV
Contract expenses recognised in profit or loss	**(13,732)**	(9,191)	DV
End of financial year	**262**	147	
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**32,067**	23,325	FRS 11(40)(a)
Less: Progress billings	**(30,763)**	(22,197)	
	1,304	1,128	
Presented as:			
Due from customers on construction contracts[2] (Note 17)	**1,384**	1,188	FRS 11(42)(a)
Due to customers on construction contracts[2] (Note 30)	**(80)**	(60)	FRS 11(42)(b)
	1,304	1,128	
Advances received on construction contracts (Note 30)	**(541)**	(262)	FRS 11(40)(b)
Retentions on construction contracts (Note 17)	**60**	40	FRS 11(40)(c)

Guidance notes

Construction contracts

1. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately. FRS 11(31)

2. The determination of amounts due to and from customers on construction contracts shall be made on a contract-by-contract basis. These balances shall not be set off against each other. These balances are monetary items in nature and will need to be translated at closing rates at the balance sheet date if they are denominated in foreign currencies. FRS 11(42),(43),(44) FRS 21(23)(a)

Reference

20. Trade and other receivables – non-current

FRS 1(77,78(b))

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000	Reference
Finance lease receivables (Note 21)	**600**	600	**–**	–	FRS 17(47)(a)
Other receivables					
- Loan to an associated company (Note 17)	**2,322**	1,240	**–**	–	FRS 24(18(b),24) FRS 24(19)(d)
- Loans to subsidiaries	**–**	–	**2,986**	3,100	FRS 24(19)(c)
- Staff loans (Note 22)	**200**	150	**150**	100	
- Indemnification asset[1] (Note 47(i))	**200**	–	**–**	–	FRS 103(57)
	3,322	1,990	**3,136**	3,200	

The loans to subsidiaries by the Company are unsecured, interest-bearing at the three-month deposit rate plus 1.5% per annum and will be repayable in full on 31 December 2019.

FRS 24(18)(b)(i)
FRS 107(31)

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

FRS 107(25)
FRS 113(93(b,d),97)

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000	Borrowing rates Group 2017 %	Borrowing rates Group 2016 %	Borrowing rates Company 2017 %	Borrowing rates Company 2016 %
Finance lease receivables	**610**	630	**-**	-	**7.1**	6.8	**-**	-
Loan to an associated company	**2,400**	1,300	**-**	-	**7.3**	7.3	**-**	-
Loans to subsidiaries	**-**	-	**2,986**	3,100	**-**	-	**6.5**	6.3
Staff loans	**205**	152	**155**	106	**7.5**	7.4	**7.4**	7.2

Guidance notes

Subsequent measurement of indemnification assets

1 At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount. An indemnification asset is not subsequently measured at its fair value but is assessed for its collectability.

Notes

Reference

21. Finance lease receivables

FRS 17(47)(f)

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2017 and 2022, and the non-related parties have options to extend the leases at market rates.

	Group		Reference
	2017	2016	
	$'000	$'000	
Gross receivables due			
- Not later than one year	**236**	316	FRS 17(47)(a)
- Later than one year but within five years	**700**	600	
- Later than five years	**146**	147	
	1,082	1,063	
Less: Unearned finance income	**(326)**	(245)	FRS 17(47)(b)
Net investment in finance leases	**756**	818	

The net investment in finance leases is analysed as follows: FRS 17(47)(a)

	Group	
	2017	2016
	$'000	$'000
Not later than one year (Note 17)	**156**	218
Later than one year but within five years (Note 20)	**600**	600
	756	818

22. Staff loans

DV

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Receivables due				
- Not later than one year (Note 17)	**60**	25	**30**	20
- Later than one year but within five years (Note 20)	**200**	150	**150**	100
	260	175	**180**	120

Staff loans include the following loan made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable in full by 2019. FRS 24(18,24)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not later than one year	**20**	20	**20**	20
Later than one year but within five years	**15**	35	**15**	35
	35	55	**35**	55

Reference

23. Investments in associated companies

	Company	
	2017	2016
	$'000	$'000
Equity investments at cost	**1,000**	1,000

Set out below are the associated companies of the Group as at 31 December 2017, which, in the opinion of the directors, are material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares[1], which are held directly by the Group; the country of incorporation is also their principal place of business. FRS 112(21)(b)(i)

FRS 112(21)(a)

Name of entity	Place of business/ country of incorporation	% of ownership interest
PwC A Property (Hong Kong) Limited	Hong Kong	35
PwC A Furniture Sdn Bhd	Malaysia	25

PwC A Property (Hong Kong) Limited is an investment holding company with subsidiaries holding significant real estate investments in Hong Kong. PwC A Property (Hong Kong) is a strategic partnership for the Group, providing access to new markets in Hong Kong.

PwC A Furniture Sdn Bhd markets and distributes furniture in Malaysia. PwC A Furniture Sdn Bhd provides the Group with access to expertise in efficient marketing and distribution processes for its own furniture business and access to key trends.

FRS 112(21)(b)(iii)

As at 31 December 2017, the fair value of the Group's interest in PwC A Property (Hong Kong) Limited, which is listed on the Hong Kong Stock Exchange, was $1,440,000 (2016: $1,250,000). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was $776,000 (2016: $2,604,000).

There are no contingent liabilities relating to the Group's interest in the associated companies[2].

23. Investments in associated companies (continued)

Summarised financial information for associated companies

Set out below are the summarised financial information[3] for PwC A Property (Hong Kong) Limited and PwC A Furniture Sdn Bhd. FRS 112(21)(b)(ii)

Summarised balance sheet

	PwC A Property (Hong Kong) Limited As at 31 December		PwC A Furniture Sdn Bhd As at 31 December		Total As at 31 December		
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	
Current assets	**3,603**	3,439	**19,152**	18,018	**22,755**	21,457	FRS 112(B12)(b)(i)
Includes:							
- Cash and cash equivalents	**1,170**	804	**5,171**	8,296	**6,341**	9,100	FRS 112(B12)(b)(i)
Current liabilities	**(3,905)**	(4,193)	**(14,392)**	(22,305)	**(18,297)**	(26,498)	FRS 112(B12)(b)(iii)
Includes:							
- Financial liabilities (excluding trade payables)	**(1,088)**	(1,558)	**(8,375)**	(8,050)	**(9,463)**	(9,608)	FRS 112(B12)(b)(iii)
Non-current assets	**6,479**	10,164	**24,411**	26,196	**30,890**	36,360	FRS 112(B12)(b)(ii)
Non-current liabilities	**(5,674)**	(3,684)	**(11,971)**	(12,389)	**(17,645)**	(16,073)	FRS 112(B12)(b)(iv)
Includes:							
- Financial liabilities	**(4,941)**	(3,467)	**(9,689)**	(8,040)	**(14,630)**	(11,507)	
- Other liabilities	**(733)**	(217)	**(2,282)**	(4,349)	**(3,015)**	(4,566)	
Net assets	**503**	5,726	**17,200**	9,520	**17,703**	15,246	DV

Reference

23. Investments in associated companies (continued)

Summarised statement of comprehensive income

	PwC A Property (Hong Kong) Limited For the year ended 31 December		PwC A Furniture Sdn Bhd For the year ended 31 December		Total For the year ended 31 December		
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000	
Revenue	**11,023**	15,012	**32,658**	23,880	**43,681**	38,892	FRS 112(B12)(b)(v)
Interest income[4]	**-**	-	**-**	-	**-**	-	
Expenses Includes:							
– Depreciation and amortisation	**(2,576)**	(1,864)	**(3,950)**	(3,376)	**(6,526)**	(5,240)	
– Interest expense	**(1,075)**	(735)	**(1,094)**	(1,303)	**(2,169)**	(2,038)	
(Loss)/Profit from continuing operations	**(5,090)**	(808)	**8,619**	1,914	**3,529**	1,106	FRS 112(B12)(b)(vi)
Income tax expense	**-**	-	**(732)**	(412)	**(732)**	(412)	
Post-tax (loss)/profit from continuing operations	**(5,090)**	(808)	**7,887**	1,502	**2,797**	694	FRS 112(B12)(b)(vi)
Post-tax profit from discontinued operations[4]	**-**	-	**-**	-	**-**	-	FRS 112(B12)(b)(vii)
Other comprehensive loss	**-**	-	**(40)**	(47)	**(40)**	(47)	FRS 112(B12)(b)(viii)
Total comprehensive (loss)/income	**(5,090)**	(808)	**7,847**	1,455	**2,757**	647	FRS 112(B12)(b)(ix)
Dividends received from associated company[4]	**-**	-	**-**	-	**-**	-	FRS 112(B12)(a)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies and fair value adjustments made at the time of acquisition. FRS 112(B14)

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associated companies accounted for using the equity method: FRS 112 (21)(c), B16

	As at 31 December		
	2017 $'000	2016 $'000	
Profit/(loss) from continuing operations	**10**	(8)	FRS 112 (B16)(a)
Other comprehensive income	**2**	1	FRS 112 (B16)(c)
Total comprehensive income/(loss)	**12**	(7)	FRS 112 (B16)(d)

Notes

Reference

23. Investments in associated companies (continued)

Reconciliation of summarised financial information

FRS 112(B14)(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	PwC A Property (Hong Kong) Limited As at 31 December		PwC A Furniture Sdn Bhd As at 31 December		Total As at 31 December	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Net assets At 1 January	**5,726**	6,356	**9,520**	7,822	**15,246**	14,178
(Loss)/Profit for the year	**(5,090)**	(808)	**7,887**	1,502	**2,797**	694
Other comprehensive income	**-**	-	**(40)**	(47)	**(40)**	(47)
Foreign exchange differences	**(133)**	178	**(167)**	243	**(300)**	421
At 31 December	**503**	5,726	**17,200**	9,520	**17,703**	15,246
Interest in associated companies (35%; 25%)	**176**	2,004	**4,300**	2,380	**4,476**	4,384
Goodwill	**600**	600	**420**	420	**1,020**	1,020
Carrying value	**776**	2,604	**4,720**	2,800	**5,496**	5,404
Add:						
Carrying value of individually immaterial associated companies, in aggregate					**1,512**	1,000
Carrying value of Group's interest in associated companies					**7,008**	6,404

FRS 112 (21)(c), B16

Guidance notes

Investments in associated companies

Cumulative preference shares issued by associated companies

FRS 28(37)

1. If the associated company has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared.

Reference

Guidance notes

Investments in associated companies (continued)

Risks associated with an entity's interests in associated companies

2. In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in associated companies (including its share of contingent liabilities incurred jointly with other investors with significant influence over, the associated companies), is required to be disclosed separately from the amount of other contingent liabilities. FRS 112(23)(b)

Summarised financial information of associated companies

3. Summarised financial information is required for the group's interest in material associated companies. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial associated companies that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those associated companies' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income. FRS 112(21)(b)(ii) FRS 112(21)(c) FRS 112(B16)

4. Some of the line items have nil balances but have been included for illustrative purposes.

Nature, extent and financial effects of an entity's interests in associated companies

5. An entity is required to disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with significant influence over an associated company) on the ability of the associated companies to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity. FRS 112(22)(a)

6. When the financial statements of an associated company used in applying the equity method are as of a date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that associated company; and the reason for using a different date or period. FRS 112(22)(b)

7. If the entity has stopped recognising its share of losses of the associated company when applying the equity method, the entity is required to disclose the unrecognised share of losses of an associated company, both for the reporting period and cumulatively. FRS 112(22)(c)

Interest in an associated company

8. The interest in an associated company is the carrying amount of the investment in the associated company together with any long-term interests that, in substance, form part of the investor's net investment in the associated company. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associated company. FRS 28(38)

Reference

24. Investment in a joint venture

	Company	
	2017	2016
	$'000	$'000
Equity investment at cost	**880**	880

Set out below is the joint venture of the Group as at 31 December 2017, which, in the opinion of the directors, is material to the Group. The joint venture has share capital consisting solely of ordinary shares[1], which are held directly by the Group; the country of incorporation is also its principal place of business. FRS 112(21)(b)(iii)

FRS 112(21)(a)

Name of entity	Place of business/ country of incorporation	% of ownership interest
PwC JV Logistics (PRC) Co. Ltd	China	60

PwC JV Logistics (PRC) Co. Ltd provides freight forwarding and warehousing services and gives the Group access to efficient freight forwarding processes and quality warehousing service processes in China.

The Group has $100,000 (2016: $250,000) of commitments to provide funding if called, relating to its joint venture. There are no contingent liabilities relating to the Group's interest in the joint venture. PwC JV Logistics (PRC) Co. Ltd has a contingent liability relating to an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings, it is not possible to determine the likelihood or amount of any settlement, should PwC JV Logistics (PRC) Co. Ltd be unsuccessful[2].

Reference

24. Investment in a joint venture (continued)

Summarised financial information for joint venture

Set out below is the summarised financial information[3] for PwC JV Logistics (PRC) Co. Ltd. — FRS 112(21)(b)(ii)

Summarised balance sheet

	PwC JV Logistics (PRC) Co. Ltd As at 31 December		
	2017	2016	
	$'000	$'000	
Current assets	**8,548**	5,556	FRS 112(B12)(b)(i)
Includes:			
- Cash and cash equivalents	**1,180**	780	FRS 112(B13)(a)
Current liabilities	**(10,879)**	(7,273)	FRS 112(B12)(b)(iii)
Includes:			
- Financial liabilities (excluding trade payables)	**(9,989)**	(6,547)	FRS 112(B13)(b)
- Other current liabilities (including trade payables)	**(890)**	(726)	FRS 112(B12)(b)(iii)
Non-current assets	**11,016**	10,896	FRS 112(B12)(b)(ii)
Non-current liabilities	**(7,018)**	(5,904)	
Includes:			
- Financial liabilities	**(6,442)**	(5,508)	FRS 112(B13)(c)
- Other liabilities	**(576)**	(396)	FRS 112(B12)(b)(iv)
Net assets	**1,667**	3,275	DV

Summarised statement of comprehensive income

	PwC JV Logistics (PRC) Co. Ltd For the year ended 31 December		
	2017	2016	
	$'000	$'000	
Revenue	**7,873**	23,158	FRS 112(B12)(b)(v)
Interest income	**206**	648	FRS 112(B13)(e)
Expenses			
Includes:			
- Depreciation and amortisation	**(1,455)**	(1,230)	FRS 112(B13)(d)
- Interest expense	**(3,620)**	(2,302)	FRS 112(B13)(f)
(Loss)/Profit from continuing operations	**(1,610)**	5,206	FRS 112(B12(b)(vi)
Income tax expense	**-**	(3,452)	FRS 112(B13)(g)
Post-tax (loss)/profit from continuing operations	**(1,610)**	1,754	FRS 112(B12)(b)(vi)
Post-tax profit from discontinued operations[4]	**-**	-	FRS 112(B12)(b)(vii)
Other comprehensive income	**-**	-	FRS 112(B12)(b)(viii)
Total comprehensive (loss)/income	**(1,610)**	1,754	FRS 112(B12)(b)(ix)
Dividends received from joint venture[4]	**-**	-	FRS 112(B12)(a)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture. — FRS 112(B14)

Notes

Reference

24. Investment in a joint venture (continued)

Reconciliation of summarised financial information

FRS 112(B14)(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	PwC JV Logistics (PRC) Co. Ltd	
	As at 31 December	
	2017	2016
	$'000	$'000
Net assets		
At 1 January	**3,275**	1,571
(Loss)/Profit for the year	**(1,610)**	1,754
Other comprehensive income[4]	**-**	-
Foreign exchange differences	**2**	(50)
At 31 December	**1,667**	3,275
Interest in joint venture (60%)	**1,000**	1,965
Goodwill	**200**	200
Carrying value	**1,200**	2,165

Guidance notes

Investment in a joint venture

Cumulative preference shares issued by joint ventures

FRS 28(37)

1. If the joint venture has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared.

Risks associated with an entity's interests in joint ventures

FRS 112(23)(a)

2. An entity is required to disclose commitments that it has relating to its joint ventures separately from the amount of other commitments as specified in FRS 112(B18–B20).

FRS 112(23)(b)

In accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures (including its share of contingent liabilities incurred jointly with other investors with joint control over, the joint ventures), is required to be disclosed separately from the amount of other contingent liabilities.

Summarised financial information of joint ventures

FRS 112(21)(b)(ii)

3. Summarised financial information is required for the group's interest in material joint ventures. In this illustration, PwC Holdings Ltd has provided the financial information for the group's interests in its only joint venture. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income.

FRS 112(21)(c)
FRS 112(B16)

Reference

Guidance notes

Investment in a joint venture (continued)

Summarised financial information of joint ventures (continued)

4. Some of the line items have nil balances but have been included for illustrative purposes.

Nature, extent and financial effects of an entity's interests in joint ventures

5. An entity is required to disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control over a joint venture) on the ability of the joint ventures to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity. FRS 112(22)(a)

6. When the financial statements of a joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that joint venture; and the reason for using a different date or period. FRS 112(22)(b)

7. If the entity has stopped recognising its share of losses of the joint venture when applying the equity method, the entity is required to disclose the unrecognised share of losses of a joint venture, both for the reporting period and cumulatively. FRS 112(22)(c)

Interest in a joint venture

8. The interest in a joint venture is the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the investor's net investment in the joint venture. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that joint venture. FRS 28(38)

Reference

25. Investments in subsidiaries

	Company 2017 $'000	Company 2016 $'000
Equity investments at cost		
Beginning of financial year	**96,460**	96,460
Disposals	**(1,300)**	-
End of financial year	**95,160**	96,460

The Group had the following subsidiaries as at 31 December 2017 and 2016:

FRS 112(10(a),12(a-c))

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2017 %	Proportion of ordinary shares directly held by parent 2016 %	Proportion of ordinary shares held by the Group 2017 %	Proportion of ordinary shares held by the Group 2016 %	Proportion of ordinary shares held by non-controlling interests 2017 %	Proportion of ordinary shares held by non-controlling interests 2016 %	Proportion of preference shares held by the Group 2017 %	Proportion of preference shares held by the Group 2016 %
PwC Construction Pte Ltd	Construction of specialised equipment	Singapore	**100**	100	**100**	100	**-**	-	**-**	-
PwC Property (Singapore) Pte Ltd	Investment holding	Singapore	**100**	100	**100**	100	**-**	-	**100**	100
PwC Furniture (PRC) Co., Ltd	Sale of furniture	People's Republic of China	**85**	85	**85**	85	**15**	15	**-**	-
PwC Components (Singapore) Pte Ltd	Manufacture of component parts	Singapore	**45**	45	**45**	45	**55**	55	**-**	-
PwC Components (PRC) Co., Ltd	Manufacture of component parts	People's Republic of China	**80**	80	**80**	80	**20**	20	**-**	-
PwC Components (China) Pte Ltd	Manufacture of component parts	People's Republic of China	**70**	-	**70**	-	**30**	-	**-**	-
PwC Furniture (Philippines) Pte Ltd	Sale of furniture	The Philippines	**70**	70	**70**	70	**30**	30	**-**	-
PwC Logistics (PRC) Co., Ltd	Provision of logistics services	People's Republic of China	**-**	100	**-**	100	**-**	-	**-**	-
PwC Glass Sdn Bhd	Manufacture of glass	Malaysia	**70**	70	**70**	70	**30**	30	**-**	-

Notes

Reference

25. Investments in subsidiaries (continued)

Significant restrictions[1]

FRS 112(10)(b)(i)

Cash and short-term deposits of $1,934,000 are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

FRS 112(12)(f)

	2017	2016
	$'000	$'000
PwC Components (Singapore) Pte Ltd	**5,327**	516
PwC Components (China) Pte Ltd	**2,466**	1,200
Other subsidiaries with immaterial non-controlling interests	**459**	50
Total	**8,252**	1,766

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information[2] for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

FRS 112(12(g), B10(b)),B11

There were no transactions with non-controlling interests[3] for the financial years ended 31 December 2017 and 2016.

FRS 112(18)

Summarised balance sheet

FRS 112(B10(b))

	PwC Components (Singapore) Pte Ltd As at 31 December		PwC Components (China) Pte Ltd As at 31 December	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Assets	**5,890**	4,828	**16,935**	14,742
Liabilities	**(3,009)**	(2,457)	**(4,514)**	(3,686)
Total current net assets	**2,881**	2,371	**12,421**	11,056
Non-current				
Assets	**3,672**	2,357	**10,008**	8,536
Liabilities	**(2,565)**	(1,161)	**(3,848)**	(1,742)
Total non-current net assets	**1,107**	1,196	**6,160**	6,794
Net assets	**3,988**	3,567	**18,581**	17,850

Reference

25. Investments in subsidiaries (continued)

Summarised income statement

FRS 112(B10(b))

	PwC Components (Singapore) Pte Ltd For the year ended 31 December		PwC Components (China) Pte Ltd For the year ended 31 December	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Revenue	**19,602**	17,883	**29,403**	26,825
Profit before income tax	**4,218**	3,007	**6,350**	6,630
Income tax expense	**(1,692)**	(1,411)	**(2,838)**	(2,667)
Post-tax profit from continuing operations	**2,526**	1,596	**3,512**	3,963
Post-tax profit from discontinued operations[4]	**-**	-	**-**	-
Other comprehensive income	**369**	(203)	**554**	495
Total comprehensive income	**2,895**	1,393	**4,066**	4,458
Total comprehensive income allocated to non-controlling interests	**1,737**	836	**1,138**	-
Dividends paid to non-controlling interests	**1,770**	550	**150**	-

FRS 112(B10(a))

Summarised cash flows

FRS 112(B10(b))

	PwC Components (Singapore) Pte Ltd 31 December 2017	PwC Components (China) Pte Ltd 31 December 2017
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	5,324	5,434
Interest paid	(90)	(500)
Income tax paid	(1,321)	(2,624)
Net cash generated from operating activities	**3,913**	**2,310**
Net cash used in investing activities	**(986)**	**(939)**
Net cash used in financing activities	**(2,517)**	**(527)**
Net increase in cash and cash equivalents	**410**	**844**
Cash and cash equivalents at beginning of year	124	752
Effects of currency translation on cash and cash equivalents	42	(20)
Cash and cash equivalents at end of year	**576**	**1,576**

Reference

Guidance notes

Investments in subsidiaries

Nature and extent of significant restrictions

1. An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. FRS 112(10(b)(i)),(13)

   When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity is required to disclose the date of the end of the reporting period of the financial statements of that subsidiary; and the reason for using a different date or period. FRS 112(11)

Summarised financial information of subsidiaries with material non-controlling interests

2. Summarised financial information about the assets, liabilities, profit or loss and cash flows is required for the group's subsidiaries with material non-controlling interests. FRS 112(12)(g),(B10)(b)

Transactions with non-controlling interests

3. An entity is required to present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control. FRS 112(18)

   An illustration is as follows:

   (a) Acquisition of additional interest in a subsidiary

   On 21 April 2017, the Company acquired the remaining 5% of the issued shares of XYZ group for a purchase consideration of $1,100,000. The Group now holds 100% of the equity share capital of XYZ group. The carrying amount of the non-controlling interests in XYZ group on the date of acquisition was $300,000. The Group derecognised non-controlling interests of $300,000 and recorded a decrease in equity attributable to owners of the parent of $800,000. The effect of changes in the ownership interest of XYZ group on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 $'000
Carrying amount of non-controlling interests acquired	300
Consideration paid to non-controlling interests	(1,100)
Excess of consideration paid recognised in parent's equity	(800)

Notes

Reference

Guidance notes

Investments in subsidiaries (continued)

(b) Disposal of interest in a subsidiary without loss of control

On 5 September 2017, the Company disposed of a 10% equity interest in ABC Limited at a consideration of $1,100,000. Following the disposal, the Company still controls ABC Limited, retaining 70% of the equity interests. The carrying amount of the non-controlling interests in ABC Limited on the date of disposal was $2,000,000 (representing 20% interest). This resulted in an increase in non-controlling interests of $1,000,000 and an increase in equity attributable to owners of the parent of $100,000. The effect of changes in the ownership interest of ABC Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2017 **$'000**
Carrying amount of interests in a subsidiary disposed of	**(1,000)**
Consideration received from non-controlling interests	**1,100**
Excess of consideration received recognised in parent's equity	**100**

(c) Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the year ended 31 December 2017

		← Attributable to equity holders of the Company →			
2017		Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Acquisition of additional interests in a subsidiary	Refer to Consolidated Statement of Changes in Equity for other equity items	(800)	(800)	(300)	(1,100)
Disposal of interests in a subsidiary without loss of control		100	100	1,000	1,100

4. Some of the line have nil balances but have been included for illustrative purposes.

Nature of risks associated with an entity's interests in consolidated structured entities

FRS 112(10)(b)(ii)

5. An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities (see FRS 112(14-17)).

Reference

Guidance notes

Investments in subsidiaries (continued)

Interests in unconsolidated subsidiaries (investment entities)

6. An investment entity that, in accordance with FRS 110, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact. For each unconsolidated subsidiary, an investment entity shall disclose details as required by FRS 112(19B)(a-c) and FRS 112(19D-G). If investment entity is the parent of another investment entity, the parent shall also provide the disclosures in FRS 112(19B)(a-c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information. FRS 112(19A-G)

26. Investment properties

Group	Completed investment properties[2] $'000	Investment property under construction[2] $'000	Total $'000	DV
2017				
Beginning of financial year	5,455	-	5,455	FRS 40(76)
Additions	288	-	288	FRS 40(76)(a)
Disposals	(70)	-	(70)	
Net fair value loss recognised in profit or loss (Note 8)[1]	(123)	-	(123)	FRS 40(76)(d)
End of financial year	5,550	-	5,550	
2016				
Beginning of financial year	3,165	200	3,365	
Additions	235	1,805	2,040	
Transfers to completed properties	2,005	(2,005)	-	DV
Net fair value gain recognised in profit or loss (Note 8)[1]	50	-	50	
End of financial year	5,455	-	5,455	

Investment properties are leased to non-related parties under operating leases (Note 42(c)). FRS 17(56)(c) FRS 17(57)

All investment properties are mortgaged to secure bank loans (Note 31(a)). FRS 40(75)(g)

The following amounts are recognised in profit and loss:

	Group **2017** **$'000**	Group 2016 $'000	
Rental income (Note 7)	**488**	146	FRS 40(75)(f)(i)
Direct operating expenses arising from:			
- Investment properties that generate rental income	**(30)**	(6)	FRS 40(75)(f)(ii)
- Investment properties that do not generate rental income	**(40)**	(8)	FRS 40(75)(f)(iii)

Notes

Reference

26. Investment properties (continued)

At the balance sheet date, the details of the Group's investment properties are as follows[3]:

SGX 1207(11)(b)
FRS 113(93),(94(a))

Location	Description/existing use	Tenure
PwC Building, 188 Cross Street, Singapore	37-storey office building	99-year lease from 1 January 2000
Capital Square, 55 Upper Cross Street, Singapore	5-storey office building	Freehold
ABC Centre, Units #14-05 to #14-07, Connaught Road Central, Hong Kong	3 units of office space of a 50-storey office building	999-year lease from 1 January 2010

SGX 1207(11)(b)
FRS 113(93),(94(a))

Fair value hierarchy - Recurring fair value measurements

FRS 113(93)(a,b)

	Fair value measurements using		
Description	Quoted prices in active markets for identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
31 December 2017			
- Office buildings – Singapore	-	-	4,300
- Office units – Hong Kong	-	1,250	-
31 December 2016			
- Office buildings – Singapore	-	-	4,210
- Office units – Hong Kong	-	1,245	-

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input in this valuation approach is the selling price per square metre.

FRS 113(93)(d)

Reference

26. Investment properties (continued)

Reconciliation of movements in Level 3 fair value measurement FRS 113(93)(e)

	Office building - Singapore $'000	Reference
31 December 2017		
Beginning of financial year	4,210	
Transfers to/(from) Level 3[6]	-	FRS 113(93)(e)(iv)
Additions – Subsequent expenditure on investment property	100	
Losses recognised in profit and loss, under "Other gains and losses"	(10)	FRS 113(93)(e)(i)
End of financial year	4,300	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	(50)	FRS 113(93)(f)
31 December 2016		
Beginning of financial year	4,120	
Transfers to/(from) Level 3[6]	-	FRS 113(93)(e)(iv)
Additions – Subsequent expenditure on investment property	50	
Gains recognised in profit and loss, under "Other gains and losses"	40	FRS 113(93)(e)(i)
End of financial year	4,210	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	10	FRS 113(93)(f)

There were no changes in valuation techniques during the year. FRS 113(93)(d)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. FRS 113(93,(c,e(iv)))

There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2017 and 2016. FRS 113(93)(e)(iv)

Notes

Reference

26. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy: FRS 113(93(d),(h(i)) FRS 113(99)

Description	Fair value at 31 December 2017 ($'000)	Valuation technique	Unobservable inputs(#)	Range of unobservable inputs	Relationship of unobservable inputs to fair value[4]
Office buildings – Singapore	4,300 (2016: 4,210)	Discounted cash flows	Discount rate	6.5% - 7.8% (2016: 6% - 7.2%)	The higher the discount rate, the lower the valuation.
			Terminal capitalisation rate	6.8% - 10.1% (2016: 6.2% - 9.3%)	The higher the terminal capitalisation rate, the lower the valuation.
			Average rental (per square foot per month)	$7.5 - $12 (2016: $6.2 - $11)	The higher the average rental, the higher the valuation.
			Length of lease (years)	85 (2016: 86)	The longer the length of lease in place, the higher the valuation.
			Age of building (years)	12 – 30 (2016: 11 – 29)	The higher the age of the building, the lower the valuation.

(#) There were no significant inter-relationships between unobservable inputs.

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use. As at 31 December 2017 and 2016, the fair values of the properties have been determined by ABC Property Surveyors Limited. FRS 113(93)(g) FRS 113(IE65) FRS 113(93)(i) FRS 40(75)(e)

The finance department of the Group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates. FRS 113(93)(g)

Reference

26. Investment properties (continued)

Valuation processes of the Group (continued)
At each financial year end, the finance department:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Guidance notes

Investment properties

Adjustments to fair value

1. When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example, to avoid double-counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment. FRS 40(50,77)

Reconciliation of carrying amount of investment properties

2. Entities are required to present a reconciliation of the carrying amount of investment properties at the beginning and the end of the period. This publication illustrates a breakdown of the reconciliation between completed investment properties and investment properties under construction. This presentation may be useful for readers of the financial statements to appreciate the changes in the carrying amounts. It may also be appropriate if completed properties and properties under construction are not categorised in the same level of the fair value hierarchy. It is however not a required disclosure and therefore such presentation is on a voluntary basis. FRS 40(76) FRS 113(94)

Details of investment properties

3. When the aggregate value for all properties for development, sale or for investment purposes held by the group represent more than 15% of the value of the consolidated net tangible assets or contribute more than 15% of the pre-tax operating profit, the issuer must disclose certain information on the properties held for development and/or sale, and on the properties held for investment. The latter is illustrated in this publication. SGX 1207(11)

Reference

Guidance notes

Investment properties (continued)

Quantitative sensitivity analysis of inputs used in Level 3 fair value measurements

4. FRS 113 does not explicitly require a quantitative sensitivity analysis; however, such a sensitivity analysis may be necessary in order to satisfy the requirements of FRS 1(129) in relation to sources of estimation uncertainty.

Description of valuation methodologies

5. This publication illustrates investment properties measured using the discounted cash flow approach, which involves the estimation and projection of an income stream over a period and discounting the future income stream to arrive at a present value. There are other approaches commonly used for valuing properties that fall under an income approach methodology: sales comparison approach (Direct Market Comparison Approach), where properties are valued using transacted prices for similar properties with appropriate adjustment to reflect the characteristics of the properties being valued, and the income capitalisation approach, where a yield is applied to a fixed income stream.

Transfers between Levels of fair value measurement

FRS 113(93)(c,e)

6. Entities are required to disclose the amounts of any transfers between Level 1 and Level 2, and in and out of Level 3 of the fair value hierarchy, the reasons for those transfers, and the policies for determining when such transfers are deemed to have occurred. Transfers to/(from) Level 3 have been included for illustrative purposes only. For investment properties, it would be extremely rare to be quoted in an active market. As a result, most investment properties will be classified under Level 3 of the fair value hierarchy, with the exception of properties valued using transacted prices for similar properties with insignificant adjustments (e.g. homogenous units in the same building, a recently purchased building, etc.), which could be classified under Level 2. The requirement will apply for transfers between these two levels.

Investment properties not measured at fair value but for which fair value is disclosed

FRS 113(97)

7. For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, FRS 113(97) requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique.

Reference

27. Held-to-maturity financial assets – non-current

	Group 2017 $'000	Group 2016 $'000	Reference
Unlisted debt securities			FRS 107(31,34(c))
- Bonds with fixed interest of 5.5% and maturity date of 31 May 2021 – Singapore	**1,650**	1,593	FRS 1(65)
- Bonds with variable interest rates and maturity date of 28 June 2020 – Singapore	**472**	-	
	2,122	1,593	FRS 107(8)(b)

The fair values of the bonds at the balance sheet date are as follows: FRS 107(25)

	Group 2017 $'000	Group 2016 $'000
Bonds with fixed interest of 5.5% and maturity date of 31 May 2021	**1,720**	1,612
Bonds with variable interest rates and maturity date of 28 June 2020	**475**	-

The fair values are based on discounted cash flows using market interest rates for an equivalent bond as at the balance sheet date, as follows: FRS 113(93)(d)

	Group 2017 %	Group 2016 %
Bonds with fixed interest of 5.5% and maturity date of 31 May 2021	**5.0**	5.2
Bonds with variable interest rates and maturity date of 28 June 2020	**6.5**	-

The fair values are within Level 2 of the fair value hierarchy.

Notes

Reference

28. Property, plant and equipment

	Freehold land $'000	Leasehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000	Reference
								FRS 1(78)(a)
Group								
2017								
Cost or valuation								
Beginning of financial year								FRS 16(73)(d)
Cost	-	-	-	84,703	2,700	-	87,403	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	-	-	-	37,914	FRS 16(73)(a)
	8,400	8,061	21,453	84,703	2,700	-	125,317	FRS 16(73)(d)
Currency translation differences	-0	314	(808)	4,509	103	-	4,118	FRS 16(73)(e)(viii)
Acquisition of subsidiary[6] (Note 47(c))	-	12,012	37,060	18,199	513	-	67,784	FRS 16(73)(e)(iii)
Additions	-	3,423	3,703	2,202	427	360	10,115	FRS 16(73)(e)(i)
Reclassified to disposal group (Note 11(c))	-	–	-	(1,842)	-	-	(1,842)	FRS 16(73)(e)(ii)
Disposals[1]	-	(594)	(1,526)	(4,887)	-	-	(7,007)	FRS 16(73)(e)(ii)
Revaluation surplus[2,3] (Note 38(b)(vii))	50	93	110	-	-	-	253	FRS 16(73)(e)(iv)
Revaluation adjustments[2,3]	-	(455)	(970)	-	-	-	(1,425)	FRS 16(73)(e)(iv)
End of financial year	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
Representing:								FRS 16(73)(a)
Cost	-	-	-	102,884	3,743	360	106,987	FRS 16(73)(a),
Valuation	8,450	22,854	59,022	-	-	-	90,326	SGX 1207(11)
	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
Accumulated depreciation and impairment losses								
Beginning of financial year	-	-	-	26,177	1,250	-	27,427	FRS 16(73)(d)
Currency translation differences	-	-	-	808	87	-	895	FRS 16(73)(e)(viii)
Depreciation charge								FRS 16(73)(e)(vii)
- Continuing operations (Note 5)	-	489	1,056	15,436	694	-	17,675	
- Discontinued operations	-	-	-	79	-	-	79	
Reclassified to disposal group (Note 11(c))	-	-	-	(279)	-	-	(279)	FRS 16(73)(e)(ii)
Disposals[1]	-	(34)	(86)	(550)	-	-	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments[2]	-	(455)	(970)	–	-	-	(1,425)	FRS 16(73)(e)(iv)
End of financial year	-	-	-	41,671	2,031	-	43,702	FRS 16(73)(d)
Net book value								
End of financial year	**8,450**	**22,854**	**59,022**	**61,213**	**1,712**	**360**	**153,611**	

Notes

Reference

28. Property, plant and equipment (continued)

	Freehold land $'000	Leasehold land $'000	Buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000	FRS 1(78)(a)
Group								
2016								
Cost or valuation								
Beginning of financial year								FRS 16(73)(d)
Cost	-	-	-	87,450	2,362	-	89,812	FRS 16(73)(a)
Valuation	8,300	8,059	19,851	-	-	-	36,210	FRS 16(73)(a)
	8,300	8,059	19,851	87,450	2,362	-	126,022	FRS 16(73)(d)
Currency translation differences	-	(122)	(272)	(1,073)	(53)	-	(1,520)	FRS 16(73)(e)(viii)
Additions	-	-	1,588	4,063	391	-	6,042	FRS 16(73)(e)(i)
Disposals[1]	-	-	-	(5,737)	-	-	(5,737)	FRS 16(73)(e)(ii)
Revaluation surplus[2,3] (Note 38(b)(vii))	100	235	798	-	-	-	1,133	FRS 16(73)(e)(iv)
Revaluation adjustments[2,3]	-	(111)	(512)	-	-	-	(623)	FRS 16(73)(e)(iv)
End of financial year	8,400	8,061	21,453	84,703	2,700	-	125,317	FRS 16(73)(d)
Representing:								
Cost	-	-	-	84,703	2,700	-	87,403	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	-	-	-	37,914	FRS16(73)(a), SGX 1207(11)
	8,400	8,061	21,453	84,703	2,700	-	125,317	FRS 16(73)(d)
Accumulated depreciation and impairment losses								
Beginning of financial year	-	48	69	20,822	755	-	21,694	FRS 16(73)(d)
Currency translation differences	-	(12)	(18)	(489)	(37)	-	(556)	FRS 16(73)(e)(viii)
Depreciation charge								FRS 16(73)(e)(vii)
- Continuing operations (Note 5)	-	75	461	8,514	532	-	9,582	
- Discontinued operations	-	-	-	80	-	-	80	
Disposals[1]	-	-	-	(2,750)	-	-	(2,750)	FRS 16(73)(e)(ii)
Revaluation adjustments[2,3]	-	(111)	(512)	-	-	-	(623)	FRS 16(73)(e)(iv)
End of financial year	-	-	-	26,177	1,250	-	27,427	FRS 16(73)(d)
Net book value								
End of financial year	**8,400**	**8,061**	**21,453**	**58,526**	**1,450**	**-**	**97,890**	

Notes

Reference

28. Property, plant and equipment (continued)

	Plant and equipment $'000	Motor vehicles $'000	Total $'000	Reference
				FRS 1(78)(a)
Company				
2017				
Cost				FRS 16(73)(a)
Beginning of financial year	432	50	482	FRS 16(73)(d)
Additions	328	180	508	FRS 16(73)(e)(i)
Disposals	(55)	-	(55)	FRS 16(73)(e)(ii)
End of financial year	705	230	935	FRS 16(73)(d)
Accumulated depreciation				
Beginning of financial year	62	20	82	FRS 16(73)(d)
Depreciation charge	14	4	18	FRS 16(73)(e)(vii)
Disposals	(20)	-	(20)	FRS 16(73)(e)(ii)
End of financial year	56	24	80	FRS 16(73)(d)
Net book value				
End of financial year	**649**	**206**	**855**	
2016				
Cost				FRS 16(73)(a)
Beginning of financial year	432	-	432	FRS 16(73)(d)
Additions	-	50	50	FRS 16(73)(e)(i)
End of financial year	432	50	482	FRS 16(73)(d)
Accumulated depreciation				
Beginning of financial year	27	-	27	FRS 16(73)(d)
Depreciation charge	35	20	55	FRS 16(73)(e)(vii)
End of financial year	62	20	82	FRS 16(73)(d)
Net book value				
End of financial year	**370**	**30**	**400**	

Reference

28. Property, plant and equipment (continued)

(a) Included within additions in the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to $400,000 (2016: Nil) and $150,000 (2016: Nil) respectively. FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are $745,000 (2016: $450,000) and $130,000 (2016: Nil) respectively at the balance sheet date[4]. FRS 17(31)(a)

(b) The freehold and leasehold land and buildings of the Group were valued by an independent professional valuer based on the properties' highest-and-best-use using the discounted cash flow approach at the balance sheet date. These are regarded as Level 3 fair values. A description of the valuation technique and the valuation processes of the Group are provided in Note 26[5]. FRS 16(77)(a-b) SGX 1207(11) FRS 113(93)

(c) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be: FRS 16(77)(e)

	Group	
	2017	2016
	$'000	$'000
Freehold land	**8,010**	8,108
Leasehold land	**28,455**	7,800
Buildings	**51,609**	21,529

(d) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of $52,835,000 and $537,000 respectively (2016: $75,530,000 and $390,000) (Note 31(a)). FRS 16(74)(a)

Reference

Guidance notes

Property, plant and equipment ("PPE")

Disposals

1. Disposal of PPE due to the sale of subsidiary may be included in the "Disposals" line item, as illustrated in this publication.

Revaluations

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be: FRS 16(35)

   (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or

   (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

   Method (b) is illustrated in this publication.

3. Entities are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the entity shall explain why the PPE shall be exempted from subsequent revaluation and obtain its independent auditor's concurrence on this. FRS 16(81)

Leased assets

4. Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease. Please refer to Note 28(a) for the amount of additions acquired under finance leases. These are non-cash transactions and should not be included in the investing activities. FRS 17(31)(a) FRS 7(43)

Fair value hierarchy disclosures

5. Please refer to guidance notes under Note 26.

Acquisition of subsidiary

6. Property, plant and equipment acquired as part of a business combination should be initially recorded at fair value from the perspective of the group. From the viewpoint of the acquired entity, however, the property, plant and equipment continue to be recorded at cost less accumulated depreciation, including accumulated depreciation recorded prior to the date of the business combination. At group level, consolidation adjustments may be necessary to adjust subsidiary book values to the group numbers. For example, any pre-acquisition accumulated depreciation at the subsidiary level should not be carried forward to the consolidated group numbers.

Impairment of assets

7. Please refer to guidance notes under Note 29.

Reference

29. Intangible assets

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Composition:				
Goodwill (Note (a))	**11,468**	12,000	**-**	-
Trademark and licences (Note (b))	**12,648**	7,000	**1,000**	1,000
Computer software licences (Note (c))	**814**	600	**200**	100
	24,930	19,600	**1,200**	1,100

(a) Goodwill

	Group 2017 $'000	Group 2016 $'000	Reference
			FRS 38(118)(e)
Cost			
Beginning of financial year	**12,000**	12,150	FRS 103(B67)(d)
Acquisition of subsidiary (Note 47(c))	**4,259**	-	FRS 38(118)(e)(i)
Disposal of subsidiary (Note 13)	**(100)**	-	FRS 38(118)(e)(ii)
Currency translation differences	**(41)**	(150)	FRS 103(B67)(d)(vi)
End of financial year	**16,118**	12,000	FRS 103(B67)(d)
Accumulated impairment			FRS 103(B67)(d)
Beginning of financial year	**-**	-	
Impairment charge (Note 5)	**4,650**	-	FRS 38(118)(e)(iv)
End of financial year	**4,650**	-	FRS 103(B67)(d)(v)
Net book value	**11,468**	12,000	FRS 103(B67)(d)

Notes

Reference

29. Intangible assets (continued)

(a) Goodwill (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows: FRS 36(134)(a)

Group

	Component parts		Furniture		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Singapore	**3,970**	3,970	**120**	120	**4,090**	4,090
People's Republic of China	**4,372**	125	**2,030**	6,680	**6,402**	6,805
The Philippines	**270**	300	**87**	100	**357**	400
Other	**539**	625	**80**	80	**619**	705
	9,151	5,020	**2,317**	6,980	**11,468**	12,000

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

FRS 36(134)(c)
FRS 36(134)(d)(iii)

Key estimates used for value-in-use calculations: FRS 36(134)(d)(i,iv,v)

	← Component parts →				← Furniture →			
2017	Singapore	People's Republic of China	The Philippines	Other	Singapore	People's Republic of China	The Philippines	Other
Gross margin[1]	45.0%	56.0%	57.0%	56.0%	30.0%	32.0%	34.0%	35.0%
Growth rate[2]	2.0%	6.9%	6.5%	1.9%	1.1%	2.6%	1.9%	1.4%
Discount rate[3]	7.1%	14.5%	12.0%	13.2%	7.0%	15.0%	13.3%	13.5%

[1] *Budgeted gross margin*
[2] *Weighted average growth rate used to extrapolate cash flows beyond the budget period*
[3] *Pre-tax discount rate applied to the pre-tax cash flow projections*

Reference

29. Intangible assets (continued)

(a) Goodwill (continued)

2016	Component parts: Singapore	Component parts: People's Republic of China	Component parts: The Philippines	Component parts: Other	Furniture: Singapore	Furniture: People's Republic of China	Furniture: The Philippines	Furniture: Other
Gross margin[1]	60.0%	59.0%	60.0%	56.0%	29.3%	33.1%	32.5%	35.0%
Growth rate[2]	5.8%	8.8%	7.8%	1.9%	1.3%	8.3%	1.9%	1.4%
Discount rate[3]	7.3%	12.0%	11.7%	13.2%	6.8%	14.6%	13.0%	13.3%

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. FRS 36(134)(d)(ii) FRS 36(55)

An impairment charge of $4,650,000 (2016: Nil) is included within "Administrative expenses" in the statement of comprehensive income[1]. The impairment charge has arisen from the furniture CGU in People's Republic of China following a decision to reduce the manufacturing output as a result of declining customer demand[3]. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no change in the useful lives was required. FRS 36(126)(a) FRS 36(130)

The impairment test carried out as at 31 December 2017 for the component parts CGU in Singapore, which includes 54% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is $10,000,000 or 3% higher than its carrying amount. This has decreased due to significant pressure on selling prices and a sharp decrease in demand as a result of the economic crisis. A further decrease in the growth margin by 1% or a decrease in the growth rate by 0.2% would result in the recoverable amount of the component parts CGU in Singapore being equal to its carrying amount[2]. FRS 36(134)(f)

Reference

29. Intangible assets (continued)

(b) Trademark and licences

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000	Reference
Cost					
Beginning of financial year	**7,700**	7,306	**1,560**	900	FRS 38(118)(c)
Currency translation differences	**(19)**	(306)	**-**	-	FRS 38(118)(e)(vii)
Acquisition of subsidiary (Note 47(c))	**4,000**	-	**-**	-	FRS 38(118)(e)(i)
Additions	**2,447**	700	**100**	660	FRS 38(118)(e)(i)
Reclassified to disposal group (Note 11(c))	**(100)**	-	**-**	-	FRS 38(118)(e)(ii)
End of financial year	**14,028**	7,700	**1,660**	1,560	FRS 38(118)(c)
Accumulated amortisation					
Beginning of financial year	**700**	335	**560**	500	FRS 38(118)(c)
Amortisation charge					
- Continuing operations	**655**	315	**100**	60	FRS 38(118)(e)(vi)
- Discontinued operations	**25**	50	**-**	-	
End of financial year	**1,380**	700	**660**	560	FRS 38(118)(c)
Net book value	**12,648**	7,000	**1,000**	1,000	

(c) Computer software licences

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000	Reference
Cost					
Beginning of financial year	**1,300**	1,345	**120**	120	FRS 38(118)(c)
Currency translation differences	**(32)**	(45)	**-**	-	FRS 38(118)(e)(vii)
Additions	**366**	-	**120**	-	FRS 38(118)(e)(i)
End of financial year	**1,634**	1,300	**240**	120	FRS 38(118)(c)
Accumulated amortisation					
Beginning of financial year	**700**	500	**20**	-	FRS 38(118)(c)
Amortisation charge	**120**	200	**20**	20	FRS 38(118)(e)(vi)
End of financial year	**820**	700	**40**	20	FRS 38(118)(c)
Net book value	**814**	600	**200**	100	

Reference

29. Intangible assets (continued)

(d) Amortisation expense included in the statement of comprehensive income is analysed as follows[1]: FRS 38(118)(d)

	Group	
	2017	2016
	$'000	$'000
Cost of sales	**655**	315
Administrative expenses	**120**	200
Total (Note 5)	**775**	515

Guidance notes

Intangible assets

Line items on the statement of comprehensive income in which impairment and amortisation losses are included

1. These disclosures are required only for entities that present expenses by function on the face of the statement of comprehensive income. FRS 38(118)(d)

Effects of reasonably possible changes on impairment key assumptions

2. If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount, the following should be disclosed: FRS 36(134)(f)

    (a) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;

    (b) the value assigned to the key assumption;

    (c) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

Impairment of goodwill and other assets

3. Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. For each material impairment loss recognised or reverse during the period for an individual asset, including goodwill or a cash-generating unit, entities should disclose in accordance to paragraphs 129 to 133 of FRS 36. FRS 36(129-133)

Fair value hierarchy disclosure

4. For recoverable amounts measured at fair value less cost to sell, disclosure of the fair value hierarchy of the fair value measurement is required by FRS 113. FRS 36(130)(f)

Reference

30. Trade and other payables

FRS 1(77)

	Group		Company		Reference
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Current					
Trade payables to:					FRS 24(18(b),24)
- non-related parties	**958**	528	**86**	140	
- associated companies	**2,202**	1,095	**40**	200	FRS 24(19)(d)
- subsidiaries	**-**	-	**20**	14	FRS 24(19)(c)
- other related parties	**9,690**	7,021	**-**	-	FRS 24(19)(g)
	12,850	8,644	**146**	354	
Construction contracts					
- Advances received (Note 19)	**541**	262	**-**	-	FRS 11(40)(b)
- Due to customers (Note 19)	**80**	60	**-**	-	FRS 11(42)(b)
	621	322	**-**	-	
Financial guarantees	**-**	-	**160**	-	
Accruals for operating expenses	**2,970**	1,590	**401**	195	
	16,441	10,556	**707**	549	
Non-current					
Contingent consideration payable (Note 47(e))	**350**	-	**-**	-	
Total trade and other payables	**16,791**	10,556	**707**	549	

Notes

Reference

31. Borrowings

	Group		Company		
	2017	2016	**2017**	2016	FRS 1(77)
	$'000	$'000	**$'000**	$'000	
Current					
Bank overdrafts (Note 13)	**2,650**	6,464	**3,500**	3,200	
Bank borrowings	**6,754**	9,131	**-**	7,000	FRS 1(73)
Finance lease liabilities (Note 34)	**120**	75	**-**	-	
	9,524	15,670	**3,500**	10,200	FRS 1(60,69)
Non-current					
Bank borrowings	**39,228**	58,839	**-**	31,751	
Convertible bonds (Note 32)	**48,267**	-	**48,267**	-	FRS 1(73)
Redeemable preference shares (Note 33)	**30,000**	30,000	**30,000**	30,000	
Finance lease liabilities (Note 34)	**805**	375	**-**	-	
	118,300	89,214	**78,267**	61,751	
Total borrowings	**127,824**	104,884	**81,767**	71,951	FRS 1(60,69)

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows: FRS 107(31)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
6 months or less	**2,710**	6,501	**3,500**	3,200
6 - 12 months	**6,814**	9,169	**-**	7,000
1 - 5 years	**87,995**	59,104	**48,267**	31,715
Over 5 years	**30,305**	30,110	**30,000**	30,000
	127,824	104,884	**81,767**	71,915

(a) Security granted

Total borrowings include secured liabilities of $49,557,000 (2016: $74,884,000) and $3,500,000 (2016: $41,951,000) for the Group and the Company respectively. Bank overdrafts of the Group and the Company are secured by debenture deeds which provide for first floating charges on inventories (Note 18) of the Company and certain subsidiaries. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 13), investment properties (Note 26) and certain land and buildings (Note 28(d)). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment, and motor vehicles (Note 28(a)), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

FRS 107(14)
FRS 2(36)(h)
FRS 16(74)(a)

Reference

31. Borrowings (continued)

(b) Fair value of non-current borrowings

FRS 107(25)
FRS 107(29)(a)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Bank borrowings	**41,193**	57,135	**-**	29,987
Convertible bonds[1]	**48,267**	-	**48,267**	-
Redeemable preference shares	**30,931**	31,314	**30,391**	31,314
Finance lease liabilities	**800**	370	**-**	-

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

FRS 113(93)(d)

	Group		Company	
	2017	2016	**2017**	2016
Bank borrowings	**5.8%**	6.3%	**-**	6.3%
Convertible bonds	**6.0%**	-	**6.0%**	-
Redeemable preference shares	**6.0%**	5.8%	**6.0%**	5.8%
Finance lease liabilities	**6.0%**	6.1%	**-**	-

The fair values are within Level 2 of the fair values hierarchy.

(c) Undrawn borrowing facilities

DV
FRS 7(50)(a)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Expiring within one year	**24,900**	16,600	**9,010**	9,060
Expiring beyond one year	**14,000**	8,400	**6,000**	5,220
	38,900	25,000	**15,010**	14,280

The facilities expiring within one year from the balance sheet date are facilities subject to annual review at various dates during 2018. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Reference

Guidance notes

Borrowings

Fair value of convertible bond

1. Fair value of the convertible bond is determined on the liability component only, i.e. a value that permits it to be comparable to its carrying amount.

Defaults and breaches on borrowings

2. FRS 107 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 6 includes an illustration. FRS 1(74) FRS 107(18)

Roll over and refinancing

3. Under an existing loan facility, if an entity expects and has the discretion to refinance or roll over the borrowing for at least twelve months after the balance sheet date with the same lender, on the same or similar terms, it classifies the borrowings as non-current. However, when refinancing or rolling over the borrowing is not at the discretion of the entity (e.g. there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current. FRS 1(73)

32. Convertible bonds

On 2 January 2017, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of $50,000,000. The bonds are due for repayment five years from the issue date at their nominal value of $50,000,000 or may be converted into shares of the Company at the holder's option at the rate of 33 shares per $500 nominal value of the bonds. FRS 107(17)

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 38(b)(vi)), net of deferred income taxes. FRS 32(28) FRS 32(31) DV (disclosed in Note 2.15(c))

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows: DV

	Group and Company	
	2017	2016
	$'000	$'000
Face value of convertible bonds at issuance	**50,000**	-
Equity conversion component on initial recognition (Note 38(b)(vi))[1]	**(2,106)**	-
Liability component on initial recognition	**47,894**	-
Accumulated amortisation of interest expense (Note 9)	**2,873**	-
Accumulated payments of interest	**(2,500)**	-
Liability component at end of financial year (Note 31)	**48,267**	-

Reference

Guidance notes

Convertible bonds

1. Certain tax authorities may compute the tax base of the liability component of such convertible bonds as the sum of the carrying amount of both the liability and equity components. When this occurs, the issuer shall recognise a deferred tax liability on the resulting temporary differences at the date of issuance of these instruments, with the corresponding entry charged directly to the carrying amount of the equity component (i.e. equity component reserve). FRS 12(23)

Conversion at maturity

2. On conversion of a convertible instrument at maturity, the company derecognises the liability component and recognises it as equity. The original equity component remains in equity. There is no gain or loss on conversion at maturity. FRS 32 (AG32)

Early redemption or repurchase

3. When the company extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion rights are unchanged, the company should allocate the redemption consideration paid (including any transaction costs) to the instrument's liability and equity components at the date of repurchase or redemption. Any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows: FRS 32 (AG34)

    - the difference between the consideration allocated to the liability component and its carrying value is recognised in profit or loss; and
    - the amount of consideration relating to the equity component is recognised in equity.

Reference

33. Redeemable preference shares

On 4 January 2011, the Company issued 30 million cumulative redeemable preference shares at $1 per share to its immediate holding corporation. The shares are mandatorily redeemable at $1 per share on 4 January 2022 or by the Company at any time before that date. The shares pay fixed dividends of 6.5% per annum. These are classified as borrowings (Note 31).

FRS 32(15)
FRS 32(18)(a)
FRS 107((31), AppB22)

34. Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

FRS 17(47)(f)

FRS 17(31)(b)

	Group	
	2017	2016
	$'000	$'000
Minimum lease payments due		
- Not later than one year	**164**	84
- Between one and five years	**615**	319
- Later than five years	**517**	227
	1,296	630
Less: Future finance charges	**(371)**	(180)
Present value of finance lease liabilities	**925**	450

The present values of finance lease liabilities are analysed as follows:

FRS 17(31)(b)

	Group	
	2017	2016
	$'000	$'000
Not later than one year (Note 31)	**120**	75
Later than one year (Note 31)		
- Between one and five years	**500**	265
- Later than five years	**305**	110
	805	375
Total	**925**	450

Reference

35. Provisions

FRS 1(78)(d)

	Group		Company		
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Current					FRS 1(61,69)
Warranty (Note (a))	**916**	2,116	**100**	210	
Refunds and volume discounts (Note (b))	**110**	179	**-**	-	
Restructuring (Note (c))	**1,100**	-	**-**	-	
	2,126	2,295	**100**	210	
Non-current					FRS 1(61,69)
Legal claims (Note (d))	**1,655**	1,585	**200**	95	
Total	**3,781**	3,880	**300**	305	

(a) Warranty

The Group and the Company give two-year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns. FRS 37(85)(a)

Movement in provision for warranty is as follows:

	Group		Company		
	2017	2016[1]	**2017**	2016[1]	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**2,116**	1,941	**210**	90	FRS 37(84)(a)
Currency translation differences	**15**	10	**-**	-	
Provision made	**210**	275	**70**	170	FRS 37(84)(b)
Provision utilised	**(1,329)**	(110)	**(180)**	(50)	FRS 37(84)(c)
Reclassified to disposal group (Note 11)	**(96)**	-	**-**	-	
End of financial year	**916**	2,116	**100**	210	FRS 37(84)(a)

Notes

Reference

35. Provisions (continued)

(b) Refunds and volume discounts

FRS 37(85)(a)

The Group sells furniture through retail stores and wholesalers. Customers are given a right to return the furniture within seven days of delivery. Sales of furniture to the wholesalers are also often made with volume discounts based on aggregate sales over a twelve months period. Past experience and projections are used to estimate and provide for such provisions at the time of sale.

Movement in provision for refunds and volume discounts is as follows:

	Group		Company		
	2017	2016[1]	**2017**	2016[1]	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**179**	142	**-**	-	FRS 37(84)(a)
Currency translation differences	**1**	2	**-**	-	
Provision made	**72**	55	**-**	-	FRS 37(84)(b)
Provision utilised	**(142)**	(20)	-	-	FRS 37(84)(c)
End of financial year	**110**	179	**-**	-	FRS 37(84)(a)

(c) Restructuring

The restructuring of the furniture segment will result in the retrenchment of 110 employees at two factories. An agreement was reached with the employees' union that specified the number of staff involved and quantified the amounts payable to those made redundant. Estimated staff redundancy costs amounting to $840,000 are recognised in the financial year ended 31 December 2017. Other restructuring expenses amounting to $260,000 mainly comprise penalties on the early termination of leases on vacated properties.

FRS 37(85)(a)
FRS 37(84)(b)

The provision for restructuring of $1,100,000 is an update of the amount of $800,000 recorded in the Group's interim consolidated financial report for the nine months ended 30 September 2017, following the finalisation of certain restructuring costs in the last quarter of 2017. The provision for restructuring is expected to be fully utilised during the first half of 2018.[2]

FRS 34(26)

In conjunction with the restructuring exercise, a goodwill impairment charge of $4,650,000 is recognised (Note 29(a)).

FRS 36(130)(a)

Reference

35. Provisions (continued)

(d) Legal claims

Other than as disclosed in Note 47, the provision for legal claims is in respect of certain legal claims brought against the Group by customers, and is expected to be utilised in 2019. In the opinion of the directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 31 December 2017. The directors consider that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided. FRS 37(85)(a) FRS 37(92)

Movement in provision for legal claims is as follows:

	Group		Company		
	2017	2016[1]	**2017**	2016[1]	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**1,585**	1,342	**95**	90	FRS 37(84)(a)
Currency translation difference	**(100)**	(22)	**-**	-	
Acquisition of subsidiary (Note 47)	**300**	-	**-**	-	
Provision made	**100**	200	**85**	5	FRS 37(84)(b)
Provision utilised	**(300)**	-	**-**	-	
Amortisation of discount (Note 9)	**70**	65	**20**	-	FRS 37(84)(e)
End of financial year	**1,655**	1,585	**200**	95	FRS 37(84)(a)

Guidance notes

Provisions

1. Comparative information is encouraged, but not required for the movement of each class of provision. FRS 37(84)

2. If an estimate of an amount reported in an interim period has changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the financial statements for that financial year. Such an update is relevant only for entities that prepare interim financial reports in accordance with FRS 34 requirements. FRS 34(26)

3. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the liability. FRS 37(45) FRS 37(47)

Notes

36. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows: FRS 12(74)

FRS 1(61)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
- To be recovered within one year	**(647)**	(82)	**-**	-
- To be recovered after one year	**(2,672)**	(3,146)	**-**	-
	(3,319)	(3,228)	**-**	-
Deferred income tax liabilities				
- To be settled within one year	**1,627**	890	**600**	559
- To be settled after one year	**10,019**	7,516	**2,179**	1,492
	11,646	8,406	**2,779**	2,051

Movement in deferred income tax account is as follows: DV

	Group		Company		
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**5,178**	3,462	**2,051**	2,011	
Currency translation differences	**614**	(1,184)	**-**	-	
Acquisition of subsidiary (Note 47(c))	**3,753**	-	**-**	-	
Disposal of subsidiary (Note 13)	**(2,037)**	-	**-**	-	
Tax charge to					
- profit or loss (Note 10(a))	**360**	2,641	**323**	20	
- other comprehensive income (Note 10(c))	**152**	259	**4**	20	FRS 12(81)(ab)
- equity (Note 10(d))	**307**	-	**401**	-	FRS 12(81)(a)
End of financial year	**8,327**	5,178	**2,779**	2,051	

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $5,000,000 (2016: $5,244,000) and capital allowances of $400,000 (2016: $544,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date except for an amount of $213,000 which will expire in 2018. The capital allowances will expire between 2018 and 2019. FRS 12(82) FRS 12(81)(e)

Deferred income tax liabilities of $170,000 (2016: $127,500) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company. These unremitted profits are permanently reinvested and amount to $2,000,000 (2016: $1,500,000) at the balance sheet date[1]. FRS 12(81)(f)

Reference

36. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

FRS 12(81)(g)(i)
FRS 12(81)(g)(ii)

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Fair value gains-net $'000	Convertible bonds $'000	Other $'000	Total $'000
2017					
Beginning of financial year	7,381	521	-	1,083	8,985
Currency translation differences	378	78	-	469	925
Acquisition of subsidiary	553	3,175	-	275	4,003
Disposal of subsidiary	(2,037)	-	-	-	(2,037)
Charged to					
- profit or loss	436	5	21	101	563
- other comprehensive income	-	152	-	-	152
- equity	-	–	421	-	421
End of financial year	6,711	3,931	442	1,928	13,012
2016					
Beginning of financial year	6,413	333	-	284	7,030
Currency translation differences	(818)	(77)	-	-	(895)
Charged to					
- profit or loss	1,786	6	-	799	2,591
- other comprehensive income	-	259	-	-	259
End of financial year	7,381	521	-	1,083	8,985

Deferred income tax assets[2]

	Provisions $'000	Tax losses $'000	Other $'000	Total $'000
2017				
Beginning of financial year	(734)	(1,960)	(1,113)	(3,807)
Currency translation differences	(65)	(74)	(172)	(311)
Acquisition of subsidiary	(250)	-	-	(250)
(Credited)/charged to				
- profit or loss	(579)	891	(515)	(203)
- equity	-	-	(114)	(114)
End of financial year	(1,628)	(1,143)	(1,914)	(4,685)
2016				
Beginning of financial year	(977)	(1,500)	(1,091)	(3,568)
Currency translation differences	62	(460)	109	(289)
Charged/(credited) to				
- profit or loss	181	-	(131)	50
End of financial year	(734)	(1,960)	(1,113)	(3,807)

Reference

36. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Fair value gains-net $'000	Convertible bonds $'000	Total $'000
2017				
Beginning of financial year	2,014	82	-	2,096
Charged to				
- profit or loss	366	-	21	387
- other comprehensive income	-	4	-	4
- equity	-	-	421	421
End of financial year	2,380	86	442	2,908
2016				
Beginning of financial year	1,958	62	-	2,020
Charged to				
- profit or loss	56	-	-	56
- other comprehensive income	-	20	-	20
End of financial year	2,014	82	-	2,096

Deferred income tax assets

	Provisions $'000	Other $'000	Total $'000
2017			
Beginning of financial year	(41)	(4)	(45)
Charged/(credited) to			
- profit or loss	17	(81)	(64)
- equity	-	(20)	(20)
End of financial year	(24)	(105)	(129)
2016			
Beginning of financial year	(15)	6	(9)
Credited to profit or loss	(26)	(10)	(36)
End of financial year	(41)	(4)	(45)

Reference

Guidance notes

Deferred income taxes

Deferred tax on unremitted earnings of overseas subsidiaries FRS 12(39)

1. An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

   (a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and

   (b) it is probable that the temporary difference will not reverse in the foreseeable future.

   As a parent controls the dividend policy of its subsidiary, it can control the timing of the reversal of such temporary differences associated with its subsidiary. However, it would often be impracticable to determine the income taxes that would be payable when the temporary difference reverses. Therefore, when the parent has determined that those profits will not be distributed in the foreseeable future the parent does not recognise a deferred tax liability. The same considerations apply to investments in branches. FRS 12(40)

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to FRS 12

2. Amendments made to FRS 12 in January 2016 is applicable for annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

   - a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period;
   - an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit;
   - where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and
   - tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Reference

37. Share capital and treasury shares

FRS 1(79,106(d))

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
	’000	’000	$’000	$’000
Group and Company				
2017				
Beginning of financial year	20,000	(725)	32,024	(900)
Treasury shares purchased	-	(1,000)	-	(2,072)
Shares issued	4,050	-	9,884	-
Share issue expenses	-	-	(413)	-
Treasury shares re-issued	-	750	-	1,554
End of financial year	24,050	(975)	41,495	(1,418)
2016				
Beginning of financial year	20,000	-	32,024	-
Treasury shares purchased	-	(725)	-	(900)
End of financial year	20,000	(725)	32,024	(900)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. FRS 1(79)(a)(ii,iii)

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company, after paying dividends for the 6.5% redeemable preference shares, which are classified as liabilities (Note 33). FRS 1(79)(a)(v)

On 1 March 2017, the Company issued 4,050,000 ordinary shares for a total consideration of $9,884,000 for cash to provide funds for the expansion of the Group’s operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

Reference

37. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2016: 725,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $2,072,000 (2016: $900,000) and this was presented as a component within shareholders' equity. FRS 32(33)

The Company re-issued 750,000 (2016: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of $1.31 (2016: Nil) each. The cost of the treasury shares re-issued amounted to $1,554,000. The total consideration (net of expense) for the treasury shares issued is as follows:

	2017 **$'000**	2016 $'000
Exercise price paid by employees	**983**	-
Value of employee services (Note 38(b)(i))	**946**	-
Less: Transaction costs	**(1)**	-
Total net consideration	**1,928**	-

Accordingly, a gain on re-issue of treasury shares of $374,000 is recognised in the capital reserve (Note 38(b)(ii)).

(b) Share options

Share options were granted to key management personnel and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2015.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management personnel or employee completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. FRS 102(45)(a)

Once they have vested, the options are exercisable over a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Reference

37. Share capital and treasury shares (continued)

(b) Share options (continued)

On 1 January 2017, options to subscribe for 964,000 ordinary shares in the Company at an exercise price of $2.95 per ordinary share were granted pursuant to the Scheme ("2017 Options"). The 2017 Options are exercisable from 1 January 2019 and expire on 31 December 2022. FRS 1(79)(a)(vii)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows: FRS 102(45)(b-d)

	No. of ordinary shares under option						
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
Group and Company							
2017							
2015 Options	1,850,000	-	(100,000)	(750,000)	1,000,000	$1.31	1.1.2017 – 31.12.2020
2016 Options	1,732,000	-	(200,000)	-	1,532,000	$1.28	1.1.2018 – 31.12.2021
2017 Options	-	964,000	-	-	964,000	$2.95	1.1.2019 – 31.12.2022
	3,582,000	964,000	(300,000)	(750,000)	3,496,000		
2016							
2015 Options	2,050,000	-	(200,000)	-	1,850,000	$1.31	1.1.2017 – 31.12.2020
2016 Options	-	1,965,000	(233,000)	-	1,732,000	$1.28	1.1.2018 – 31.12.2021
	2,050,000	1,965,000	(433,000)	-	3,582,000		

Out of the unexercised options for 3,496,000 (2016: 3,582,000) shares, options for 1,000,000 (2016: Nil) shares are exercisable at the balance sheet date. Options exercised in 2017 resulted in 750,000 treasury shares (2016: Nil) being re-issued at the exercise price of $1.31 (2016: Nil) each. The weighted average share price at the time of exercise was $3.20 (2016: Nil) per share. The related transaction costs amounting to $500 (2016: Nil) were deducted against the proceeds received. FRS 102(45)(b)(vii) FRS 102(45)(c)

The fair value of options granted on 1 January 2017 (2016: 1 January 2016), determined using the Binomial Valuation Model, was $600,000 (2016: $780,000). The significant inputs into the model were the share price of $2.95 (2016: $1.28) at the grant date, the exercise price of $2.95 (2016: $1.28), standard deviation of expected share price returns of 30% (2016: 27%), dividend yield of 10% (2016: 8%), the option life shown above and the annual risk-free interest rate of 5% (2016: 4%). The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last three years. FRS 102(46,47(a))

Reference

38. Other reserves

FRS 1(106)(d)

		Group		Company		Reference
		2017	2016	**2017**	2016	
		$'000	$'000	**$'000**	$'000	
(a)	Composition:					
	Share option reserve	**1,636**	1,892	**1,636**	1,892	
	Capital reserve	**488**	–	**394**	–	
	Fair value reserve	**572**	127	**96**	130	
	Hedging reserve	**87**	24	**62**	12	
	Currency translation reserve	**2,958**	2,376	**–**	–	
	Equity component of convertible bonds	**1,685**	–	**1,685**	–	
	Asset revaluation reserve	**2,202**	2,000	**–**	–	
		9,628	6,419	**3,873**	2,034	
(b)	Movements:					
	(i) Share option reserve					FRS 1(106)(d)
	Beginning of financial year	**1,892**	1,270	**1,892**	1,270	
	Employee share option scheme					
	- Value of employee services (Note 6)	**690**	622	**690**	622	
	- Share options exercised (Note 37(a))	**(946)**	-	**(946)**	-	
	End of financial year	**1,636**	1,892	**1,636**	1,892	
	(ii) Capital reserve					FRS 1(106)(d)
	Beginning of financial year	**-**	-	**-**	-	
	Gain on re-issue of treasury shares (Note 37(a))	**374**	-	**374**	-	
	Excess tax on employee share option scheme[5] (Note 10(d))	**114**	-	**20**	-	
	End of financial year	**488**	-	**394**	-	
	(iii) Fair value reserve					FRS 1(106)(d)
	Beginning of financial year	**127**	55	**130**	55	
	Available-for-sale financial assets					
	- Fair value gains/(losses) (Note 16)	**710**	88	**(34)**	94	FRS 107(20)(a)(ii)
	- Tax on fair value changes	**(128)**	(16)	**6**	(19)	FRS 12(81)(a)
		582	72	**(28)**	75	FRS 1(91)
	Share of associated companies' fair value gains on available-for-sale financial assets, net of tax	**27**	-	**-**	-	
	Reclassification to profit or loss (Note 8)	**(200)**	-	**(7)**	-	FRS 107(20)(a)(ii)
	Tax on reclassification	**36**	-	**1**	-	FRS 12(81)(a)
		(164)	-	**(6)**	-	FRS 1(91)
	End of financial year	**572**	127	**96**	130	

Notes

Reference

38. Other reserves (continued)

(b) Movements (continued):

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000	Reference
(iv) Hedging reserve					FRS 1(106)(d)
Beginning of financial year	**24**	8	**12**	6	
Fair value gains	**417**	414	**71**	16	FRS 107(23)(c)
Tax on fair value gains	**(75)**	(83)	**(13)**	(3)	FRS 12(81)(a)
	342	331	**58**	13	
Reclassification to profit or loss					
- Revenue (Note 4)	**(128)**	(50)	**-**	-	FRS 107(23)(d)
- Finance expense (Note 9)	**(102)**	(304)	**(10)**	(9)	FRS 107(23)(d)
Reclassification to inventories	**(60)**	(40)	**-**	-	FRS 107(23)(e)
Reclassification to property, plant and equipment	**(50)**	-	**-**	-	FRS 107(23)(e)
Tax on reclassification adjustments	**61**	79	**2**	2	FRS 12(81)(a)
	(279)	(315)	**(8)**	(7)	
End of financial year	**87**	24	**62**	12	
(v) Currency translation reserve					FRS 1(106)(d)
Beginning of financial year	**2,376**	2,454	**-**	-	FRS 21(52)(b)
Reclassification on disposal of a subsidiary (Note 13)	**(1,200)**	-	**-**	-	
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	**1,878**	(338)	**-**	-	
Net currency translation difference on borrowings designated as hedges against foreign subsidiaries[1]	**456**	220	**-**	-	
Less: Non-controlling interests[2]	**(552)**	40	**-**	-	
	1,782	(78)	**-**	-	
End of financial year	**2,958**	2,376	**-**	-	
(vi) Equity component of convertible bonds					FRS 1(106)(d)
Convertible bond – equity component (Note 32)	**2,106**	-	**2,106**	-	
Tax on liability component (Note 10(d))	**(421)**	-	**(421)**	-	FRS 12(81)(a)
End of financial year	**1,685**	-	**1,685**	-	

Notes

Reference

38. Other reserves (continued)

(b) Movements (continued):

	Group		Company		
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	FRS 1(106)(d)
(vii) Asset revaluation reserve [3]					
Beginning of financial year	**2,000**	1,259	**-**	-	
Revaluation gains (Note 28)	**253**	1,133	**-**	-	FRS 16(39)
Tax on revaluation gains	**(46)**	(239)	**-**	-	FRS 12(81)(a)
Less: Non-controlling interests[2]	**(5)**	(153)	**-**	-	
	202	741	**-**	-	
End of financial year	**2,202**	2,000	**-**	-	FRS 16(77)(f)

Other reserves are non-distributable[4]. FRS 1(106)(d)

Guidance notes

Other reserves

Borrowings designated as net investment hedges

1. For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Currency translation differences arising from such items shall be recognised (a) in profit or loss in the separate financial statements of the reporting entity or of the foreign operation; and (b) in a separate component of equity in the consolidated financial statements. FRS 21(15,32)

Non-controlling interests

2. Non-controlling interests' share of reserve movement (net of tax) should be separately disclosed, where applicable.

Transfer of revaluation surplus on property, plant and equipment ("PPE")

3. This publication illustrates the disclosure where the entity has elected to transfer revaluation surplus of an item of PPE directly to retained profits when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained profits progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost. FRS 16(41)

Distributable reserves

4. The amount of reserves that are distributable will depend on the Articles of Association of the company subject to any regulatory restrictions.

Reference

Guidance notes

Other reserves (continued)

Tax on employee share option scheme

5. With effect from the Year of Assessment 2007, companies are allowed tax deduction for costs incurred in the purchase of treasury shares that are transferred to employees pursuant to employee share-based payment ("SBP") arrangements. For details, please refer to the Inland Revenue Authority of Singapore circular - "Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme" issued in June 2006 and a supplemental circular issued in January 2007.

   As the timing of the tax deduction and the recognition of the employee share option expense differs, FRS 12 requires the recognition of the related deferred tax asset if the deferred tax asset recognition criteria are met. For an equity-settled SBP, if the cumulative amount of tax deduction exceeds the tax effect of the related cumulative remuneration expense at the reporting date, the excess of the associated deferred tax shall be recognised directly in equity. All taxes related to cash-settled SBPs shall be recognised in profit or loss. FRS 12(68A-68C)

39. Retained profits

(a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to $405,000 (2016: $255,000) and the amount of $1,418,000 (2016: $900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of $1,418,000 (2016: $900,000) utilised to purchase treasury shares. FRS 1(79)(a)(v)

(b) Movement in retained profits for the Company is as follows: DV

	Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**1,434**	6,384
Net profit	**9,944**	10,786
Dividends paid (Note 40)	**(10,102)**	(15,736)
End of financial year	**1,276**	1,434

Notes

Reference

40. Dividends[1]

	Group 2017 $'000	Group 2016 $'000	
Ordinary dividends			
Final dividend paid in respect of the previous financial year of 52.41 cents (2016: 78.68 cents) per share (Note 39)	**10,102**	15,736	FRS 1(107)

At the Annual General Meeting on 5 April 2018, a final dividend of 43.34 cents per share amounting to a total of $10,000,705 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018. FRS 1(137)(a) FRS 10(12,13)

Guidance notes

Dividends

1. It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares. CA 76J(4)

41. Contingencies

(a) Contingent liabilities

Contingent liabilities, excluding those relating to business combinations (Note 47), investments in associated companies (Note 23) and the investment in a joint venture (Note 24), of which the probability of settlement is not remote at the balance sheet date, are as follows: FRS 37(86)

Group

A claim for unspecified quantum of damages was lodged by a customer during the financial year against a subsidiary and certain of its executives in respect of damages allegedly caused by the use of furniture supplied by the subsidiary. The subsidiary has disclaimed the liability and is defending the action. Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

Company

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries with net liability positions. These bank borrowings amount to $16,000,0 00 (2016: Nil) at the balance sheet date.

(b) Contingent assets

In respect of the disposal of PwC Logistics (PRC) Co., Ltd ("PwC Logistics") on 28 June 2017 (Note 13), the Group will receive additional consideration of $70,000 if the net profit of PwC Logistics for the 18-month period ending 31 December 2018 exceeds $200,000. FRS 37(89)

42. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 23) and investment in a joint venture (Note 24), are as follows:

	Group		Company		
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Property, plant and equipment	**4,193**	4,117	**800**	600	FRS 16(74)(c)
Intangible assets	**460**	474	**200**	100	FRS 38(122)(e)
	4,653	4,591	**1,000**	700	

(b) Operating lease commitments – where the Group is a lessee

The Group leases land, factories and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights[1]. FRS 17(35)(d)

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows: FRS 17(35)(a)

	Group		
	2017	2016	
	$'000	$'000	
Not later than one year	**11,664**	10,204	FRS 17(35)(a)(i)
Between one and five years	**45,651**	45,651	FRS 17(35)(a)(ii)
Later than five years	**16,110**	27,774	FRS 17(35)(a)(iii)
	73,425	83,629	

Reference

42. Commitments (continued)

(c) Operating lease commitments - where the Group is a lessor

The Group and Company lease out retail space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period. FRS 17(56)(c)

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows: FRS 17(56)(a)

	Group and Company		
	2017	2016	
	$'000	$'000	
Not later than one year	**348**	52	FRS 17(56)(a)(i)
Between one and five years	**182**	-	FRS 17(56)(a)(ii)
	530	52	

Guidance notes

Commitments

Significant leasing arrangements

1. When a lessee has any significant leasing arrangements, the entity is required to disclose a general description of the arrangement, such as the basis of contingent rent, existence and terms of the renewal/purchase options and escalation clauses, and any restrictions imposed (i.e. restrictions on dividends, additional debt, further leasing). FRS 17(35)(d)

43. Financial risk management[1]

FRS 107(31)

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures. FRS 107(33)(b)

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Financial Risk Management Committee ("FRMC") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the FRMC. The dealing team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the FRMC and the Board of Directors.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore, China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). FRS 107(33)(a)

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Chinese Renminbi ("RMB"). To manage the currency risk, individual group entities enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly by entering into currency forwards with banks. FRS 107(33)(b) FRS 107(22)(c)

Group Treasury's risk management policy is to hedge between 60% and 80% of highly probable forecast transactions (mainly export sales and import purchases) in the next three months and approximately 90% of firm commitments denominated in foreign currencies. FRS 107(33)(b)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in China, the Philippines, Hong Kong and Thailand are managed primarily through borrowings denominated in the relevant foreign currencies. Borrowings designated and qualified as hedges of net investments in the Group's subsidiaries have a carrying amount of $2,986,000 (2016: $3,154,000) and a fair value of $2,577,000 (2016: $3,121,000) at the balance sheet date. FRS 107(33)(a,b) FRS 107(22)(c) FRS 107(22)(b)

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows[2]:

FRS 107(31,34(a,c))

	SGD $'000	USD $'000	RMB $'000
At 31 December 2017			
Financial assets			
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	22,331	18,693	5,786
Trade and other receivables	7,717	4,716	6,100
Receivables from subsidiaries[8]	15,507	5,351	2,310
Held-to-maturity financial assets	2,122	-	-
	47,677	28,760	14,196
Financial liabilities			
Borrowings	(80,182)	(30,982)	(11,250)
Payables to subsidiaries[8]	(15,507)	(5,351)	(2,310)
Other financial liabilities	(4,876)	(6,801)	(2,384)
	(100,565)	(43,134)	(15,944)
Net financial liabilities	(52,888)	(14,374)	(1,748)
Add: Net non-financial assets of foreign subsidiaries	151,140	25,354	15,127
Net assets	98,252	10,980	13,379
Add: Firm commitments and highly probable forecast transactions in foreign currencies[3]	6,000	45,568	22,444
Less: Currency forwards[3]	(4,000)	(32,040)	(12,540)
Currency profile including non-financial assets and liabilities[3]	100,252	24,508	23,283
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies[3]	*	**(11,800)**	**(1,333)**

* *Less than $1,000*

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows[2] (continued):

	SGD	USD	RMB
	$'000	$'000	$'000
At 31 December 2016			
Financial assets			
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	20,762	26,419	7,003
Trade and other receivables	7,050	4,001	5,300
Receivables from subsidiaries[8]	12,521	7,505	3,200
Held-to-maturity financial assets	1,593	-	-
	41,926	37,925	15,503
Financial liabilities			
Borrowings	(44,684)	(46,736)	(10,648)
Payables to subsidiaries[8]	(12,521)	(7,505)	(3,200)
Other financial liabilities	(5,216)	(2,878)	(1,540)
	(62,421)	(57,119)	(15,388)
Net financial (liabilities)/ assets	(20,495)	(19,194)	115
Add: Net non-financial assets of foreign subsidiaries	92,519	25,064	17,125
Net assets	72,024	5,870	17,240
Add: Firm commitments and highly probable forecast transactions in foreign currencies[3]	2,000	14,893	6,000
Less: Currency forwards[3]	(1,400)	(13,040)	(4,540)
Currency profile including non-financial assets and liabilities[3]	72,624	7,723	18,700
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies[3]	*	**(15,750)**	**100**

* *Less than $1,000*

Notes

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows[2] (continued): FRS 107(31,34(a,c))

	2017 SGD $'000	2017 USD $'000	2016 SGD $'000	2016 USD $'000
Financial assets				
Cash and cash equivalents, and available-for-sale financial assets	**16,320**	**1,432**	1,488	2,707
Trade and other receivables	**10,698**	**-**	5,316	-
	27,018	**1,432**	6,804	2,707
Financial liabilities				
Borrowings	**(81,767)**	**-**	(33,200)	(38,751)
Other financial liabilities	**(655)**	**(52)**	(470)	(79)
	(82,422)	**(52)**	(33,670)	(38,830)
Net financial (liabilities)/ assets	**(55,404)**	**1,380**	(26,866)	(36,123)
Add: Net non-financial assets of foreign subsidiaries	**98,000**	**981**	57,502	40,042
Net assets	**42,596**	**2,361**	30,636	3,919
Add: Firm commitments[3]	**-**	**3,171**	-	1,600
Less: Currency forwards[3]	**-**	**(2,220)**	-	(1,200)
Currency profile including non-financial assets and liabilities[3]	**42,596**	**3,312**	30,636	4,319
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies[3]	**-**	**(840)**	-	(37,323)

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RMB change[4] against the SGD by 6%[5] (2016: 2%[6]) and 6%[5] (2016: 4%[6]) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability / asset that are exposed to currency risk will be as follows[7]:

FRS 107(40), AppB23-24))

	Increase/(Decrease)			
	2017		2016	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	$'000	**$'000**	$'000	$'000
Group				
USD against SGD				
- Strengthened	**(891)**	**183**	(349)	34
- Weakened	**891**	**(183)**	349	(34)
RMB against SGD				
- Strengthened	**(80)**	**-**	4	-
- Weakened	**80**	**-**	(4)	-
Company				
USD against SGD				
- Strengthened	**(50)**	**-**	(746)	-
- Weakened	**50**	**-**	746	-

Notes

Reference

Guidance notes

Financial risk management – currency risk (continued)

Qualitative disclosures on currency risk

1. The publication illustrates some disclosures that may be required for financial risk management. The matters and level of detail to be disclosed depend on the circumstances and the extent of financial risks faced by the entity. FRS 107(7)

Quantitative disclosures on currency risk – based on management information

FRS 107(34)(a)

2. A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel.

Quantitative disclosures on currency risk – factors considered

3. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; and (d) net non-financial assets of foreign subsidiaries. These are summed up in the line item *"Currency profile including non-financial assets and liabilities".*

   FRS 107 is not prescriptive in the presentation format of these quantitative disclosures. If management monitors the entity's currency risk exposure using other basis, these line items shall be replaced as appropriate.

   The line item *"Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies"* measures the currency exposure under the scope of FRS 107 and is used as a basis for computing the currency sensitivity analysis required by FRS 107. This may not coincide with the currency exposure monitored by management. Disclosure of this line item is not mandated by FRS 107.

Sensitivity analysis for currency risk

4. An entity shall provide sensitivity analysis for the whole of its business but may provide different types of sensitivity analysis for different classes of financial instruments. A sensitivity analysis shall be disclosed for each currency to which an entity has significant exposure. In this publication, the entity has significant exposure to two major currencies, namely USD and RMB. FRS 107 AppB21

Sensitivity analysis – reasonably possible change

5. In determining what a reasonably possible change in the relevant risk variables is, an entity shall consider: FRS 107 AppB19

   (a) the economic environments in which it operates. This shall not include remote or "worst case" scenarios or "stress test"; and

   (b) the effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

Guidance notes

Financial risk management – currency risk (continued)

Sensitivity analysis – prior year disclosures

6. In the event that the reasonably possible change in the risk variables changes, the prior year disclosures should not be restated. However, the entity can present as additional information the sensitivity information for the comparative financial year using the new percentage for the current financial year.

Sensitivity analysis – narrative text or tabular format

7. Instead of using a table format, the entity may disclose as follows: FRS 107 IG36

   "At 31 December 2017, if the USD had strengthened/weakened by [ ]% (2016: [ ]%) against the SGD with all other variables including tax rate being held constant, the other comprehensive income of the Group and the Company would have been higher/lower by $[ ] (2016: $[ ]) and $[ ] (2016: $[ ]) respectively as a result of currency translation gains/losses on securities classified as available-for-sale. The profit after tax of the Group and the Company would have been higher/lower by $[ ] (2016: $[ ]) and $[ ] (2016: $[ ]), as a result of currency translation gains/losses on the remaining USD-denominated financial instruments……"

   Where the impact to profit after tax and/or other comprehensive income is different even though the exchange rates may have strengthened or weakened by the same percentage, the table format disclosure will likely be more useful. If the reporting entity holds option-based financial instruments, the upside and downside impacts may also be different.

Foreign currency inter-company receivables and payables

8. Foreign currency inter-company receivables and payables should be included in the sensitivity analyses. This is because even though the inter-company receivables and payables are eliminated in the consolidated balance sheet, the effect on profit or loss on their revaluation under FRS 21 is not fully eliminated.

   However it must be noted that the foreign exchange revaluation effects of a foreign currency inter-company loan which is part of the net investment in a foreign operation are deferred in equity until disposal (or partial disposal) of the foreign operation. Such foreign currency revaluation effects should not be included in the sensitivity analysis for foreign currency risks as they represent a translation risk rather than a transaction risk.

Equity investments that are denominated in foreign currencies

9. Currency risk is not considered separately for financial instruments that are non-monetary e.g. equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments would be considered and reflected in the other price risk disclosures as part of the fair value gains and losses. FRS 107 AppB23

Reference

Guidance notes

Financial risk management – currency risk (continued)

Accruals and provisions

10. Accruals that represent a right to receive cash or an obligation to deliver cash are included in the scope of FRS 107. An example is an accrual for services obtained, but for which an invoice has not been received. FRS 32 AG4

    Similarly, a prepaid expense or an advance payment received for which the future economic benefit is the receipt of goods and services and is not a financial instrument would be excluded from the scope of FRS 107. FRS 32 AG11

    Provisions that meet the definition of FRS 37 paragraph 10 ("liability of uncertain timing and amount") are scoped out of FRS 107. This is only applicable to provisions that are in the scope of FRS 37, but not to financial guarantee contracts, for which the measurement in FRS 39 paragraph 47(c) makes reference to FRS 37. FRS 37(2) FRS 107(3,4) FRS 39(2)(j)

Disclosures at reporting date need to be representative for the period

11. If the quantitative data disclosed as at the reporting date is unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures. FRS 107((35),IG20)

    Similarly, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative. FRS 107((42), IG37-40)

Changes in financial risk management/exposure from the previous period

12. An entity needs to include disclosures on the following if there are changes from the previous period: FRS 107(33)

    (a) the exposures to each type of risk arising from financial instruments;

    (b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk.

    For instance, if there has been a change in the hedging policy, this should be disclosed accordingly.

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. These securities are listed in Singapore and the United States. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. FRS 107(33)(a,b)

If prices for equity securities listed in Singapore and the United States had changed by 15% (2016: 6%) and 14% (2016: 6%) respectively with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been: FRS 107((40), AppB25-28)

	Increase/(Decrease)			
	2017		2016	
	Profit after tax	**Other comprehensive income**	Profit after tax	Other comprehensive income
	$'000	**$'000**	$'000	$'000
Group				
Listed in Singapore				
- increased by	**720**	**1,584**	198	434
- decreased by	**(720)**	**(1,584)**	(198)	(434)
Listed in the United States				
- increased by	**526**	**408**	180	88
- decreased by	**(712)**	**(222)**	(200)	(68)
Company				
Listed in Singapore				
- increased by	**-**	**186**	-	60
- decreased by	**-**	**(186)**	-	(60)

Reference

43. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates. FRS 107 AppA

The Group's policy is to maintain 80 – 90% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from non-current borrowings and loans to subsidiaries at variable rates. The Group manages these cash flow interest rate risks using floating-to-fixed interest rate swaps. FRS 107(33)(a,b)

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.50% (2016: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by $44,000 (2016: $77,000) and $18,000 (2016: $51,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by $313,000 (2016: $835,000) mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges of variable rate borrowings. FRS 107((40),IG36)

Guidance notes

Financial risk management – price risk and interest rate risk

Sensitivity analysis for equity price risk – unquoted equity investments

Sensitivity analysis for equity price risk is applicable even if the equity investments are not quoted.

43. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. FRS 107(33)(a,b)

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet[4], except as follows: FRS 107(36)(a,b)

	Company	
	2017	2016
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' loans	**16,000**	-

The trade receivables of the Group and of the Company comprise 5 debtors (2016: 5 debtors) and 3 debtors (2016: 3 debtors) respectively that individually represented 5 – 10% of trade receivables. FRS 107(34)(c)

The credit risk for trade receivables based on the information provided to key management is as follows: FRS 107(34)(a)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
By geographical areas[2]				
Singapore	**7,770**	7,217	**3,680**	1,569
China	**4,800**	3,800	**2,432**	512
The Philippines	**2,224**	1,000	**-**	-
Other countries	**2,125**	2,509	**1,400**	-
	16,919	14,526	**7,512**	2,081
By types of customers[2]				
Related parties	**188**	217	**1,200**	600
Non-related parties				
- Multi-national companies	**9,800**	7,767	**3,038**	295
- Other companies	**5,707**	5,142	**2,378**	926
- Individuals	**1,224**	1,400	**896**	260
	16,919	14,526	**7,512**	2,081

Reference

43. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company. FRS 107(36)(c)

(ii) Financial assets that are past due and/or impaired

There is no other class[1] of financial assets that is past due and/or impaired except for trade receivables. DV

The age analysis of trade receivables past due but not impaired is as follows: FRS 107(37)(a)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Past due < 3 months	**3,320**	1,772	**1,350**	704
Past due 3 to 6 months	**1,446**	654	**500**	205
Past due over 6 months	**270**	154	**150**	66
	5,036	2,580	**2,000**	975

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows[3]: FRS 107(16,37(b))

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Past due 3 to 6 months	**320**	200	**80**	40
Past due over 6 months	**480**	400	**120**	40
	800	600	**200**	80
Less: Allowance for impairment	**(509)**	(470)	**(100)**	(50)
	291	130	**100**	30
Beginning of financial year	**470**	438	**50**	40
Currency translation difference	**(2)**	1	**-**	-
Allowance made	**74**	61	**58**	17
Allowance utilised	**(33)**	(30)	**(8)**	(7)
End of financial year	**509**	470	**100**	50

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations. Certain goods sold to this customer amounting to $108,000 can be re-possessed[4]. FRS 107(37)(b) FRS 107(36)(b)

Notes

Reference

Guidance notes

Financial risk management – credit risk

Class versus category of financial instrument

1. An entity is required to make certain credit risk exposures by class of financial instrument. A "class" of financial instruments is not the same as a "category" of financial instruments. Categories are defined in FRS 39 as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. FRS 107(36)

   Classes are expected to be determined at a lower level than the categories in FRS 39 and reconciled to the balance sheet as required by FRS 107(6). However, the level of detail for each class shall be determined on an entity-specific basis. Items are treated as one class when they share similar characteristics.

Quantitative disclosures on credit risk

2. The quantitative disclosures on credit risk exposure shall be based on information provided internally to key management personnel of the entity. This publication illustrates the disclosure where (a) management monitors the credit risk exposures only on the major classes of financial assets, which are bank deposits and trade receivables; and (b) the credit risk exposures on trade receivables are analysed and reported to key management by geographical areas and by types of customers. Other measures such as industry sector, credit rating and group of closely related counterparties might be used by another reporting entity. FRS 107(34)

Allowance account for credit losses

3. When financial assets are impaired by credit losses and the entity records the impairment in a separate allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets. FRS 107(16)

Reference

Guidance notes

Financial risk management – credit risk (continued)

Collateral and other credit enhancements obtained

4. An entity shall disclose by class of financial instrument a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit. FRS 107(36)(b)

   When an entity holds collateral against a financial asset, the maximum exposure to credit risk in respect of that financial asset is likely to be lower than the carrying amount.

   When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements, and such assets meet the recognition criteria in other Standards, the following disclosure for such assets held at the reporting date can be considered: FRS 107(38)

   "As at xxx, the Group obtained assets by taking possession of collateral held as security as follows:

Nature of assets	*Carrying amount ($'000)*
Inventories	*20*
Property, plant and equipment	*1,290*

   Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the balance sheet."

Reference

43. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities (Note 31(c)) and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 13. FRS 107(33,39(c)) FRS 107 AppB11E

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility (Note 31(c)) and cash and cash equivalents (Note 13)) of the Group and the Company on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans. FRS 107(34)(a)

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows[1]. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Group	Less than 1 year[4] $'000	Between 1 and 2 years[4] $'000	Between 2 and 5 years[4] $'000	Over 5 years[4] $'000
At 31 December 2017				
Trade and other payables	(15,820)	(350)	-	-
Borrowings	(14,545)	(25,931)	(83,981)	(34,223)
At 31 December 2016				
Trade and other payables	(10,234)	-	-	-
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)

Company	Less than 1 year[4] $'000	Between 1 and 2 years[4] $'000	Between 2 and 5 years[4] $'000	Over 5 years[4] $'000
At 31 December 2017				
Trade and other payables	(707)	-	-	-
Borrowings	(8,160)	(4,450)	(63,350)	(33,900)
Financial guarantee contracts	(16,000)	-	-	-
At 31 December 2016				
Trade and other payables	(549)	-	-	-
Borrowings	(12,762)	(35,606)	(5,850)	(35,850)

FRS 107 AppB11C(c)

Notes

Reference

43. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group intends to repay $15,000,000 in the first quarter of 2018 for borrowings that are contractually repayable between two to five years (2016 : Nil).[3] FRS 107 AppB10A(a)

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. FRS 107(39)(b)

Group	Less than 1 year[4] $'000	Between 1 and 2 years[4] $'000	Between 2 and 5 years[4] $'000	Over 5 years[4] $'000	
At 31 December 2017					
Net-settled interest rate swaps – cash flow hedges[2]					FRS 107(39)(b)
- Net cash outflows	(30)	(30)	(47)	-	
Gross-settled currency forwards – cash flow hedges and fair value hedges					
- Receipts	18,108	5,201	-	-	
- Payments	(18,482)	(5,121)	-	-	
At 31 December 2016					
Gross-settled currency forwards – cash flow hedges and fair value hedges					
- Receipts	8,023	4,912	-	-	
- Payments	(8,278)	(4,960)	-	-	

Notes

Reference

43. Financial risk management (continued)

(c) Liquidity risk (continued)

Company	Less than 1 year[4] $'000	Between 1 and 2 years[4] $'000	Between 2 and 5 years[4] $'000	Over 5 years[4] $'000
At 31 December 2017				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	1,123	99	-	-
- Payments	(1,170)	(110)	-	-
At 31 December 2016				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	640	50	-	-
- Payments	(687)	(52)	-	-

The table below analyses the Group's trading portfolio derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the expected settlement date. The amounts disclosed in the table are net fair values, as the amounts at which an orderly settlement of the transactions would take place between market participants at the balance sheet date. FRS 107(39)(b)

Group	Less than 1 year[4] $'000	Between 1 and 2 years[4] $'000	Between 2 and 5 years[4] $'000	Over 5 years[4] $'000
At 31 December 2017				
Net-settled currency forwards				
- Held for trading	(100)	-	-	-

FRS 107(39)(b)

Reference

Guidance notes

Financial risk management – liquidity risk

Contractual undiscounted cash flows

1. Irrespective of whether they are reported to key management, a maturity analysis should be disclosed for: FRS 107(39)(a,b)

   (a) the non-derivative financial liabilities (including issued financial guarantee contracts) that show the remaining contractual maturities; and

   (b) derivative financial liabilities that include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows. FRS 107 AppB11B

   For derivative financial liabilities, it is judgemental as to whether the remaining contractual maturities would be essential for an understanding of the timing of the cash flows. FRS 107 specifies that contractual maturities would be essential in the following situations:

   (a) an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability; and

   (b) all loan commitments.

   It should be noted that some derivatives may entail a series of periodic payments, and some of these payments may be due within 12 months, although the entire derivative may be classified as non-current on the balance sheet as the final maturity of the derivative instrument exceeds 12 months.

   The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, e.g.: FRS 107 AppB11D

   (a) gross finance lease obligations (before deducting finance charges);

   (b) prices specified in forward agreements to purchase financial assets for cash;

   (c) net amounts for pay-floating/receive-fixed (or vice versa) interest rate swaps for which net cash flows are exchanged;

   (d) contractual amounts to be exchanged in a derivative financial instrument (e.g., a currency swap) for which gross cash flows are exchanged; and

   (e) gross loan commitments.

   Contractual cash flows are undiscounted and therefore differ from the carrying amount on the balance sheet by the amount of interest accruing between the balance sheet date and the maturity date. This difference is not expected to be material for balances due within 12 months given the short period of interest accrual. Entities can choose to add a column with the carrying amount that ties into the balance sheet and a reconciling amount column if they so wish, but this is not mandatory.

Reference

Guidance notes

Financial risk management – liquidity risk (continued)

Variable amount payable

2. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date. FRS 107 AppB11D

Expected maturity dates

3. An entity should disclose summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. If the outflows of cash (or another financial asset) included in that data could occur significantly earlier than indicated in the data, the entity should state this fact and provide quantitative information that enables this risk to be assessed. FRS 107 AppB10A

Time buckets

4. In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. FRS 107 prescribes that: FRS 107 AppB11

   (a) When a counterparty has a choice of when an amount is to be paid, the liability is included on the basis of the earliest date on which the reporting entity can be required to pay. FRS 107 AppB11C
   (b) When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay.
   (c) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

43. Financial risk management (continued)

(d) Capital risk FRS 1(135),IG10

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. FRS 1(135)(a)

Management monitors capital based on a gearing ratio[1,2]. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 70% (2016: 70%). The Group's and the Company's strategies, which were unchanged from 2016, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively. FRS 1(135)(a) FRS 1(135)(c)

Reference

43. Financial risk management (continued)

(d) Capital risk (continued) FRS 1(135),IG10

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt. FRS 1(135)(b)

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Net debt	**122,605**	79,228	**66,222**	69,523
Total equity	**136,153**	98,161	**45,226**	34,592
Total capital[3]	**258,758**	177,389	**111,448**	104,115
Gearing ratio	**47%**	45%	**59%**	67%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2017. FRS 1(135)(d)

Guidance notes

Financial risk management – Capital risk

1. This publication illustrates the capital risk disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose. For instance, some entities may monitor capital based on Return on Capital Employed, Economic Value Added, or dividend payout ratio. FRS 1 IG10
2. An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject. FRS 1(136)
3. The word "capital" denotes the company's overall funding; it does not mean "equity capital".

Reference

43. Financial risk management (continued)

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); FRS 113(76)

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and FRS 113(81)

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)[1]. FRS 113(86)

See Note 11 for disclosure of the disposal group classified as held-for-sale that are measured at fair value. See Note 26 for disclosure of the investment properties that are measured at fair value. See Note 28 for disclosure of the property, plant and equipment that are measured at fair value. FRS 113(93)(b)

FRS 113(93)(b)

Group **2017**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	10,785	-	-	10,785
Derivative financial instruments	-	1,353	111	1,464
Available-for-sale financial assets	11,901	-	5,347	17,248
Total assets	22,686	1,353	5,458	29,497
Liabilities				
Contingent consideration payable	-	-	350	350
Derivative financial instruments	-	575	-	575
Total liabilities	-	575	350	925
2016				
Assets				
Financial assets at fair value through profit or loss	8,326	-	-	8,326
Derivative financial instruments	-	564	-	564
Available-for-sale financial assets	7,673	-	5,264	12,937
Total assets	15,999	564	5,264	21,827
Liabilities				
Derivative financial instruments	-	284	-	284

Notes

Reference

43. Financial risk management (continued)

(e) Fair value measurements (continued)

Company	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2017				
Assets				
Derivative financial instruments	-	266	-	266
Available-for-sale financial assets	1,500	-	-	1,500
Total assets	1,500	266	-	1,766
Liabilities				
Derivative financial instruments	-	47	-	47
2016				
Assets				
Derivative financial instruments	-	84	-	84
Available-for-sale financial assets	1,218	-	-	1,218
Total assets	1,218	84	-	1,302
Liabilities				
Derivative financial instruments	-	47	-	47

There were no transfers between Levels 1 and 2 during the year. FRS 113(93)(c)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price[2]. These instruments are included in Level 1. FRS 113(91)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows[3]. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3. FRS 113(93)(d)

Reference

43. Financial risk management (continued)

(e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments: FRS 113(93e)

	Derivatives $'000	Available-for-sale financial assets $'000	Contingent consideration $'000	Total $'000
2017				
Beginning of financial year	-	5,264	-	5,264
Transfers	115	-	-	115
Purchases	-	50	-	50
Acquisition of a subsidiary	-	-	(300)	(300)
Fair value gains/(losses) recognised in				
- other comprehensive income	-	33	-	33
- profit or loss	(4)	-	(50)	(54)
End of financial year	111	5,347	(350)	5,108
Total gains or (losses) for the period included in profit or loss for assets and liabilities held at the end of the financial year	(4)	-	(50)	(54)
2016				
Beginning of financial year	-	5,000	-	5,000
Purchases	-	254	-	254
Fair value gains/(losses) recognised in				
- other comprehensive income	-	10	-	10
- profit or loss	-	–	-	-
End of financial year	-	5,264	-	5,264
Total gains/(losses) recognised in profit or loss for assets and liabilities held at the end of the financial year (FRS 113(93)(e)(i))	-	-	-	-

During the financial year ended 31 December 2017, the Group transferred a held for trading forward foreign exchange contract from Level 2 to Level 3 as the counterparty for the derivative encountered significant financial difficulties resulting in a significant increase in the discount rate due to increased counterparty credit risk which is not based on observable inputs. FRS 113(93)(e)(iv)

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values[2]. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values. FRS 107(29)(a)

Notes

Reference

Guidance notes

Financial risk management – Fair value measurements

Sensitivity analysis

1. For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, that fact shall be stated and the effect of these changes disclosed. Significance shall be judged with respect to profit or loss, total assets or liabilities or total equity. Such disclosure has been illustrated in this publication in Note 3.1(e). FRS 113(93)(h)(ii)

Financial instruments carried at other than fair value

2. An entity should disclose the fair value for each class of financial assets and financial liabilities (per FRS 107(6)) in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following: FRS 107(6) FRS 107(29)(a) FRS 107(29)(c)

   (a) when the carrying amount is a reasonable approximation of fair value;

   (b) investments in equity instruments (and derivatives linked to such equity instruments) that do not have a quoted market price in an active market and that are measured at cost in accordance with FRS 39 because their fair value cannot be measured reliably; and

   (c) a contract containing a discretionary participation feature (as described in FRS 104, '*Insurance contracts*') where the fair value of that feature cannot be measured reliably.

3. The information about the fair values can be provided either in a combined financial instruments note or in the individual notes. However, fair values should be separately disclosed for each class of financial instrument, which means that each line item in the table would have to be broken down into individual classes. FRS 113(97)

4. For each class of assets and liabilities not measured at fair value in the balance sheet but for which fair value is disclosed, an entity shall disclosed the information required as follows: FRS 113(93)(b)

   (a) the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3); FRS 113(93)(d)

   (b) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it. However an entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorised within Level 3 of the fair value hierarchy required by FRS 113(93)(d); and FRS 113(93)(i)

   (c) for recurring and non-recurring fair value measurements of non-financial asset, if its highest and best use differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.

Guidance notes

Financial risk management – Fair value measurements (continued)

Financial instruments measured at cost where fair value cannot be determined reliably

5. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature (as described in FRS 104 '*Insurance contracts*') cannot be measured reliably, the entity should disclose: FRS 107(30)

(a) the fact that fair value information has not been disclosed because it cannot be measured reliably;
(b) a description of the financial instruments, their carrying amount and an explanation why fair value cannot be measured reliably;
(c) information about the market for the instruments; and
(d) information about whether and how the entity intends to dispose of the financial instruments.

43. Financial risk management (continued)

(f) Financial instruments by category FRS 107(6)

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14, Note 15, Note 16 and Note 27 to the financial statements, except for the following:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Financial assets at fair value through profit or loss				
- Held for trading	**10,257**	8,436	**-**	-
Loans and receivables	**43,058**	53,308	**26,950**	8,293
Financial liabilities at amortised cost	**144,185**	115,380	**82,314**	72,500

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1]

FRS 107(13C)

(i) Financial assets

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral received	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*e = (c)+(d)*[2]
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2017						
Derivative financial assets	2,039	(575)	1,464	(263)	-	1,201
Trade receivables	6,104	(2,089)	4,015	-	-	4,015
Total	8,143	(2,664)	5,479	(263)	-	5,216
At 31 December 2016						
Derivative financial assets	848	(284)	564	(188)	-	376
Trade receivables	3,875	(784)	3,091	-	-	3,091
Total	4,723	(1,068)	3,655	(188)	-	3,467

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued)

(i) Financial assets (continued)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - financial assets presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral received	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*f = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2017						
Derivative financial assets	313	(47)	266	(24)	-	242
Total	313	(47)	266	(24)	-	242
At 31 December 2016						
Derivative financial assets	131	(47)	84	(13)	-	71
Total	131	(47)	84	(13)	-	71

Notes

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued)

FRS 107(13C)

(ii) Financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial liabilities	Gross amounts - financial assets	Net amounts - financial liabilities presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral pledged	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*e = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2017						
Derivative financial liabilities	1,150	(575)	575	(263)	-	312
Trade payables	2,089	(2,089)	-	-	-	-
Total	3,239	(2,664)	575	(263)	-	312
At 31 December 2016						
Derivative financial liabilities	568	(284)	284	(188)	-	96
Trade payables	784	(784)	-	-	-	-
Total	1,352	(1,068)	284	(188)	-	96

Reference

43. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities[1] (continued) FRS 107(13C)

(ii) Financial liabilities (continued)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet[3]		
	Gross amounts - financial liabilities	Gross amounts - financial assets	Net amounts - financial liabilities presented in the balance sheet	Financial assets/ (liabilities)	Financial collateral pledged	Net amount
	(a)[2]	*(b)*[2]	*(c) = (a)-(b)*[2]	*(di)*[2]	*(dii)*[2]	*f = (c)+(d)*[2]
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2017						
Derivative financial liabilities	94	(47)	47	(24)	-	23
Total	94	(47)	47	(24)	-	23
At 31 December 2016						
Derivative financial liabilities	94	(47)	47	(13)	-	34
Total	94	(47)	47	(13)	-	34

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group or the Company and their respective counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

Reference

Guidance notes

Commentary – disclosure of offsetting of financial assets and financial liabilities

1. Amendments to FRS 107, '*Disclosure – Offsetting financial assets and financial liabilities*' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The disclosures in these amendments are required for all recognised financial instruments that are set off in accordance with paragraph 42 of FRS 32. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of FRS 32 [FRS 107 paragraph 13A, B40]. The amendments do not provide a definition of "master netting arrangement" however paragraph 50 of FRS 32 identifies the following characteristics, which a master netting arrangement would have: FRS 107(13C)

   (a) provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.
   (b) used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations.
   (c) creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

   Because of the broad scope of the new offsetting requirements, these disclosures are relevant not only to financial institutions but also corporate entities.

   Per FRS 107 paragraphs B51 and B52, entities may group the quantitative disclosures by type of financial instrument or by counterparty. The above example only illustrates the disclosures by type of financial instrument. When disclosure is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item.

Reference

Guidance notes

Offsetting of financial assets and financial liabilities

2. To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A: FRS 107(13C)

(a) The gross amounts of those recognised financial assets and recognised financial liabilities;

(b) The amounts that are set off in accordance with the criteria in paragraph 42 of FRS 32 when determining the net amounts presented in the statement of financial position;

(c) The net amounts presented in the statement of financial position;

(d) The the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:
i. amounts related to recognised financial instruments that do not meet some or all of the offsetting critieria in paragraph 42 of FRS 32; and
ii. amounts related to financial collateral (including cash collateral); and

(e) The net amount after deducting the amounts in (d) from the amounts in (c).

The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.

3. These amounts are not set off in the balance sheet as the agreements do not meet some or all of the offsetting criteria in FRS 32.

4. Alternatively, the information required by guidance notes 2 above may be presented in the following format:

31 December 2017 ($'000)	Derivative financial assets	Derivative financial liabilities	Trade receivables	Trade payables
Gross amount	2,039	1,150	6,104	2,089
Less: Gross amount set off in balance sheet	(575)	(575)	(2,089)	(2,089)
Net amount presented in balance sheet	1,464	575	4,015	-
Less: related amount not set off in balance sheet[2]	(263)	(263)	-	-
Less: financial collateral received / pledged	-	-	-	-
Net exposure	(1,201)	312	4,015	-

Notes

Reference

Guidance notes

Offsetting of financial assets and financial liabilities (continued)

4. Alternatively, the information required by guidance notes 2 above may be presented in the following format (continued): FRS 107(13C)

31 December 2016 ($'000)	Derivative financial assets	Derivative financial liabilities	Trade receivables	Trade payables
Gross amount	848	568	3,875	784
Less: Gross amount set off in balance sheet	(284)	(284)	(784)	(784)
Net amount presented in balance sheet	564	284	3,091	-
Less: related amount not set off in balance sheet[2]	(188)	(188)	-	-
Less: financial collateral received / pledged	-	-	-	-
Net exposure	376	96	3,091	-

The Company has the following financial instruments subject to enforceable master netting arrangements and similar agreements:

31 December 2017 ($'000)	Derivative financial assets	Derivative financial liabilities
Gross amount	313	94
Less: Gross amount set off in balance sheet	(47)	(47)
Net amount presented in balance sheet	266	47
Less: related amount not set off in balance sheet[2]	(24)	(24)
Less: financial collateral received/pledged	-	-
Net exposure	242	23

31 December 2016 ($'000)	Derivative financial assets	Derivative financial liabilities
Gross amount	131	94
Less: Gross amount set off in balance sheet	(47)	(47)
Net amount presented in balance sheet	84	47
Less: related amount not set off in balance sheet[2]	(13)	(13)
Less: financial collateral received/pledged	-	-
Net exposure	71	34

Reference

44. Immediate and ultimate holding corporations[1]

The Company's immediate holding corporation is PwC Corporate Limited, incorporated in Singapore. The ultimate holding corporation is PwC Global Limited, incorporated in the United Kingdom. FRS 1(138)(c) FRS 24(13) CA 201(11)

Guidance notes

Immediate and ultimate holding corporation

Ultimate controlling party

1. An entity shall disclose the name of the entity's parent and if different, the name of the ultimate controlling party, which can be an individual person or an entity that is not an incorporated entity. FRS 24(13)

Reference

45. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services — FRS 24(18,24)

	Group 2017 $'000	Group 2016 $'000	Reference
Sales of goods and/or services to			
- associated companies	**1,800**	1,792	FRS 24(19)(d)
- other related parties	**470**	729	FRS 24(19)(g)
	2,270	2,521	
Purchases of materials from			
- associated companies	**16,286**	17,504	FRS 24(19)(d)
- fellow subsidiaries	**70,601**	60,504	FRS 24(19)(g)
	86,887	78,008	
Purchase of plant and equipment from other related parties	**600**	-	FRS 24(19)(g)
Payments made on behalf and reimbursed by the immediate holding corporation	**186**	153	FRS 24(19)(a)
Professional fees received from other related parties	**212**	149	FRS 24(19)(g)
Technical fees received from other related parties	**15**	10	FRS 24(19)(g)
Purchase commitments from other related parties[1]	**300**	-	

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members. — FRS 24(9)

Outstanding balances at 31 December 2017, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 17 and 30 respectively. — FRS 24(18)(b)(i)

Reference

Guidance notes

Related party transactions (continued)

Commitments

1. If an entity has had related party transactions during the period, it shall disclose the nature of the related party relationships as well as information about these transactions and outstanding balances, including commitments. FRS 24(18)

An entity shall disclose commitments to do something if a particular event occurs or does not occur in the future, including recognised and unrecognised executory contracts.

The following are examples of commitments which could require disclosure:

- Long term incentive schemes for key management personnel.
- Agreements with members of key management personnel to pay certain benefits in the event of termination of employment ("golden parachutes").
- Agreements (including options) between the entity and a related party to purchase or sell assets.
- Agreements (including options) to provide services to or receive services from a related party.
- Commitments under lease agreements with related parties.

The above list is not exhaustive.

45. Related party transactions (continued)

(b) Key management personnel compensation FRS 24(17)

Key management personnel compensation is as follows:

	Group		
	2017 **$'000**	2016 $'000	
Wages and salaries	**3,620**	2,066	FRS 24(17)(a)
Employer's contribution to defined contribution plans, including Central Provident Fund	**203**	98	FRS 24(17)(b)
Termination benefits	**100**	-	FRS 24(17)(d)
Other long-term benefits	**33**	23	FRS 24(17)(c)
Share option expense	**300**	280	FRS 24(17)(e)
	4,256	2,467	

Reference

46. Segment information[1]

The Executive Committee ("Exco") is the Group's chief operating decision-maker. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the heads of each business within each primary geographic segment. Management has determined the operating segments based on the reports reviewed by the Exco that are used to make strategic decisions, allocate resources, and assess performance. FRS 108(22)(a)

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas namely, Singapore, People's Republic of China and the Philippines. From a business segment perspective, management separately considers the manufacture, sale, and construction activities in these geographic areas. All the geographic areas are engaged in the manufacture and sale of electronic component parts. FRS 108(22)(b)

In addition, the Singapore derives revenue from construction of specialised equipment, while The People's Republic of China and the Philippines geographic areas derive revenues from the sale of household and office furniture.

Although the Exco receives separate reports for furniture retail and wholesale businesses, they have been aggregated into one reportable segment as they have similar economic growth rates. FRS 108(22)(aa)

Other segments included manufacture and sale of electronic component parts in Thailand, sale of furniture in the Vietnam and Malaysia, investment holding and provision of logistic services in Singapore and People's Republic of China. These are not included within the reportable operating segments, with the exception of Thailand, as they are not separately reported to the Exco. The results of these operations are included in the "all other segments" column. Although the Thailand segment does not meet the quantitative thresholds required by FRS 108 for reportable segments, management has concluded that this segment should be reported, as it is closely monitored by the strategic steering committee as a potential growth region and is expected to materially contribute to Group revenue in the future. FRS 108(16)

In the prior year, the Group carried out glass manufacturing operations in Malaysia. FRS 105(41)(d)

However, this was discontinued in the current year (see Note 11).

46. Segment information (continued)

The segment information provided to the Exco for the reportable segments are as follows:

	Singapore		People's Republic of China		The Philippines		Thailand			
	Component parts $'000	Construction $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	All other segments $'000	Total for continuing operations $'000	
2017										
Sales										
Total segment sales	87,928	29,808	59,682	39,355	2,845	25,737	1,054	7,605	254,014	
Inter-segment sales	(19,950)	-	(13,415)	(5,880)	(635)	(3,920)	-	-	(43,800)	FRS 108(23)(b)
Sales to external parties	67,978	29,808	46,267	33,475	2,210	21,817	1,054	7,605	210,214	FRS 108(23,33(a))
Adjusted EBITDA[1]	25,858	11,341	17,000	12,729	840	8,316	109	697	76,890	FRS 108(23)
Depreciation	6,248	2,255	4,221	2,789	202	1,859	22	79	17,675	FRS 108(23)(e)
Amortisation	384	-	258	-	13	-	9	111	775	FRS 108(23)(e)
Goodwill impairment	–	-	-	4,650	-	-	-	-	4,650	FRS 36(129)(a)
Restructuring costs	–	–	-	1,100	-	-	-	-	1,100	FRS 108(23)(i)
Share of loss of associated companies	–	–	-	-	20	-	-	154	174	FRS 108(23)(g)
Segment assets	51,103	35,581	83,023	39,919	5,637	26,086	890	9,892	252,131	FRS 108(23)
Segment assets includes:										
Investment in associated companies and joint venture	-	-	-	-	-	-	-	8,208	8,208	FRS 108(24)(a)
Additions to:										
- property, plant and equipment	1,999	1,250	70,314	1,427	810	1,005	250	844	77,899	FRS 108(24)(b)
- investment property	288	-	-	-	-	-	-	-	288	FRS 108(24)(b)
- intangible assets	1,121	-	8,259	-	1,219	-	80	393	11,072	FRS 108(24)(b)
Segment liabilities	(7,471)	(2,532)	(6,101)	(2,047)	(288)	(1,365)	(123)	(645)	(20,572)	FRS 108(23)

Reference

46. Segment information (continued)

	Singapore		People's Republic of China		The Philippines		Thailand			
	Component parts $'000	Construction $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	Furniture $'000	Component Parts $'000	All other segments $'000	Total for continuing operations $'000	
2016										
Sales										
Total segment sales	77,194	16,527	25,601	15,621	2,274	6,214	380	4,049	147,860	
Inter-segment sales	(21,356)	–	(7,049)	(5,075)	(637)	(1,383)	–	–	(35,500)	FRS 108(23)(b)
Sales to external parties	55,838	16,527	18,552	10,546	1,637	4,831	380	4,049	112,360	FRS 108(23,33(a))
Adjusted EBITDA[1]	13,230	6,341	9,574	7,729	760	6,715	33	373	44,755	FRS 108(23)
Depreciation	3,064	1,389	1,162	1,398	1,057	932	45	535	9,582	FRS 108(23)(e)
Amortisation	235	–	89	42	81	28	–	40	515	FRS 108(23)(e)
Share of profit of associated companies	–	–	–	–	–	–	–	145	145	FRS 108(23)(g)
Segment assets	40,493	28,213	26,964	59,596	2,785	29,397	893	9,601	197,942	FRS 108(23)
Segment assets includes:										
Investment in associated companies and joint venture	–	–	–	–	–	–	–	8,569	8,569	FRS 108(24)(a)
Additions to:										
- property, plant and equipment	2,324	530	882	420	801	280	15	790	6,042	FRS 108(24)(b)
- investment property	2,040	-	-	-	-	-	-	-	2,040	FRS 108(24)(b)
- intangible assets	399	–	151	–	138	–	–	12	700	FRS 108(24)(b)
Segment liabilities	(5,247)	(802)	(1,781)	(3,300)	(211)	(2,200)	(82)	(818)	(14,441)	FRS 108(23)

Sales between segments are carried out at market terms. The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of comprehensive income. FRS 108(27)(a)

The Exco assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")[1] for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group. FRS108(27(b),28)

Reference

Guidance notes

Segment information

EBITDA

1. The measure of profit that is reported here depends on what the Chief Operating Decision Maker ("CODM") reviews. EBITDA should not be used if it is not the measure of profit that the CODM reviews.

Description of segments

2. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. From 1 July 2014, they must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. FRS 108 (22)(a), (22)(aa)

46. Segment information (continued)

(a) Reconciliations

(i) Segment profits FRS 108(28)(b)

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is as follows:

	2017 $'000	2016 $'000
Adjusted EBITDA for reportable segments	**76,193**	44,382
Adjusted EBITDA for other segments	**697**	373
Depreciation	**(17,675)**	(9,582)
Amortisation	**(775)**	(515)
Impairment loss on goodwill	**(4,650)**	-
Restructuring costs	**(1,100)**	-
Finance expense	**(7,073)**	(9,060)
Interest income	**1,180**	620
Profit before tax and discontinued operations	**46,797**	26,218

(ii) Segment assets

The amounts reported to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits, derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets. FRS 108(27)(c)

Reference

46. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2017 $'000	2016 $'000
Segment assets for reportable segments	**242,239**	188,341
Other segment assets	**9,892**	9,601
Unallocated:		
Assets associated with disposal group	**3,333**	-
Deferred income tax assets	**3,319**	3,228
Short-term bank deposits	**9,530**	5,414
Derivative financial instruments	**1,464**	564
Financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets	**30,155**	22,856
	299,932	230,004

(iii) Segment liabilities

The amounts provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, borrowings and derivative financial instruments. FRS 108(27)(d)

Segment liabilities are reconciled to total liabilities as follows:

	2017 $'000	2016 $'000
Segment liabilities for reportable segments	**19,927**	13,623
Other segment liabilities	**645**	818
Unallocated:		
Liabilities associated with disposal group	**220**	-
Current income tax liabilities	**2,942**	3,833
Deferred income tax liabilities	**11,646**	8,406
Borrowings	**127,824**	104,884
Derivative financial instruments	**575**	284
	163,779	131,848

Reference

46. Segment information (continued)

(b) Revenue from major products and services

Revenues from external customers are derived mainly from the sale of electronic parts, sale of household and office furniture and construction of specialised equipment. Investment holding and provision of logistics services are included in "Others". Breakdown of the revenue is as follows: FRS 108(32)

	2017 $'000	2016 $'000
Sales for continuing operations		
Component parts	**116,455**	76,027
Furniture	**55,292**	15,377
Construction	**29,808**	16,527
Others	**8,659**	4,429
	210,214	112,360

(c) Geographical information

The Group's three business segments operate in four main geographical areas: FRS 108(33)

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacture and sale of electronic component parts, construction of specialised equipment, and investment holding;
- People's Republic of China – the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- The Philippines – the operations in this area are principally the manufacture and sale of electronic component parts and sale of furniture; and
- Other countries – the operations include the manufacture and sale of electronic component parts in Thailand, sale of furniture in Vietnam and investment holding.

FRS 108(33)(a)

	Sales for continuing operations	
	2017 $'000	2016 $'000
Singapore	**103,420**	73,894
People's Republic of China	**84,749**	31,298
The Philippines	**19,020**	6,468
Other countries	**3,025**	700
	210,214	112,360

Notes

Reference

46. Segment information (continued)

(c) Geographical information (continued)

	Non-current assets		
	2017	2016	
	$'000	$'000	FRS 108(33)(b)
Singapore	**82,406**	79,133	
People's Republic of China	**88,736**	35,603	
The Philippines	**24,163**	18,340	
Other countries	**316**	428	
	195,621	133,504	

Revenues of $23,460,000 (2016: $20,478,000) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment. FRS 108(34)

47. Business combinations

On 1 October 2017, the Group acquired a 70% equity interest in XYZ Electronics Pte Ltd (now known as PwC Components (China) Pte Ltd ("PwC China")). The principal activity of PwC China is that of manufacturing and trading of electronic components parts in China. As a result of the acquisition, the Group is expected to increase its presence in China. It also expects to reduce costs through economies of scale. FRS 103 (B64(a-d))

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration[1,2]

	$'000	
Cash paid	13,700	FRS 103 (B64(f)(i))
Contingent consideration (Note (e) below)	300	FRS 103 (B64) ((f)(iii), (g)(i))
Total purchase consideration	14,000	FRS 103 (B64(f))
Less: Indemnification asset[3] (Note (i) below)	(200)	FRS 103 (B64(g)(i))
Consideration transferred for the business	**13,800**	

(b) Effect on cash flows of the Group

Cash paid (as above)	13,700	FRS 7(40)(b)
Less: cash and cash equivalents in subsidiary acquired	(300)	FRS 7(40)(c)
Cash outflow on acquisition	**13,400**	FRS 7(40)(a)

Reference

47. Business combinations (continued)

(c) Identifiable assets acquired and liabilities assumed

FRS 103 (B64(i))
FRS 7(40)(d)

	At fair value $'000
Cash and cash equivalents	300
Property, plant and equipment (Note 28)	67,784
Trademarks and licences (included in intangibles) (Note 29(b)) and note (g) below)	4,000
Investment in associated companies	389
Available-for-sale financial assets (Note 16)	473
Inventories	1,122
Trade and other receivables (Note (f) below)	1,585
Total assets	75,653
Trade and other payables	(15,000)
Borrowings	(41,359)
Contingent liability (included in provisions) (Note 35 and 47(h))	(300)
Current tax liabilities (Note 10(b))	(100)
Deferred tax liabilities (Note 36)	(3,753)
Total liabilities	(60,512)
Total identifiable net assets	**15,141**
Less: Non-controlling interest at fair value	(5,600)
Add: Goodwill (Note 29(a), 47(k))	4,259
Consideration transferred for the business	**13,800**

FRS 103 (B64(o)(i))

(d) Acquisition-related costs

FRS 103 (B64(m))

Acquisition-related costs of $550,000 are included in “administrative expenses” in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(e) Contingent consideration

FRS 103 (B64((f)(iii),(

The Group is required to pay the former owners of PwC China $1,000,000 in cash if PwC China achieves a cumulative net profit of $6,000,000 or more for the period from 1 October 2018 to 30 September 2020.

The fair value of the contingent consideration as at the acquisition date was estimated to amount to $300,000 based on an income approach. This fair value was based on an estimated cumulative net profit of PwC China ranging from $5,000,000 to $6,250,000 for the relevant period, discounted at 8% per annum. This is a Level 3 fair value measurement.

47. Business combinations (continued)

(f) Acquired receivables

The fair value of trade and other receivables is $1,585,000 and includes trade receivables with a fair value of $1,510,000. The gross contractual amount for trade receivables due is $1,680,000, of which $170,000 is expected to be uncollectible. FRS 103 (B64(h))

(g) Provisional fair values[4]

The fair value of the acquired identifiable intangible assets of $4,000,000 (trademarks and licences) has been provisionally determined pending receipt of the final valuation reports from the independent valuers. FRS 103 (B67(a))

(h) Contingent liability

A contingent liability of $300,000 has been recognised for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defective products. It is expected that a decision on this case will be reached by the relevant court of law by the end of 2019. The potential undiscounted amount of all future payments that the Group could be required to make is estimated to be between $200,000 and $500,000, if an adverse decision is made. As at 31 December 2017, there has been no change in the amount recognised for the liability since the acquisition date, as there has been no change in the range of outcomes or assumptions used to develop the estimates. FRS 103 (B64(j)), FRS 103 (B67(c)) FRS 37(84,85)

(i) Indemnification asset[3]

The seller of PwC China has contractually agreed to indemnify the Group for the claim that may become payable in respect of the lawsuit disclosed in (h) above, up to a maximum amount of $200,000. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset since the acquisition date. FRS 103(27,57) FRS 103 (B64(g))

(j) Non-controlling interests

The Group has chosen to recognise the 30% non-controlling interest at its fair value of $5,600,000. The fair value was estimated by applying an income approach. This is a Level 3 fair value measurement. The fair value estimates are based on: FRS 103 (B64(o))

- an assumed discount rate of 8% per annum;
- an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;
- long-term sustainable growth rate of 2.2%;
- assumed financial multiples of companies deemed to be similar to PwC China; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider.

Reference

47. Business combinations (continued)

(k) Goodwill

The goodwill of $4,259,000 arising from the acquisition is attributable to the distribution network in China and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of PwC China. FRS 103 (B64(e))

(l) Revenue and profit contribution

The acquired business contributed revenue of $33,048,000 and net profit of $6,241,000 to the Group from the period from 1 October 2017 to 31 December 2017. FRS 103 (B64(q))

Had PwC China been consolidated from 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been $230,214,000 and $35,276,000 respectively.

Guidance notes

Business combinations

Equity interests issued as purchase consideration

1. When equity interests are issued or issuable as part of the cost of acquisition, the entity shall disclose the number of instruments or interests issued and the method of determining their fair value. FRS 103 (B64(f)(iv))

Business combination achieved in stages

2. Where the business combination was achieved in stages, the fair value of the previously held interest immediately before the acquisition date shall form part of the total purchase consideration. That acquisition-date fair value shall be disclosed together with the amount of any gain or loss recognised as a result of remeasuring to fair value the previously held interest, and the line item in the statement of comprehensive income where that gain or loss is included. FRS 103 (B64(p))

Indemnification assets

3. When the seller agrees to contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to a specific asset or liability, the acquirer recognises an indemnification asset with an equivalent amount deducted from the consideration transferred for the business combination. The amount recognised, a description of the arrangement and an estimate of the range of outcomes shall be disclosed. FRS 103(27) FRS 103 (B64(g))

Provisional fair values and subsequent adjustments during the measurement period

4. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. FRS 103(45)

   During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The acquirer shall disclose information that enables users of financial statements to evaluate the financial effects of adjustments recognised.

Reference

48. Events occurring after balance sheet date

On 24 February 2018, the Group issued $4,300,000 6.5% Singapore Dollar bonds to finance the purchase of an additional 40% interest in an associated company, PwC A Property (Hong Kong) Limited ("PwC Hong Kong") and new equipment in the construction segment. The bonds are repayable on 25 February 2021. FRS 10(21)

On 1 March 2018, the Group acquired an additional 40% interest in PwC Vietnam Limited, a company incorporated in Vietnam which is engaged in investment holding, for a cash consideration of $3,500,000. The fair value of the Group's share of the identifiable net assets of PwC Vietnam at the date of acquisition has been provisionally determined at $2,500,000. Acquisition-related costs of $120,000 have been incurred and will be included in administrative expenses in the statement of comprehensive income for the year ending 31 December 2018. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of PwC Vietnam and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue. PwC Vietnam will be consolidated with effect from 1 March 2018.[1] FRS 10(21) FRS 10(22)(a) FRS 103 (B66)

Guidance notes

Business combinations occurring after balance sheet date but before the financial statements are authorised for issue

1. FRS 103 (revised) requires an acquirer to disclose the same information for business combinations occurring after balance sheet date but before the financial statements are authorised for issue as what is disclosed for business combinations occurring during the reporting period. The only exception is if the accounting for such business combination is incomplete at the time the financial statements are authorised for issue, in which case the acquirer shall describe which disclosures could not be made and the reasons why.

Notes

Reference

49. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

FRS 8 (30)(a-b)

(a) FRS 109 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments*: *Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 50). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 50.

Reference

49. New or revised accounting standards and interpretations (continued)

(b) FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 50). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 50.

(c) INT FRS 122 *Foreign Currency Transactions and Advance Considerations* (effective for annual periods beginning on or after 1 January 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effect of Changes in Foreign Exchange Rate.* The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

Reference

49. New or revised accounting standards and interpretations (continued)

(d) FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 50). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

50. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS*. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers.* The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS are as follows:

Notes

Reference

50. Adoption of SFRS(I) (continued)

(i) Deemed cost exemption

The Group plans to elect and regard the fair values of certain licences classified as intangible assets as their deemed cost at the date of transition to SFRS(I) on 1 January 2017. The carrying amount of licences and retained profits is estimated to be increased by $2,000,000 and $1,660,000 respectively at the date of transition on 1 January 2017 (31 December 2017: $1,800,000 and $1,494,000 respectively). Net profit after tax for the year ended 31 December 2017 may be reduced by $166,000.

(ii) Cumulative translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 31 December 2017 was reduced/increased by $2,391,000 respectively.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- *Reclassification of financial assets from AFS to FVPL*

  Investments in certain preference shares will be reclassified from the "available-for-sale" category to "fair value through profit or loss" as the cash flows arising from these non-equity investments do not represent solely payments of principal and interest.

- *Reclassification from AFS to amortised cost*

  Investments in certain listed corporate bonds will be reclassified from "available-for-sale" to "amortised cost" as the Group's business model is to hold these investments for collection of contractual cash flows which represent solely payments of principal and interest.

50. Adoption of SFRS(I) (continued)

(b) Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(i) Classification and measurement (continued)

- *Equity investments reclassified from AFS to FVOCI*

  The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income.

- *Reclassification from HTM to amortised cost*

  Unlisted debt securities classified as “held-to maturity” will be reclassified to at “amortised cost” at 1 January 2018 as the Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest.

- *AFS debt instruments classified as FVOCI*

  Unlisted bonds classified as “available-for-sale” will be reclassified as “fair value through other comprehensive income” as the Group’s business model on these assets is to collect contractual cash flows consisting solely of payments of principal and interest and sell these assets.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15;
- debt instruments carried at fair value through OCI and amortised cost; and
- loans to related parties and other receivables at amortised cost.

An increase in provision for impairment for the above financial assets and corresponding decrease in opening retained profits is expected to arise from the application of the expected credit loss impairment model.

Reference

50. Adoption of SFRS(I) (continued)

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

(i) Accounting for costs incurred to fulfil a contract

Under SFRS, training costs incurred on staff working specifically on certain contracts to construct specialised equipment are expensed to the profit or loss as they do not qualify for recognition as an asset under any SFRS.

Under SFRS(I) equivalent of IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they will be capitalised as "contract assets - costs to fulfil a contract".

(ii) *Accounting for contracts with multiple performance obligations*

Under SFRS, each contract for construction of specialised equipment has been assessed to be one contract with revenue recognised progressively by reference to the stage of completion of the contract activity at the balance sheet date.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that for each of these contracts there are two distinct performance obligations which are satisfied at different timings. This will result in a different timings of revenue recognition for each performance obligation under each contract.

(iii) *Presentation of contract assets and liabilities*

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Amounts due from customers arising from construction contracts and construction contract work-in-progress under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from construction contracts and amounts due to customers arising from construction contracts under SFRS will be reclassified to be presented as part of contract liabilities.

Reference

50. Adoption of SFRS(I) (continued)

(d) Summary of provisional financial impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) as described above are summarised below:

	As at 31 Dec 2017 reported under SFRS $'000	(Provisional) As at 1 Jan 2018 reported under SFRS(I) $'000	As at 1 Jan 17 reported under SFRS $'000	(Provisional) As at 1 Jan 2017 reported under SFRS(I) $'000
Financial assets, at FVPL	10,785	11,895	8,326	8,326
Financial assets, available-for-sale	17,248	-	12,937	12,937
Trade and other receivables	22,832	21,229	18,389	17,201
Construction contract work-in-progress	262	-	147	-
Contract assets	-	2,280	-	1,897
Financial assets, at FVOCI	-	15,850	-	-
Financial assets, held-to-maturity	2,122	-	1,593	1,593
Other investments at amortised cost	-	2,406	-	-
Intangible assets	24,930	26,730	19,600	21,600
Trade and other payables	16,791	16,170	10,556	10,234
Contract liabilities	-	1,426	-	1,051
Provisions	3,781	3,014	3,880	3,230
Deferred income tax liabilities	11,646	12,066	8,406	8,841
Other reserves	9,628	6,613	6,419	4,043
Retained profits	78,196	83,017	58,852	63,355

Reference

Guidance notes

Adoption of SFRS(I)

1. FRS 8 requires an entity to disclose the possible effects of future adoption of new or revised accounting Standards and Interpretations that have been issued up to the date of issuance of the financial statements but are not yet effective. Therefore, entities are required to disclose the possible impacts of adopting new FRSs such as FRS 109 and FRS 115.

2. FRS 1 requires the notes to the financial statements to provide information that is relevant for the users' understanding of any of the notes. For entities that are required to adopt the new SFRS(I) in its next financial year, we believe that the disclosure of the entity's adoption of SFRS(I) would be relevant to the users' understanding of the impact on adoption of the new accounting standards. Accordingly, this publication has illustrated the effects of adoption of SFRS(I) instead. FRS 1 (112)(c)

3. Entities are however reminded to apply judgement to determine the extent of disclosures required to provide users with this understanding.

4. Please also note that the adoption of SFRS(I), and consequential requirement to apply the transitional requirements of the SFRS(I) equivalent of IFRS 1, would impact the entity's manner of adoption of the upcoming new accounting standards. This is because the transitional provisions under the SFRS(I) equivalents of IFRS 9 and IFRS 15 (which are mandatorily applicable in the same period) are disregarded for a first-time adopter. IFRS 1 (9)

5. Depending on the optional exemptions elected, the application of the SFRS(I) equivalent of IFRS 1 may also result in restatements of the entity's financial statements at the date of transition (1 January 2017 for a December year-end entity).

51. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Ltd on 20 March 2018. FRS 10(17)

Reference

52. Listing of significant[1] companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2017 %	Equity holding 2016 %
Significant subsidiaries				
PwC Construction Pte Ltd[(a)]	Construction of specialised equipment	Singapore	**100**	100
PwC Property (Singapore) Pte Ltd[(a)]	Investment holding	Singapore	**100**	100
PwC Furniture (PRC) Co., Ltd[(d)]	Sale of furniture	People's Republic of China	**85**	85
PwC Components (Singapore) Pte Ltd[(a),(h)]	Manufacture of component parts	Singapore	**45**	45
PwC Components (PRC) Co., Ltd[(d)]	Manufacture of component parts	People's Republic of China	**80**	80
PwC Components (China) Pte Ltd[(d),(g)]	Manufacture of component parts	People's Republic of China	**70**	-
PwC Furniture (Philippines) Pte Ltd[(b)]	Sale of furniture	The Philippines	**70**	70
PwC Logistics (PRC) Co., Ltd[(d)]	Provision of logistics services	People's Republic of China	**-**	100
PwC Glass Sdn Bhd[(c)]	Manufacture of glass	Malaysia	**70**	70
Significant joint venture				
PwC JV Logistics (PRC) Co., Ltd[(d),(f)]	Provision of logistics services	People's Republic of China	**60**	60
Significant associated companies				
PwC A Property (Hong Kong) Limited[(e)]	Investment holding	Hong Kong	**35**	35
PwC A Furniture Sdn Bhd[(c)]	Sale of furniture	Malaysia	**25**	25
PwC A Components (Philippines) Pte Ltd[(b)]	Manufacture of component parts	The Philippines	**15**	-

(a) *Audited[2] by PricewaterhouseCoopers LLP, Singapore(i)*

(b) *Audited[2] by Isla Lipana & Co[3], Philippines(i)*

(c) *Audited[2] by Tan & Co[3], Malaysia*

(d) *Audited[2] by Great Wall CPA Company Limited[3], People's Republic of China*

(e) *Not required to be audited[2] under the laws of the country of incorporation*

(f) *Not consolidated as the entity is not controlled by the Group and deemed to be a joint venture as the Group shares the control of the entity* FRS 112(9)(a)

(g) *Acquired during the financial year[4]* FRS 112(10)(a),CA 200(1)

(h) *Deemed to be a subsidiary as the Group has the ability to nominate a majority of the directors of the subsidiary.* FRS 112(9)(b)

(i) *In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited - Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.*

Notes

Reference

Guidance notes

Listing of significant companies in the Group

1. The term "significant" is not defined in FRS. However, in the SGX-ST Listing Manual, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. In the absence of a formal definition in FRS, it is preferable to adopt this definition set out in the SGX-ST Listing Manual. SGX 718

2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associated companies. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements. SGX 717

3. It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associated companies provided that: SGX 716

   (i) the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or

   (ii) the issuer's subsidiary or associated company, is listed on a stock exchange.

4. It shall be noted that under the Companies Act, a holding company is required to ensure that the financial year of its subsidiaries coincides with its financial year within two years after incorporation and/or acquisition. CA 200(1)

Others Disclosures

Additional Disclosure Requirements

- Additional requirements of Singapore Exchange Securities Trading Listing Manual
- Shareholders' information at 13 March 2018

Additional Illustrative Disclosures

- Appendix 1
- Appendix 2

Additional Disclosure Requirements

For the financial year ended 31 December 2017

Reference

Additional requirements of Singapore Exchange Securities Trading Listing Manual

(a) Corporate information

Company secretary SGX 1207(1)
S.M. Barker

Registered office SGX 1207(2)
350 Harbour Street
#30-00 PwC Centre
Singapore 049929

Telephone number	: (65) 6226 5066
Facsimile number	: (65) 6226 5788
Website	: http://www.pwcholdings.com.sg

Share registrar SGX 1207(3)
Independent Registry Firm
10 Collyer Quay #19-00
Ocean Building Singapore 049315

Auditor SGX 713
PricewaterhouseCoopers LLP
8 Cross street #17-00
PWC Building Singapore 048424
Audit Partner : Ken Wang
Year of appointment : 2014

(b) Material contracts[1] SGX 1207(8)

In 2017, the Company entered into a two-year contract with ABAS Consultancy Pte Ltd, which is a firm owned by the wife of Mr Ang Boon Chew, a director of the Company. The firm provided professional services to the Company amounting to $212,000 (2016: $149,000) during the financial year. Based on the long term contract, the Company was able to obtain professional services slightly below the normal price. As an average, services were charged at 5% below the normal price in 2017 (2016: 4% below the normal price).

(c) Directors' remuneration[2] SGX 1207(12-15)

Please refer to information disclosed in Section (B) of the Corporate Governance Report.

Reference

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(d) Auditors' fees[3]

	2017 $'000	2016 $'000	
Auditor's remuneration paid/payable to[3]:			SGX 1207(6)(a)
- Auditor of the Company	**440**	386	
- Other auditors*	**410**	358	
Other fees paid/payable to[3]:			
- Auditor of the Company	**125**	120	
- Other auditors*	**210**	212	
	1,185	1,076	

**Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL).*

(e) Appointment of auditors — SGX 1207(6)(c)

The Group has complied with Rules 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

(f) Review of the provision of non-audit services by the auditors[5]

The Audit Committee has undertaken a review of non-audit services provided by the auditor[5] and they would not, in the Audit Committee's opinion, affect their independence. — SGX 1207(6)(c)

(g) Internal controls[7]

Please refer to information disclosed in Section (C.5) of the Corporate Governance Report — SGX 1207(10)

Additional Disclosure Requirements

For the financial year ended 31 December 2017

Reference

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(h) Properties of the Group — SGX 1207(11)(a)

Major properties held for development

Location	Description	Intended Use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's effective interest in the property
Upper Thomson Road	3-storey building	Commercial	20%	June 2018	400	1,122	100%

Major properties held for investment — SGX 1207(11)(b)

Location	Description	Existing Use	Tenure	Unexpired term of lease
Cairnhill, Singapore	Apartment unit	Residential	Freehold	-
Jurong East, Singapore	2-storey apartment unit	Residential	Leasehold	95
Tampines, Singapore	5-storey building	Commercial	Leasehold	70

(i) Interested person transactions — SGX 1207(17), SGX 907

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 each)			
Name of interested person	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Abacus Subsidiary Pte Ltd: - sale of goods	**-**	-	**470**	729
Sandoz Family Business Pte Ltd: - sale of plant and equipment	**600**	-	**-**	-
ABAS Consultancy Pte Ltd: - purchase of professional services	**-**	361	**-**	-

Additional Disclosure Requirements

For the financial year ended 31 December 2017

Reference

Guidance notes

Additional requirements of Singapore Exchange Securities Trading Listing Manual

Material contracts

1. Disclosure is required of material contracts of the company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. Where no material contract has been entered into, the following negative statement can be considered: SGX 1207(8)

   "There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year."

Directors' remuneration

2. A listed entity should make disclosure as recommended in the Code of Corporate Governance. If not, it should disclose and explain any deviation from the recommendation. SGX 1207(12)

Auditors' fees

3. Disclosure must be made on the aggregate of the fees paid to the auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, an appropriate negative statement shall be made. SGX 1207(6)a

   There may also be fees paid to the auditor of the company which are not included in determining the group/company's profit from operations, for example, those fees that are capitalised or charged immediately to equity. It is appropriate to include such fees for this disclosure note.

4. The annual report shall include a confirmation by the Audit Committee that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the Audit Committee's opinion, affect the independence of the auditors. SGX 1207(6)(b)

5. A public company shall undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised under prescribed conditions, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the company. This outcome is normally communicated through the Directors' statement or the Corporate Governance Report. CA 206(1A)

   This review shall be undertaken if the total amount of the fees paid to the auditor for non-audit services in any financial year of the company exceeds 50% of the total amount of fees paid to the auditor in that financial year.

6. The Audit Committee shall also provide a confirmation in the annual report that it has undertaken a review of non-audit services provided by the auditor and they would not, in the Audit Committee's opinion, affect the independence of the auditor. SGX 1207(6)(b)

Additional Disclosure Requirements

For the financial year ended 31 December 2017

Reference

Guidance notes

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

Internal controls

7. The Board with the concurrence of the Audit Committee shall provide an opinion on the adequacy of the internal controls, addressing financial, operational and compliance risks. SGX 1207(10)

Shareholders' information as at 13 March 2018[1]

Preference shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital	: $30,000,000
Class of Shares	: Preference shares
Voting Rights	: No voting rights

The preference shares are held entirely by PwC Corporate Limited, the immediate holding corporation of the Company. SGX 1207(9)(b)

Ordinary shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital	: $41,495,000
Class of Shares	: Ordinary shares
Voting Rights	: One vote per share

SGX 1207(9)(b)

	No. of shareholders	%	No. of ordinary shares	%
No. of ordinary shares held				
1 – 99	1,035	17.67	85,540	0.36
100-1000	3,401	58.08	2,945,920	12.25
1,001 – 10,000	1,402	23.94	4,966,760	20.65
10,001 – 1,000,000	14	0.24	431,145	1.79
1,000,001 and above	4	0.07	15,620,635	64.95
	5,856	100.00	24,050,000	100.00

SGX 1207(9)(c)

Substantial shareholders

As shown in the Register of Substantial Shareholders:

	← Number of ordinary shares		→
	Direct interests	Deemed interests	Beneficial interests
PwC Corporate Limited	7,130,825	-	7,130,825
Mr David Grey	1,270,000	1,500,000	2,770,000
Mr Sandoz Wood	3,609,905	-	3,609,905
Sun Holdings (Pte) Ltd	3,609,905	-	3,609,906

Mr David Grey is deemed to have an interest in 1,500,000 ordinary shares in PwC Holdings Ltd via his holdings of 1,000,000 ordinary shares in PwC Global Limited, which in turn holds 10,000,000 ordinary shares in PwC Corporate Limited.

Reference

Shareholders' information as at 13 March 2018[1] (continued)

Twenty largest ordinary shareholders

SGX 1207(9)(d)

As shown in the Register of Members and Depository Register:

	No. of ordinary shares	%
PwC Corporate Limited	7,130,825	29.65
Mr Sandoz Wood	3,609,905	15.01
Sun Holdings (Pte) Ltd	3,609,905	15.01
Mr David Grey	2,770,000	11.52
MacPherson Investments Pte Ltd	103,415	0.43
Mr Ang Boon Chew	97,000	0.40
Sembawang Private Ltd	36,075	0.15
Mr Soh Koh Hong	26,455	0.11
Sommerset Holdings Pte Ltd	26,455	0.11
Geylang Investments Co Pte Ltd	24,050	0.10
Tanglin Halt (Pte) Ltd	21,645	0.09
Changi Holdings Pte Ltd	14,430	0.06
Ms Tham Lee Keng	14,430	0.06
Padang Consolidated Ltd	14,430	0.06
Whitley Investments Ltd	14,430	0.06
Cairnhill Co Pte Ltd	14,430	0.06
Bukit Timah Haulage Co Ltd	11,875	0.05
Bedok Nominees Ltd	12,025	0.05
Madam Ng Pin Pin	9,620	0.04
Kranji Equity Ltd	9,620	0.04
	17,571,020	73.06

Based on the information available to the Company as at 13 March 2018, approximately 22.11% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SGX 1207(9)(e)

Guidance notes

Shareholders' information

1. Shareholders' information shall be made up to a date not earlier than one month from the date of notice of the annual general meeting or summary financial statements, whichever is earlier.

SGX 1207(9)

Additional Illustrative Disclosures

Reference

Example 1: Alternative presentations for statement of comprehensive income

Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature

	Note	2017 $'000	2016 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Other income	7	**3,898**	1,166	FRS 1(102)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Purchases of inventories		**(59,401)**	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	**(23,100)**	(10,097)	FRS 1(102)
- Employee compensation	6	**(40,090)**	(15,500)	FRS 1(102)
- Sub-contractors charges		**(12,400)**	(7,700)	
- Advertising		**(10,871)**	(6,952)	
- Rental on operating leases		**(10,588)**	(8,697)	FRS 17(35)(c)
- Research		**(473)**	(200)	FRS 38(126)
- Transportation		**(7,763)**	(5,876)	
- Reversal of inventory write-down/ (inventory write-down)		**200**	(350)	FRS 2(36)(e,f)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
- Other		**(1,478)**	(672)	
Changes in inventories and construction contract work-in-progress		**7,279**	2,950	FRS 1(102)
Total expenses		**(165,758)**	(85,842)	
Share of (loss)/profit of associated companies and joint ventures		**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations		**31,895**	18,494	
Discontinued operations				FRS 1(82)(ea)
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 105(33)(a)
Total profit		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		**110**	72	
- Reclassification		**308**	-	
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	-	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification		**(1,200)**	-	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	

Reference

Example 1: Alternative presentations for statement of comprehensive income (continued)

	Note	2017 $'000	2016 $'000	Reference
Profit attributable to:				FRS 1(81B)(a)
Equity holders of the Company		**29,446**	17,085	
Non-controlling interest		**2,549**	929	
		31,995	18,014	
Total comprehensive income attributable to:				FRS 1(81B)(b)
Equity holders of the Company		**30,738**	17,836	
Non-controlling interest		**3,106**	1,042	
		33,844	18,878	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)				FRS 33(66)
Basic earnings per share	12			
- From continuing operations		**1.31**	0.89	
- From discontinued operations		*	(0.02)	FRS 33(68)
Diluted earnings per share	12			
- From continuing operations		**1.16**	0.87	
- From discontinued operations		*	(0.02)	FRS 33(68)

** Less than $0.01*

Other Disclosures

Reference

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function

Consolidated income statement:

	Note	2017 $'000	2016 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Cost of sales		**(77,366)**	(46,682)	FRS 1(103)
Gross profit		**132,848**	65,678	FRS 1(103)
Other income	7	**3,898**	1,166	FRS 1(103)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Distribution and marketing		**(52,140)**	(19,993)	FRS 1(103)
- Administrative		**(29,179)**	(10,107)	FRS 1(103)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies and joint ventures		**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations		**31,895**	18,494	
Discontinued operations				
Profit/(loss) from discontinued operations	11	**100**	(480)	FRS 1(82)(ea) FRS 105(33)(a)
Total profit		**31,995**	18,014	
Attributable to:				
Equity holders of the Company		**29,446**	17,085	FRS 1(81B)(a)
Non-controlling interests		**2,549**	929	
		31,995	18,014	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)				FRS 33(66)
Basic earnings per share	12			
- From continuing operations		**1.31**	0.89	
- From discontinued operations		*	(0.02)	FRS 33(68)
Diluted earnings per share	12			
- From continuing operations		1.16	0.87	
- From discontinued operations		*	(0.02)	FRS 33(68)

** Less than $0.01*

Other Disclosures

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function (continued)

Consolidated statement of comprehensive income:

	Note	2017 $'000	2016 $'000	Reference
Profit for the year		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		110	72	
- Reclassification		**308**	-	
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	-	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification		**(1,200)**	–	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	
Total comprehensive income		**33,844**	18,878	
Total comprehensive income attributed to:				
Equity holders of the Company		**30,738**	17,836	FRS 1(81B)(b)
Non-controlling interest		**3,106**	1,042	
		33,844	18,878	

Other Disclosures

Reference

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 3: Two-statement presentation of statement of comprehensive income based on a classification of expenses by nature

Consolidated income statement:

	Note	2017 $'000	2016 $'000	Reference
Continuing operations				
Sales	4	**210,214**	112,360	FRS 1(82)(a)
Other income	7	**3,898**	1,166	FRS 1(102)
Other gains and losses	8	**(1,383)**	(1,611)	
Expenses				
- Purchases of inventories		**(59,401)**	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	**(23,100)**	(10,097)	FRS 1(102)
- Employee compensation	6	**(40,090)**	(15,500)	FRS 1(102)
- Sub-contractors charges		**(12,400)**	(7,700)	
- Advertising		**(10,871)**	(6,952)	
- Rental on operating leases		**(10,588)**	(8,697)	FRS 17(35)(c)
- Research		**(473)**	(200)	FRS 38(126)
- Transportation		**(7,763)**	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		**200**	(350)	FRS 2(36)(e,f)
- Finance	9	**(7,073)**	(9,060)	FRS 1(82)(b)
- Other		**(1,478)**	(672)	
Changes in inventories and construction contract work-in-progress		**7,279**	2,950	FRS 1(102)
Total expenses		**(165,758)**	(85,842)	
Share of (loss)/profit of associated companies and joint ventures		**(174)**	145	FRS 1(82)(c)
Profit before income tax		**46,797**	26,218	
Income tax expense	10(a)	**(14,902)**	(7,724)	FRS 1(82)(d)
Profit from continuing operations		**31,895**	18,494	
Discontinued operations				FRS 1(82)(ea) FRS 105(33)(a)
Profit/(loss) from discontinued operations	11	**100**	(480)	
Total profit		**31,995**	18,014	
Attributable to:				
Equity holders of the Company		**29,446**	17,085	FRS 1(81B)(a)
Non-controlling interests		**2,549**	929	
		31,995	18,014	
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)				FRS 33(66)
Basic earnings per share	12			
- From continuing operations		**1.31**	0.89	
- From discontinued operations		*	(0.02)	FRS 33(68)
Diluted earnings per share	12			
- From continuing operations		**1.16**	0.87	
- From discontinued operations		*	(0.02)	FRS 33(68)

** Less than $0.01*

Other Disclosures

Reference

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 3: Two-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)

Consolidated statement of comprehensive income:

	Note	**2017 $'000**	2016 $'000	Reference
Profit for the year		**31,995**	18,014	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				FRS 1(82A)
Available-for-sale financial assets				
- Fair value gains		**110**	72	
- Reclassification		**308**	–	
Cash flow hedges				
- Fair value gains		**342**	331	
- Reclassification		**(279)**	(315)	
Share of other comprehensive income of associated companies	23	**27**	-	
Currency translation differences arising from consolidation				
- Gains/(losses)		**2,334**	(118)	
- Reclassification		**(1,200)**	-	
		1,642	(30)	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**207**	894	
Other comprehensive income, net of tax	10(c)	**1,849**	864	

Other Disclosures

Example 2: Third balance sheet disclosure under FRS 1 on reclassification

When an entity reclassifies items in its financial statements, three balance sheets should be shown as follows:

	Note	2017 $'000	31 December 2016 (restated) $'000	1 January 2016 (restated) $'000	Reference
					FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS					
Current assets					FRS 1(60)
Cash and cash equivalents	13	**22,010**	36,212	31,221	FRS 1(54)(i)
Financial assets, at fair value through profit or loss	14	**10,785**	8,326	9,571	FRS 1(54)(d)
Derivative financial instruments	15	**1,069**	452	410	FRS 1(54)(d)
Available-for-sale financial assets	16	**1,950**	646	1,000	FRS 1(54)(d)
Trade and other receivables	17	**19,510**	16,399	17,305	FRS 1(54)(h)
Inventories	18	**24,258**	17,094	19,250	FRS 1(54)(g)
Construction contract work-in-progress	19	**262**	147	347	
		79,844	79,276	79,104	
Asset of disposal group classified as held-for-sale	11	**3,333**	-	-	FRS 105(38) FRS 1(54(j))
		83,177	79,276	79,104	
Non-current assets					FRS 1(60)
Derivative financial instruments	15	**395**	112	215	FRS 1(54)(d)
Available-for-sale financial assets	16	**15,298**	12,291	10,958	FRS 1(54)(d)
Trade and other receivables	20	**3,322**	1,990	2,512	FRS 1(54)(h)
Investments in associated companies	23	**7,008**	6,404	8,133	FRS 1(54)(e)
Investment in joint venture	24	**1,200**	2,165	-	FRS 1(54)(e)
Investment properties	26	**5,550**	5,455	3,365	FRS 1(54)(b)
Held-to-maturity financial assets	27	**2,122**	1,593	-	FRS 1(54)(d)
Property, plant and equipment	28	**153,611**	97,890	104,328	FRS 1(54)(a)
Intangible assets	29	**24,930**	19,600	19,966	FRS 1(54)(c)
Deferred income tax assets	36	**3,319**	3,228	1,578	FRS 1(54)(o)
		216,755	150,728	151,055	
Total assets		**299,932**	230,004	230,159	
LIABILITIES					
Current liabilities					FRS 1(60)
Trade and other payables	30	**16,441**	10,556	5,767	FRS 1(54)(k)
Current income tax liabilities	10	**2,942**	3,833	9,595	FRS 1(54)(n)
Derivative financial instruments	15	**440**	240	300	FRS 1(54)(m)
Borrowings	31	**9,524**	15,670	12,131	FRS 1(54)(m)
Provisions	35	**2,126**	2,295	2,120	FRS 1(54)(l)
		31,473	32,594	29,913	
Liabilities of disposal group classified as held-for-sale	11	**220**	-	-	FRS 105(38) FRS 1(54)(p)
		31,693	32,594	29,913	
Non-current liabilities					FRS 1(60)
Trade and other payables	30	**350**	-	91	FRS 1(54)(k)
Derivative financial instruments	15	**135**	44	2,320	FRS 1(54)(m)
Borrowings	31	**118,300**	89,214	95,606	FRS 1(54)(m)
Deferred income tax liabilities	36	**11,646**	8,406	5,040	FRS 1(54)(o)
Provisions	35	**1,655**	1,585	1,342	FRS 1(54)(l)
		132,086	99,249	104,399	
		163,779	131,843	134,312	
Total liabilities		**136,153**	98,161	95,847	
NET ASSETS					
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	37	**41,495**	32,024	32,024	FRS 1(78)(e)
Treasury shares	37			-	FRS 1(78)(e)
Other reserves	38	**9,628**	6,419	5,046	FRS 1(78)(e)
Retained profits	39	**78,196**	58,852	57,503	FRS 1(78)(e)
		127,901	96,395	94,573	FRS 1(54)(r)
Non-controlling interests		**8,252**	1,766	1,274	FRS 1(54)(q)
Total equity		**136,153**	98,161	95,847	

Example 2: Third balance sheet disclosure under FRS 1 on reclassification (continued)

The following reclassifications have been made to the prior year's financial statements so as to remove offsets in the statement of financial position.

The effects of the restatement are as below:

Group

	2017 $'000	2016 (restated) $'000	2015[1] (restated) $'000
ASSETS			
Trade and other receivables	**(428)**	(345)	(499)
LIABILITIES			
Trade and other payables - Advances from Customers	**428**	345	499

Guidance notes

Presentation of a third balance sheet and related notes

1. FRS 1 Presentation of Financial Statements requires an additional balance sheet to be presented as at the beginning of the earliest comparative period if: FRS 1(10(f),40A,40C)

   (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; **and**

   (b) the retrospective application, retrospective restatement or the reclassification has a **material** effect on the information in the statement of financial position at the **beginning of the preceding period**.

   Please also refer to disclosures required in accordance with paragraphs 41 to 44 of FRS 1.

   The materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statement and the omission of the unaffected notes to the additional statement is in our view, not material nor relevant for an understanding of the financial statements and hence is permitted. FRS 1(7)

Reference

Example 3: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs FRS 16(16)(c)

"……….The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories."

Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value. FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately. INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

FRS 37(85)(a)

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that $[ ] will be used during 2018 and $[ ] during 2019. Total expected costs to be incurred are $[ ] (2016: $[ ]).

Movement in this provision is as follows:

	Group		Company		
	2017	2016	**2017**	2016	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**[ ]**	[ ]	**[ ]**	[ ]	FRS 37(84)(a)
Provision made	**[ ]**	[ ]	**[ ]**	[ ]	FRS 37(84)(b)
Provision utilised	**[ ]**	[ ]	**[ ]**	[ ]	FRS 37(84)(c)
Amortisation of discount	**[ ]**	[ ]	**[ ]**	[ ]	FRS 37(84)(e)
End of financial year	**[ ]**	[ ]	**[ ]**	[ ]	FRS 37(84)(a)

Reference

Example 4: Post-employment benefits – pension and medical benefits

Employee compensation

(a) Pension benefits

The Group operates both defined benefit and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due. FRS 19(8) FRS 19(51)

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. FRS 19(8)

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations. FRS 19(57) FRS 19(67) FRS 19(83)

Actuarial gains and losses[1] arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.[2] FRS 19(120)(c) FRS 19(127, 128)

Past service costs are recognised immediately in profit or loss.

Example 4: Post-employment benefits – pension and medical benefits (continued)

(b) Post-employment medical benefits

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses[1] arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries. FRS 19(72) FRS 19(120)(c)

Guidance notes

Post-employment benefits

1. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings considered to be more useful. It may be useful to distinguish groupings by criteria such as follows: FRS 19(138)

   (a) the geographical location of the plans, e.g. by distinguishing domestic plans from foreign plans; or
   (b) whether plans are subject to materially different risks, e.g. by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

   When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges. FRS 19(144)

2. The entity may however elect to transfer remeasurements gains or losses arising from experience adjustments recognised in other comprehensive income within equity. FRS 19(122)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment benefits – pension and medical benefits (continued)

Extracts of notes to the financial statements:

	Group	
	2017	2016
	$'000	$'000
Obligations recognised in the balance sheet for:		
Defined pension benefits	**3,684**	1,900
Post-employment medical benefits	**1,410**	701
	5,094	2,601
Expenses charged to profit or loss:		
Defined pension benefits	**948**	561
Post-employment medical benefits	**184**	119
	1,132	680
Remeasurements recognised in other comprehensive income for:		
Defined pension benefits	**(84)**	717
Post-employment medical benefits	**(35)**	193

(a) Pension benefits

	Group	
	2017	2016
	$'000	$'000
The amount recognised in the balance sheet relates to funded and unfunded plans as follows:		
Present value of funded obligations	**6,155**	2,943
Fair value of plan assets	**(5,211)**	(2,797)
Deficit of funded plans	**944**	146
Present value of unfunded obligations	**2,426**	1,549
Total deficit of defined benefit pension plans	**3,370**	1,695
Impact of minimum funding requirement/asset ceiling	**314**	205
Liability recognised in the balance sheet	**3,684**	1,900

FRS 19(138)(e)

Reference

Example 4: Post-employment benefits – pension and medical benefits (continued)

The movement in the defined benefit obligation is as follows:

Group

	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Total $'000	Reference
At 1 January 2016	3,479	(2,264)	1,215	120	1,335	
Current service cost	498	–	498	–	498	FRS 19(141)(a)
Interest expense/ (income)	214	(156)	58	5	63	FRS 19(141)(b)
	712	**(156)**	**556**	**5**	**561**	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	–	(85)	(85)	–	(85)	FRS 19(141)(c)
- Loss from change in demographic assumptions	20	–	20	–	20	
- Loss from change in financial assumptions	61	–	61	–	61	
- Experience losses	641	–	641	–	641	
- Change in asset ceiling, excluding amounts included in interest expense	–	–	–	80	80	
	722	**(85)**	**637**	**80**	**717**	
Exchange differences	(324)	22	(302)	–	(302)	FRS 19(141)(e)
Contributions:						FRS 19(141)(f)
- Employers	–	(411)	(411)	–	(411)	
- Plan participants	30	(30)	–	–	–	
Payments from plans:						FRS 19(141)(g)
- Benefit payments	(127)	127	–	–	–	
At 31 December 2016	**4,492**	**(2,797)**	**1,695**	**205**	**1,900**	

Example 4: Post-employment benefits – pension and medical benefits (continued)

	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Impact of minimum funding requirement/ asset ceiling $'000	Total $'000	
At 1 January 2017	4,492	(2,797)	1,695	205	1,900	
Current service cost	751	–	751	–	751	FRS 19(141)(a)
Interest expense/(income)	431	(308)	123	9	132	FRS 19(141)(b)
Past service cost and gains and losses on settlements	65	–	65	–	65	FRS 19(141)(d)
	1,247	**(308)**	**939**	**9**	**948**	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	–	(187)	(187)	–	(187)	FRS 19(141)(c)
- Loss from change in demographic assumptions	32	–	32	–	32	
- Loss from change in financial assumptions	121	–	121	–	121	
- Experience gains	(150)	–	(150)	–	(150)	
- Change in asset ceiling, excluding amounts included in interest expense	–	–	–	100	100	
	3	**(187)**	**(184)**	**100**	**(84)**	
Exchange differences	(61)	(25)	(86)	–	(86)	FRS 19(141)(e)
Contributions:						FRS 19(141)(f)
- Employers	–	(908)	(908)	–	(908)	
- Plan participants	55	(55)	–	–	–	
Payments from plans:						FRS 19(141)(g)
- Benefit payments	(566)	566	–	–	–	
- Settlements	(280)	280	–	–	–	
Acquired in a business combination	3,691	(1,777)	1,914	–	1,914	FRS 19(141)(h)
At 31 December 2017	**8,581**	**(5,211)**	**3,370**	**314**	**3,684**	

One of the plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund. FRS 19(141)

In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2017, which settled all retirement benefit plan obligations relating to the employees of that factory. FRS 19(139)(c)

Reference

Example 4: Post-employment benefits – pension and medical benefits (continued)

The defined benefit obligation and plan assets are composed by country as follows: FRS 19(138)(a)

Group

	2017				2016			
	UK $'000	**US $'000**	**Others $'000**	**Total $'000**	UK $'000	US $'000	Others $'000	Total $'000
Present value of obligation	**3,843**	**4,215**	**523**	**8,581**	2,962	1,050	480	4,492
Fair value of plan assets	**(2,674)**	**(2,102)**	**(435)**	**(5,211)**	(2,018)	(394)	(385)	(2,797)
	1,169	**2,113**	**88**	**3,370**	944	656	95	1,695
Impact of minimum funding requirement/ asset ceiling	**–**	**–**	**314**	**314**	–	–	205	205
Total	**1,169**	**2,113**	**402**	**3,684**	944	656	300	1,900

The significant actuarial assumptions used were as follows: FRS 19(144)

Group	**2017**		2016	
	UK	**US**	UK	US
Discount rate	5.1%	5.2%	5.5%	5.6%
Salary growth rate	4.0%	4.5%	4.5%	4.0%
Pension growth rate	3.0%	2.8%	3.1%	2.7%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Group	**2017**		2016	
	UK	**US**	UK	US
Retiring at the end of the reporting period:				
- Male	**22**	**20**	22	20
- Female	**25**	**24**	25	24
Retiring 20 years after the end of the reporting period				
- Male	**24**	**23**	24	23
- Female	**27**	**26**	27	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: FRS 19(145)(a)

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 8.2%	Increase by 9.0%
Salary growth rate	0.50%	Increase by 1.8%	Decrease by 1.7%
Pension growth rate	0.50%	Increase by 4.7%	Decrease by 4.4%

Reference

Example 4: Post-employment benefits – pension and medical benefits (continued)

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy	Increase by 2.8%	Decrease by 2.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. FRS 19(145)(b)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period. FRS 19(145)(c)

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% a year (2016: 7.6%) and claim rates of 6% (2016: 5.2%). FRS 19(139)(a) FRS 19(144)

The amount recognised in the balance sheet relates to funded and unfunded plan is as follows: FRS 19(138)(e)

	2017 $'000	2016 $'000
Group		
Present value of funded obligations	**705**	340
Fair value of plan assets	**(620)**	(294)
Deficit of the funded plans	**85**	46
Present value of unfunded obligations	**1,325**	655
Liability recognised in the balance sheet	**1,410**	701

Other Disclosures

Reference

Example 4: Post-employment benefits – pension and medical benefits (continued)

The movement in the net defined benefit obligation over the year is as follows: FRS 19(140(a), (141)

Group	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000	Reference
At 1 January 2016	**708**	**(207)**	**501**	
Current service cost	107	–	107	FRS 19(141)(a)
Interest expense/(income)	25	(13)	12	FRS 19(141)(b)
	132	**(13)**	**119**	
Remeasurements:				
- Return on plan assets, excluding amounts included in interest income	–	(11)	(11)	FRS 19(141)(c)
- Loss from change in demographic assumptions	3	–	3	
- Loss from change in financial assumptions	7	–	7	
- Experience losses	194	–	194	
	204	**(11)**	**193**	
Exchange differences	(31)	2	(29)	FRS 19(141)(e)
Contributions:				FRS 19(141)(f)
- Employers	(10)	(73)	(83)	
Payments from plans:				FRS 19(141)(g)
- Benefit payments	(8)	8	–	
At 31 December 2016	**995**	**(294)**	**701**	
At 1 January 2017	**995**	**(294)**	**701**	
Current service cost	153	–	153	FRS 19(141)(a)
Interest expense/(income)	49	(18)	31	FRS 19(141)(b)
	202	**(18)**	**184**	
Remeasurements:				FRS 19(141)(c)
- Return on plan assets, excluding amounts included in interest income	–	(33)	(33)	
- Loss from change in demographic assumptions	4	–	4	
- Loss from change in financial assumptions	10	–	10	
- Experience gains	(16)	–	(16)	
	(2)	**(33)**	**(35)**	
Exchange differences	37	(5)	32	FRS 19(141)(e)
Contributions:				FRS 19(141)(f)
- Employers	(12)	(185)	(197)	
Payments from plans:				FRS 19(141)(g)
- Benefit payments	(7)	7	–	
Acquired in a business combination	802	(77)	725	FRS 19(141)(h)
At 31 December 2017	**2,015**	**(605)**	**1,410**	

Reference

Example 4: Post-employment benefits – pension and medical benefits (continued)

FRS 19(142)

(c) Post-employment benefits (pension and medical)

Plan assets are comprised as follows:

Group	2017				2016			
	Quoted $'000	**Unquoted $'000**	**Total $'000**	**In %**	Quoted $'000	Unquoted $'000	Total $'000	In %
Equity instruments			**1,824**	**31%**			1,216	51%
Information technology	502	–	502		994	–	994	
Energy	557	–	557		–	–	–	
Manufacturing	746	–	746		194	–	194	
Other	–	19	19		–	28	28	
Debt instruments			**2,186**	**37%**			571	24%
Government	941	–	941		321	–	321	
Corporate bonds (Investment grade)	900	–	900		99	–	99	
Corporate bonds (Non-investment grade)	68	277	345		41	110	151	
Property			**1,047**	**18%**			246	10%
In US	–	800	800		–	–	–	
In UK	–	247	247		–	246	246	
Qualifying insurance policies	–	496	**496**	**9%**	–	190	190	8%
Cash and cash equivalents	177	–	**177**	**3%**	94	–	94	4%
Investment funds	111	–	**111**	**2%**	77	–	77	3%
Total	**4,002**	**1,839**	**5,841**	**100%**	**1,820**	**574**	**2,394**	**100%**

Pension and medical plan assets include the Company's ordinary shares with a fair value of $136,000 (2016: $126,000) and US real estate occupied by the Group with a fair value of $612,000 (2016: $609,000).

FRS 19(143)

Other Disclosures

Example 4: Post-employment benefits – pension and medical benefits (continued)

Risk exposure

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below: FRS 19(139)(b)

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2015 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK and US government securities only. The corporate bonds are global securities with an emphasis on the UK and US. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

Example 4: Post-employment benefits – pension and medical benefits (continued)

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. FRS 19(146)

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in FY2017 consists of equities and bonds, although the Group also invests in property, bonds, cash and investment (hedge) funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

The Group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2018. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. FRS 19(147)(a)

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are $1,150,000. FRS 19(147)(b)

The weighted average duration of the defined benefit obligation is 25.2 years. FRS 19(147)(c)

Expected maturity analysis of undiscounted pension and post-employment medical benefits: FRS 19(147)(c)

Group

At 31 December 2017	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Pension benefits	628	927	2,004	21,947	25,506
Post-employment medical benefits	127	174	714	4,975	5,990
Total as at 31 December 2017	**755**	**1,101**	**2,718**	**26,922**	**31,496**

Reference

Example 5: Defaults and breaches of loans payable

Defaults of loan payments

Extracts of notes to the financial statements on borrowings:

Scenario 1:
Defaults of loan payments – classification of loan as "current" at reporting date FRS 107(18)

The Company has experienced a temporary shortage of funding because cash outflows in the second quarter for business expansion in [countries] were higher than anticipated. As a result, interest payables of $[ ] on the Company's loan with Bank A due by [date] remained unpaid as at 31 December 2017. The carrying amount of the loan payable in default as at 31 December 2017 is $[ ]. FRS 107(18)(a-b)

In January 2018, the Company obtained a new loan with Bank B having a maturity of three years to settle its existing debt with Bank A. The loan with Bank A was settled on 27 January 2018. FRS 107(18)(c) FRS 1(73,76)

The loan with Bank A is presented as current liability as at 31 December 2017.

Scenario 2:
Defaults of loan payments and classification of loan as "non-current" at reporting date FRS 1(73)

Interest payments of $[ ] on the Company's bank borrowings with a carrying amount of $[ ] was overdue as at 30 September 2017. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of $[ ] due by [date] remained unpaid. FRS 107(18) (a-b) FRS 107(18)

Subsequently during the fourth quarter the Company has paid all overdue amounts (including additional interest and penalties for the late payment). As a result, the outstanding balance is presented as a non-current liability as at 31 December 2017. FRS 1(73,74) FRS 107(18)(c)

Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

Breaches of loan covenants

Extracts of notes to the financial statements on borrowings:

Scenario 1:
Breaches of loan covenants – classification of loan as "current" at reporting date FRS 107(19)

Some of the Company's loan agreements (classified as non-current during the year) are subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of $[ ], of which the Company has currently drawn an amount of $[ ]. FRS 1(73,74) FRS 1(135)(e)

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of $[ ]. The outstanding balance is presented as a current liability as at 31 December 2017.

Example 5: Defaults and breaches of loans payable (continued)

Breaches of loan covenants (continued)

Extracts of notes to the financial statements on borrowings (continued):

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place in the second quarter of 2018.

Scenario 2:
Breaches of loan covenants – classification of loan as "non-current" at reporting date FRS 107(19)

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of $[ ], of which the Company has currently drawn an amount of $[ ].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of $[ ].

However, prior to the end of the financial year, the bank has agreed to a period of grace ending in first quarter of 2019. FRS 1(75) FRS 1(135)(e)

The outstanding balance is presented as a non-current liability as at 31 December 2017.

Note: If the breach occurs **after** the end of the reporting period, then the liability would still be shown as non-current, unless the breach was so serious that the financial statements could not be presented on a going concern basis.

Example 6: Foreign currency convertible bonds – classify as liability in entirety

Extracts of significant accounting policies:

Foreign currency convertible bonds

On issuance of foreign currency convertible bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option. FRS 39 AG28

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The foreign currency-denominated liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Extracts of notes to the financial statements:

Other gains and losses

	Group		
	2017	2016	
	$'000	$'000	
Fair value gains on equity conversion option in convertible bonds	**4,083**	–	FRS 107(20)(a)(v)

Finance expenses

	Group		
	2017	2016	
	$'000	$'000	
Interest expense:			
– Convertible bonds	**16,966**	–	FRS 107(20)(b)

Other Disclosures

Reference

Example 6: Foreign currency convertible bonds – classify as liability in entirety (continued)

FRS 107(17,34)

Extracts of notes to the financial statements (continued):

Foreign currency convertible bonds

On 1 October 2016, the Group issued zero coupon convertible bonds at a nominal value of US$500 million (equivalent to $720 million) due on 4 October 2020. The bonds may be redeemed on 4 October 2019 at their nominal value or can be converted into shares of the Company (the "conversion option") at the holder's option at a conversion price of US$2.20 per share at any time on and after 14 November 2016 up to the close of business on 24 September 2020 if not called for redemption. On full conversion, up to 320,000,000 conversion shares are issued and allotted to the holders of the bonds, if the full carrying amount of bonds is converted into shares instead of being redeemed.

The convertible bonds recognised in the balance sheet are analysed as follows:

	$'000
Face value of convertible bonds issued, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component at initial recognition	695,917
Accumulated amortisation of interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	706,985

The fair value of the liability component of the convertible bonds at 31 December 2017 is $706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25), FRS 113(93)(d)

Other Disclosures

Reference

Example 7: Related party disclosures for government-related entities

Extracts of notes to accounts[1]:

Government S, indirectly, owns 75% of Company's outstanding shares. In addition to the related party information and transactions disclosed elsewhere in the financial statements, the Company's significant transactions with Government S and other entities controlled, jointly controlled or significantly influenced by Government S include the purchase of approximately 90% of the Company's/Group's power supply from [.....], a government controlled entity. FRS 24(26)

In addition, during the year ended 31 December 2017, Government S has sold a piece of land to the Company for a total consideration of $400,000, settled partly in cash and partly on credit terms.

A loan of $240,000 from Government S is repayable in quarterly instalments over the next two years. Interest is charged on the loan at a rate of 2.15%, which is comparable to that charged on the Company's bank loans.

Guidance notes

Related party disclosures for government-related entities

1. The disclosure is relevant for transactions among government related entities and the Government. Specifically, a reporting entity is exempt from the general disclosure requirements of FRS 24 in relation to related party transactions and outstanding balances (including commitments) with the government and other government related entities. However, where a reporting entity is exempt from the general disclosure requirements above, the revised FRS 24 requires the reporting entity to disclose the following information about the transactions and related outstanding balances: FRS 24(25,26)

   - the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
   - the following information in sufficient detail about:
     – the nature and amount of each individually significant transaction; and
     – for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

FRS 116 Leases[1,5,18]

FRS 116 was issued in January 2016. This appendix illustrates the types of disclosures that would be required if a fictional company, PwC 116 Ltd, (the “group”) has decided to apply FRS 116 for its reporting period ending 31 December 2017. Other circumstances might require additional disclosures that are not applicable to PwC 116 Ltd. These are explained in the commentary at the end of this document. In addition, if a company wishes to adopt FRS 116 early, it must also apply FRS 115 at the same time.

The disclosures in this document must be read in the context of the assumptions set out below. Different facts and circumstances could result in different measurements and classifications. Footnote references point to additional commentary at the end of this document.

Assumptions made

In compiling these illustrative disclosures, we have made the following assumptions:

- The group has applied FRS 116 for the first time in the 2017 financial report (initial application date: 1 January 2017) and has chosen to adopt the new rules retrospectively as of 1 January 2017 (i.e. limited retrospective application) as permitted under FRS 116 (C5)(b)). As a consequence, a third balance sheet is not required in the year of adoption.
- The group has used the practical expedients in paragraph C3 and has not reassessed whether a contract is, or contains, a lease if the contract was entered into before 1 January 2017.
- The adoption of FRS 116 required changes in the group’s accounting policies and affected the recognition, measurement and presentation of certain amounts recognised in the statement of profit or loss and the balance sheet. See note 26 for explanations.
- The group has chosen to present the right-of-use assets as part of property, plant and equipment and the lease liabilities as other liabilities in the balance sheet. The related detailed information is provided in one single note.
- The primary financial statements reproduced below only show those line items that will be affected by the implementation of FRS 116.
- Disclosures required under other standards are not illustrated (eg disclosures for property, plant equipment in accordance with FRS 16 *Property, Plant and Equipment* and for financial instruments under FRS 107 *Financial Instruments: Disclosures*). Deferred tax consequences arising as a result of the adoption of the new rules have also been ignored.
- The group does not have any rights-of-use assets that would meet the definition of investment property.
- The group does not have any finance leases as lessor. None of the new disclosures that apply to lessors are therefore relevant and have been illustrated. The existing disclosures provided in relation to the operating leases of the group in Note 26 in the main body of this publication are generally also sufficient under FRS 116, except that any lease income relating to variable lease payments that do not depend on an index or rate would have to be separately disclosed under FRS 116.

Additional Illustrative Disclosures

Appendix 2 – FRS 116 Leases

Reference

Statement of comprehensive income (extract)

FRS 1(10)(b),(10A)

	Notes	2017 $'000	Restated** 2016 $'000	Reference
				FRS 1(51)(c),(e) FRS 1(113)
Continuing operations				FRS 1(82)(a)
Depreciation and amortisation	5	**Xxx**	-	
Operating leases		**-**	Xxx	
Other		**Xxx**	-	
Finance costs [6]	9	**Xxx**	-	FRS 1(82)(b)

Consolidated balance sheet (extract)

FRS 1(10)(a),(54)

	Notes	31 Dec 2017 $'000	31 Dec 2016 $'000	Reference
				FRS 1(51)(c),(e) FRS 1(113)
ASSETS				FRS 1(60), (66)
Non-current assets				
Property, plant and equipment[2,3]	28	**Xxx**	-	FRS 1 (54)(h)
Non-current liabilities				FRS 1 (60),(69)
Other liabilities[2,4]		**Xxx**	-	FRS 1 (54)(k)
Current liabilities				FRS 1 (60),(69)
Other liabilities[2,4]		**Xxx**	-	FRS 1 (54)(k)

Consolidated statement of changes in equity (extract)

FRS 1(10)(c),(106)

	Notes	Attributable to equity holders of PwC 116 Ltd							
		Share capital and premium $'000	**Other equity $'000**	**Other reserves $'000**	**Retained earnings $'000**	**Total $'000**	**Non- con-trolling interests $'000**	**Total equity $'000**	**Reference**
Balance at 31 December 2016		63,976	(550)	11,566	36,561	111,553	5,689	117,242	FRS 1(106)(d)
Adjustment on adoption of FRS 116 (net of tax)	26	-	-	-	Xx	Xx	-	xx	FRS 1(106)(b)
Restated total equity at 1 January 2017		**63,976**	**(550)**	**11,566**	**Xx,xxx**	**Xx,xxx**	**5,689**	**xxx,xxx**	

Consolidated statement of cash flows (extract) [7]

FRS 1(10)(d)

	Notes	2017 $'000	2016 $'000	Reference
				FRS 7(1),(10) FRS 1(113)
Cash flows from operating activities				FRS 7(10)(18)(a)
Operating lease payments *		**-**	xxx	
Payments for short-term and low value leases *		**Xxx**	-	
Interest paid		**Xxx**	xxx	FRS 7(31)-(33)
Cash flows from financing activities				FRS 7(10)(21)
Finance lease payments		**-**	xxx	FRS 7(17)(e)
Lease payments		**Xxx**	-	

** These payments will generally not be shown separately, but included in payments to suppliers and employees (direct method of cash flow presentation) or cash generated from operations (indirect method).*

Reference

34 Non-financial assets and liabilities

34(b) Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Note	**2017 $'000**	2016 $'000	Reference
Right-of-use assets [* 2,3,9,10]				
Properties		**Xx,xxx**	-	FRS 116(53)(j)
Equipment		**Xx,xxx**	-	FRS 116(53)(j)
Cars		**Xx,xxx**	-	FRS 116(53)(j)
Others		**Xx,xxx**	-	FRS 116(53)(j)
		Xx,xxx	-	FRS 116(47)(a)
Lease liabilities [** 2,4]				
Current		**Xx,xxx**	-	FRS 116(47)(b)
Non-current		**Xx,xxx**	-	
		Xx,xxx	-	

Additions to the right-of-use assets during the 2017 financial year were $xx,xxx,000. FRS 116(53)(h)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Note	**2017 $'000**	2016 $'000	Reference
Depreciation charge of right-of-use assets				FRS 116(53)(a)
Properties		**(X,xxx)**	-	
Equipment		**(X,xxx)**	-	
Cars		**(X,xxx)**	-	
Others	5	**(X,xxx)**	-	
Interest expense (included in finance)	9	**(Xxx)**	-	FRS 116(53)(b)
Expense relating to short-term leases (included in other)	9	**(Xxx)**	-	FRS 116(53)(c)
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	9	**(Xxx)**	-	FRS 116(53)(d)
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	9	**(Xxx)**	-	FRS 116(53)(e)

The total cash outflow for leases in 2017 was $xx,xxx,000. FRS 116(53)(g)

* *included in the line item 'Property, plant and equipment' in the balance sheet*
** *included in the line item 'other liabilities' in the balance sheet. In the previous year, the group only recognised lease liabilities in relation to leases that were classified as 'finance leases' under FRS 17 Leases. These were presented as part of the group's borrowings. For adjustments recognised on adoption of FRS 116 on 1 January 2017, please refer to note 26.* [4]

Other Disclosures

34 Non-financial assets and liabilities (continued)

34(b) Leases (continued)

(iii) The group's leasing activities and how these are accounted for

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of x to xx years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. FRS 116(59)(a),(c)

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. FRS 1(117)

43 Financial risk management (extract)

43(c) Liquidity risk (extract) [8]

FRS 107 (39)(b),(c),(B11)

Contractual maturities of financial liabilities At 31 December 2017	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Lease liabilities	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	xxx

FRS 116 (58)

2 Summary of significant accounting policies (extract)

FRS 1(117)

2(a) Basis of preparation (extract)

FRS 1(112)(a),(117)

(iii) New and amended standards adopted by the group

The group has elected to apply FRS 116 *Leases*. In accordance with the transition provisions in FRS 116 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2017. Comparatives for the 2016 financial year have not been restated. See Note 2.1 below for further details on the impact of the change in accounting policy. FRS 8(28)(b),(d) IFRS 15(C5)(b),(C7)

2(b) Leases (extracts)

FRS 1(119)

As explained in Note 2(a) above, the group has changed its accounting policy for leases. The new policy is described in Note 2.19 and the impact of the change in Note 2.1.

Until the 2016 financial year, leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases.

2.1 Changes in accounting policies [11-17]

As indicated in Note 2(a) above, the group has adopted FRS 116 *Leases* retrospectively from 1 January 2017, as permitted under the specific transition provisions in the standard. Comparatives for the 2016 financial year have therefore not been restated. FRS 8(28)(a)-(d) FRS 116(C5),(b),(C7)

On adoption of FRS 116, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of FRS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2017. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was xx.x%. FRS 116(C8),(C12)(a)

	$'000	Reference
Operating lease commitments disclosed as at 31 December 2016	X,xxx	FRS 116(C12)(b)
Discounted using the group's incremental borrowing rate of xx.x%	X,xxx	
Add: finance lease liabilities recognised as at 31 December 2016	X,xxx	
(Less): short-term leases recognised on a straight-line basis as expense	(xxx)	
(Less): low-value leases recognised on a straight-line basis as expense	(xxx)	
(Less): contracts with service element	(xxx)	FRS 116(13)
Add/(less): adjustments as a result of a different treatment of extension and termination options	xx	
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	xx	
Lease liability recognised as at 1 January 2017	X,xxx	

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2016. Property, plant and equipment increased by $x,xxx,000 on 1 January 2017, prepayments reduced by $xxx,000 and trade and other payables by $xxx,000. The net impact on retained earnings on 1 January 2017 was $xxx,000.[16] FRS 116(C8)(b)(ii)

In applying FRS 116 for the first time, the group has used the following practical expedients permitted by the standard:[17] FRS 116(C3),(C4),(C13),(C10)

- no reassessment on whether a contract is, or contains a lease, if the contract was entered into before 1 January 2017
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2017 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Reference

2.19 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: FRS 1(117)

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following: FRS 1(117)

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture. FRS 116(60)

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments FRS 116(59)(b)(i), (B49)
Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 5% increase in sales across all stores in the group with such variable lease contracts would increase total lease payments by approximately x.x to x.x %.

Reference

2.19 Leases (continued)

(b) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. FRS 116(59)(a), (B50)

Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. During financial year 2017, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and rights-of-use assets of $xx,000. FRS 116(59)(b)(ii), (B50)

(c) Residual value guarantees

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases. FRS 116(59)(b)(iii), (B51)

Estimating the amount payable under residual value guarantees
The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of reporting period, residual value guarantees included in the lease liabilities amounted to $xxx,000 (2016 – $xxx,000).

FRS 116 Leases

Objectives of disclosures

1. The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the balance sheet, statement of comprehensive income and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. FRS 116(51)

Presentation

2. Rights-of-use assets and lease liabilities must be presented separately from other assets and liabilities, but this can be done in the notes. FRS 116(47)
3. For the purpose of presentation in the balance sheet, rights-of-use assets can be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned, or in a separate line item. If rights-of-use assets and lease liabilities are not presented as separate line items in the balance sheet, the notes must identify the line items which include these assets and liabilities.
4. While PwC 116 Ltd has decided to reclassify lease liabilities from borrowings to other liabilities, this is not required under the standard and different presentations may be equally appropriate.
5. Rights-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property. FRS 116(48)
6. Interest expense on lease liabilities must be presented as a component of finance cost in the statement of profit or loss and other comprehensive income. FRS 116(49)
7. Cash flows relating to leases must be presented as follows FRS 116(48)
   (a) cash payments for the principal portion of the lease liabilities as cash flows from financing activities.
   (b) cash payments for the interest portion consistent with presentation of interest payments chosen by the group (see the commentary in relation to presentation of interest in the statement of cash flows in the main body of this publication).
   (c) short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.
8. Lease liabilities must be disclosed separately in the disclosure of maturities of financial liabilities that is required under FRS 107 paragraphs 39 and B11. FRS 116(58)

Reference

FRS 116 Leases (continued)

Rights-of-use assets

9. Where rights-of-use assets are presented together with other items of property, plant and equipment entities, will need to consider how this affects the relevant disclosures (Note 28 in the main body of this publication). Depending on materiality, rights-of-use assets may need to be disclosed as a separate class of assets in the reconciliation that is required under FRS 16 *Property, Plant and Equipment.*

10. Where an entity elects to present rights-of-use assets as separate line items in the balance sheet, the disclosures in FRS 16 do not apply and the illustrative disclosures provided in note 8(x) in this appendix would be sufficient. However, if the entity has significant amounts of rights-of-use assets, readers of the financial statements might find it useful if the entity provides the information set out in Note 34(b)(i) and (ii) in form of reconciliations from opening to closing balances for the rights-of-use assets and lease liabilities.

Transition

11. FRS 116 is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with FRS 115 Revenue from Contracts with Customers. FRS 116(C1)

12. As practical expedient, entities can elect to apply the new guidance regarding the definition of a lease only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not need to be reassessed. However, this expedient must be consistently applied to all contracts. FRS 116(C3)

13. Other transition exemptions are available for leases with a remaining term of 12 months or less and for low value assets (both on a lease-by-lease basis). FRS 116(C9),(C10)

14. The standard further permits the use of a simplified transition approach which is outlined below. Full retrospective application is optional, but if chosen must be applied to all leases. Selective application of the simplified transition approach is not permitted. FRS 116(C5)(b),(C6)

Reference

FRS 116 Leases (continued)

15. Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application. FRS 116(C8)

Balance sheet item	Measurement
Leases previously classified as operating leases	
Lease liability	Remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application
Right-of-use asset	Retrospective calculation, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application. Or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). *Lessees can choose one of the alternatives on a lease-by-lease basis.*
Leases previously classified as finance leases	
Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
Right-of-use asset	Carrying amount of the lease asset immediately before the date of initial application.

16. Entities that apply the simplified approach are not required to disclose the impact of the adoption of the standard on the individual line items of the financial statements that are affected. Having said that, we recommend disclosing the adjustments recognised on the date of initial application at least in the narrative explanations provided. FRS 116(C12)

Reference

FRS 116 Leases (continued)

17. Entities must disclose if they have applied any of the following practical expedients: FRS 116(C13),(C10)
    (a) applying a single discount rate to a portfolio of leases with similar characteristics
    (b) relying on previous assessment of whether a lease is onerous
    (c) accounting for leases which end within 12 months of the date of initial application as short-term leases
    (d) excluding initial direct costs from the measurement of the right-of-use asset, and
    (e) using hindsight, eg in determining the lease term where the contract includes extension or termination options.

Disclosures not illustrated: not applicable to PwC 116 Ltd

18. The following requirements of FRS 116 are not illustrated in this Appendix:

Issue not illustrated	Relevant disclosures or reference	Reference
Sale and leaseback transactions	Disclose gain or loss separately in the notes and provide additional information set out in paragraph B52 of the standard	FRS 116(53)(i),(B52)
Sub-leasing of rights of use assets	Disclose income from sub-leasing.	FRS 116(53)(f)
Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose lease commitments for short-term leases accounted recognised as expenses on a straight-line basis.	FRS 116(55)
Rights-of-use assets that meet the definition of investment property	Apply the disclosure requirements of FRS 40 *Investment Property.* Lessees are not required to disclose the depreciation charge, income from sub-lease, additions and the carrying amount at the end of the reporting period in relation to these assets.	FRS 116(56)
Rights-of-use assets are measured at revalued amount under FRS 16.	Provide the disclosures required by paragraph 77 of FRS 16 in relation to those assets.	FRS 116(57)
Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.	FRS 116(59)(b),(iv)
Use of practical expedient on transition to FRS 116 in relation to onerous leases.	Disclose the fact that this exception has been applied.	FRS 116(C10)(b)

Reference

FRS 116 Leases (continued)

Disclosures not illustrated: not applicable to PwC 116 Ltd (continued)

18. The following requirements of FRS 116 are not illustrated in this Appendix (continued):

Issue not illustrated	Relevant disclosures or reference
The entity is a lessor.	Provide information which allows users of the financial statements to assess the effect that leases have on the lessor's financial position, financial performance and cash flows. For finance leases: • selling profit or loss • finance income on the net investment in the lease • income relating to variable lease payments not included in the measurement of the net investment • qualitative and quantitative explanation of significant changes in the carrying amount of the net investment in the lease, and • maturity analysis of lease receivable for a minimum of each of the first five years plus a total amount for the remaining years; reconciliation to the net investment in the lease. For operating leases: • lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate. • maturity analysis of lease payments for a minimum of each of the first five years plus a total amount for the remaining years. • for items of property, plant and equipment that are subject to an operating lease, the disclosures required by FRS 16 separately for the assets subject to an operating lease and for those that are held and used by the lessor. • where applicable, the disclosure required by FRS 36, FRS 38, FRS 40 and FRS 41. Qualitative disclosures for all leases about: • the nature of the entity's leasing activities, and • the management of the risks associated with any rights retained in the underlying assets.

FRS 116(89)-(97)

PwC SFRS(I) Holdings Ltd

Illustrative Disclosures on Adoption of SFRS(I) on 1 January 2018

Primary Statements

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Full convergence with International Financial Reporting Standards

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") effective on 1 January 2018. The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter. As SFRS(I) is identical to IFRS, an entity that is in compliance with SFRS(I) through the application of SFRS(I) equivalent of IFRS 1 can choose to assert dual compliance with both SFRS(I) and IFRS.

SFRS(I) comprise Standards and Interpretations that are equivalent to the following pronouncements issued by IASB:

(a) International Financial Reporting Standards;
(b) International Accounting Standards;
(c) IFRIC Interpretations; and
(d) SIC Interpretations.

Entities which are required to adopt the new SFRS(I) framework are as follows:

Type of entities	Required to adopt SFRS(I)?	
	Yes	No
Singapore and foreign companies listed on the Singapore Exchange ("SGX") currently reporting under Singapore Financial Reporting Standards ("SFRS")	✓	
Business Trusts listed on SGX currently reporting under SFRS	✓	
Entities that would lodge prospectus with MAS on or after 1 January 2018 for the purposes of issuing equity or debt instruments for trading on SGX	✓ (Subject to transitional reliefs provided by MAS)	
Authorised Collective Investment Schemes (REITs, unit trusts)		✓ Remains on RAP 7
All other entities		✓*

* *Singapore-incorporated companies which do not fall under any of the above categories may voluntarily adopt SFRS(I) for annual periods beginning from 1 January 2018.*

When SFRS(I) is first adopted, companies are required to apply the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS.*

This publication illustrates the consolidated financial statements of a fictitious company listed on SGX, PwC SFRS(I) Holdings Ltd (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 when it adopts SFRS(I), through the application of the requirements in SFRS(I) equivalent of IFRS 1. This publication also illustrates the disclosures that are required when the Group adopts the SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at the same time.

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Disclosures not illustrated

The disclosures in the illustration below do not cover every potential first-time adoption adjustment that entities may have to disclose, but rather, those which are relevant to the circumstances of PwC SFRS(I) Holdings Ltd. Only those disclosures which are **incrementally** required as a result of applying the specific transition requirements of SFRS(I) equivalents of IFRS 1, IFRS 9 and IFRS 15 are illustrated.

Depending on individual facts and circumstances, other disclosures may be relevant that are not applicable to PwC SFRS(I) Holdings Ltd. Certain disclosures are included in these financial statements merely for illustrative purposes only, even though they may be regarded as items or transactions that are not material for the Group.

IFRSs as at 30 September 2017

The standards applied in these illustrative financial statements are based on IFRS versions in issue as at 30 September 2017 and effective for annual periods beginning on 1 January 2018. Standards issued as at 30 September 2017 but not yet effective for annual periods beginning after 1 January 2018 have not been early adopted in these illustrative financial statements.

IFRS 1 (and the SFRS(I) equivalent) requires the same accounting policies to be applied in the opening balance sheet and throughout all periods presented in the financial statements. Those accounting policies shall comply with each SFRS(I) equivalent of IFRSs effective at the end of the entity's first SFRS(I) reporting period, subject to the mandatory exceptions and optional exemptions under the SFRS(I) equivalent of IFRS 1.

We remind users to check for any changes in the standards that are mandatory for application or can be early applied which are updated between 30 September 2017 and at the end of the entity's first SFRS(I) reporting period, and ensure that these are appropriately reflected in the financial statements.

Reference

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000	Reference
Continuing operations				
Sales	4	**203,458**	210,244	
Cost of sales^		**(73,311)**	(77,493)	
Gross profit		**130,147**	132,751	
Other income				
- Interest	5	**2,144**	1,180	IAS 1(82)(a)
- Other	5	**3,623**	2,718	
Other gains and losses	6	**(30)**	(1,383)	
Expenses				
- Distribution and marketing^		**(48,271)**	(52,140)	
- Administrative^		**(27,839)**	(29,105)	
- Finance^		**(7,213)**	(7,073)	
- Impairment loss on financial assets^		**(264)**	(74)	IAS 1(82)(ba)
Share of profit/(loss) of associated companies and joint ventures^		**340**	(174)	
Profit before income tax		**52,637**	46,700	
Income tax expense^		**(14,817)**	(14,887)	
Profit from continuing operations		**37,820**	31,813	
Discontinued operations				
Profit from discontinued operations^		**-**	100	
Total profit		**37,820**	31,913	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Financial assets, at FVOCI / available-for-sale				
- Fair value (losses)/gains		**(143)**	582	IFRS 7(20)(a)(viii)
- Reclassification		**8**	(164)	
Cash flow hedges				
- Fair value gains		**(610)**	342	
- Reclassification		**633**	(279)	
Share of other comprehensive income of associated companies^		**35**	27	
Currency translation differences arising from consolidation				
- Gains		**1,466**	1,788	
- Reclassification		**(847)**	(1,200)	
		542	1,096	
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment		**457**	207	
Financial assets, at FVOCI - fair value losses		**(1,055)**	-	IFRS 7(20)(a)(vii)
Currency translation differences arising from consolidation				
- Gains		**408**	552	
Other comprehensive income, net of tax		**352**	1,855	
Total comprehensive income		**38,172**	33,768	

^ *There is no incremental disclosure as a result of adoption of SFRS(I) and SFRS(I) equivalents of IFRS 9 and IFRS 15. Notes to the financial statements are therefore not included in these illustrative financial statements.*

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	2018 **$'000**	2017 $'000
Profit attributable to:		
Equity holders of the Company	**34,416**	29,364
Non-controlling interests	**3,404**	2,549
	37,820	31,913
Profit attributable to equity holders of the Company relates to:		
Profit from continuing operations	**34,416**	29,294
Profit from discontinued operations	**-**	70
	34,416	29,364
Total comprehensive income attributable to:		
Equity holders of the Company	**34,355**	30,662
Non-controlling interests	**3,817**	3,106
	38,172	33,768
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company ($ per share)		
Basic earnings per share		
From continuing operations^	**1.53**	1.31
From discontinued operations	**-**	*
Diluted earnings per share		
From continuing operations^	**1.34**	1.16
From discontinued operations	**-**	*

^ *There is no incremental disclosure as a result of adoption of SFRS(I) and SFRS(I) equivalents of IFRS 9 and IFRS 15. Notes to the financial statements are therefore not included in these illustrative financial statements.*

* *Less than $0.01*

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

Reference

Balance Sheet – Group

As at 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017[1] $'000
ASSETS				
Current assets				
Cash and cash equivalents^		**37,098**	22,010	36,212
Financial assets, at FVPL	7	**11,300**	10,785	8,326
Derivative financial instruments	8	**1,854**	1,069	452
Financial assets, available-for-sale	9	**-**	1,950	646
Trade and other receivables^		**16,575**	18,126	15,211
Inventories^		**29,541**	24,258	17,094
Contract assets	4	**2,745**	2,317	1,897
Other current assets^		**345**	38	79
		99,458	80,553	79,917
Assets of disposal group classified as held for sale^		**-**	3,333	-
		99,458	83,886	79,917
Non-current assets				
Financial assets, at FVPL	7	**2,300**	-	-
Derivative financial instruments	8	**308**	395	112
Financial assets, available-for-sale	9	**-**	15,298	12,291
Financial assets, at FVOCI	10	**13,452**	-	-
Other investments at amortised cost	11	**2,389**	-	-
Financial assets, held-to-maturity	12	**-**	2,122	1,593
Trade and other receivables^		**1,499**	3,322	1,990
Investments in associated companies^		**7,606**	7,008	6,404
Investment in a joint venture^		**1,457**	1,200	2,165
Investment properties^		**5,970**	5,550	5,455
Property, plant and equipment^		**143,556**	153,611	97,890
Intangible assets^		**26,187**	26,730	21,600
Deferred income tax assets^		**7,323**	3,319	3,228
		212,047	218,555	152,728
Total assets		**311,505**	302,441	232,645
LIABILITIES				
Current liabilities				
Trade and other payables^		**13,914**	15,820	10,234
Contract liabilities	4	**2,527**	1,426	1,051
Current income tax liabilities^		**1,700**	2,942	3,833
Derivative financial instruments	8	**1,376**	440	240
Borrowings^		**9,155**	9,524	15,670
Provisions^		**1,523**	1,359	1,645
		30,195	31,511	32,673
Liabilities directly associated with disposal group classified as held-for-sale^		**-**	220	-
		30,195	31,731	32,673
Non-current liabilities				
Trade and other payables^		**-**	350	-
Derivative financial instruments	8	**-**	135	44
Borrowings^		**101,223**	118,300	89,214
Deferred income tax liabilities^		**12,360**	12,066	8,841
Provisions^		**1,573**	1,655	1,585
		115,156	132,506	99,684
Total liabilities		**145,351**	164,237	132,357
NET ASSETS		**166,154**	138,204	100,288
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital^		**41,495**	41,495	32,024
Treasury shares^		**(2,022)**	(1,418)	(900)
Other reserves^		**7,114**	7,258	4,043
Retained profits^		**109,033**	82,617	63,355
		155,620	129,952	98,522
Non-controlling interests		**10,534**	8,252	1,766
Total equity		**166,154**	138,204	100,288

^ *There are no incremental disclosure as a result of adoption of SFRS(I) and SFRS(I) equivalents of IFRS 9 and IFRS 15. Notes to the financial statements are therefore not included in these illustrative financial statements.*

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

Balance Sheet – Company

As at 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017[1] $'000
ASSETS				
Current assets				
Cash and cash equivalents^		**18,498**	16,252	2,977
Derivative financial instruments	8	**211**	232	78
Trade and other receivables^		**4,124**	7,612	2,166
Inventories^		**3,462**	2,200	335
		26,295	26,296	5,556
Non-current asset classified as held-for-sale^		**-**	1,000	-
		26,295	27,296	5,556
Non-current assets				
Derivative financial instruments	8	**-**	34	6
Financial assets, available-for-sale	9	**-**	1,500	1,218
Financial assets, at FVOCI	10	**1,600**	-	-
Trade and other receivables^		**3,147**	3,136	3,200
Investments in associated companies^		**1,000**	1,000	1,000
Investment in a joint venture^		**880**	880	880
Investments in subsidiaries^		**95,160**	95,160	96,460
Property, plant and equipment^		**843**	855	400
Intangible assets^		**3,121**	1,200	1,100
		105,751	103,765	104,264
Total assets		**132,046**	131,061	109,820
LIABILITIES				
Current liabilities				
Trade and other payables^		**848**	707	549
Current income tax liabilities^		**261**	235	325
Derivative financial instruments	8	**-**	35	45
Borrowings^		**3,500**	3,500	10,200
Provisions^		**50**	100	210
		4,659	4,577	11,329
Non-current liabilities				
Derivative financial instruments	8	**-**	12	2
Borrowings^		**76,926**	78,267	61,751
Deferred income tax liabilities^		**4,792**	2,779	2,051
Provisions^		**150**	200	95
		81,868	81,258	63,899
Total liabilities		**86,527**	85,835	75,228
NET ASSETS		**45,519**	45,226	34,592
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital^		**41,495**	41,495	32,024
Treasury shares^		**(1,418)**	(1,418)	(900)
Other reserves^		**3,973**	3,873	2,034
Retained profits^		**1,469**	1,276	1,434
Total equity		**45,519**	45,226	34,592

^ There is no incremental disclosure as a result of adoption of SFRS(I) and SFRS(I) equivalents of IFRS 9 and IFRS 15. Notes to the financial statements are therefore not included in these illustrative financial statements.

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

Balance Sheet – Company

As at 31 December 2018

Guidance notes

Comparative information

1. An entity's first SFRS(I) financial statements shall include at least three balance sheets, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented. IFRS 1(21)

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

Reference

PwC SFRS(I) Holdings Ltd and its Subsidiaries

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2018

	Note	Share capital	Treasury shares	Share option reserve	Capital reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Equity component of convertible bonds	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
		← Attributable to equity holders of the Company									→			
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018														
Balance as at 31 December 2017		**41,495**	**(1,418)**	**1,636**	**488**	**572**	**87**	**588**	**1,685**	**2,202**	**82,617**	**129,952**	**8,252**	**138,204**
Adoption of the SFRS(I) equivalent of IFRS 9	2.2(b)	-	-	-	-	(645)	-	-	-	-	400	(245)	-	(245)
Balance as at 1 January 2018		**41,495**	**(1,418)**	**1,636**	**488**	**(73)**	**87**	**588**	**1,685**	**2,202**	**83,017**	**129,707**	**8,252**	**137,959**
Profit for the year		-	-	-	-		-	-	-	-	34,416	34,416	3,404	37,820
Other comprehensive income for the year		-	-	-	-	(1,155)	23	619	-	452	-	(61)	413	352
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(1,155)**	**23**	**619**	**-**	**452**	**34,416**	**34,355**	**3,817**	**38,172**
Transfer upon disposal of investments in equity instruments designated at FVOCI		-	-	-	-	(257)	-	-	-	-	257	-	-	-
Purchase of treasury shares		-	(2,389)	-	-	-	-	-	-	-	-	(2,389)	-	(2,389)
Employee share option scheme														
- Value of employee services		-	-	715	-	-	-	-	-	-	-	715	-	715
- Treasury shares re-issued		-	1,785	(841)	370	-	-	-	-	-	-	1,314	-	1,314
Dividend relating to 2017 paid		-	-	-	-	-	-	-	-	-	(8,082)	(8,082)	(1,535)	(9,617)
Total transactions with owners, recognised directly in equity		-	(604)	(126)	370	(257)	-	-	-	-	(7,825)	(8,442)	(1,535)	(9,977)
Balance as at 31 December 2018		**41,495**	**(2,022)**	**1,510**	**858**	**(1,485)**	**110**	**1,207**	**1,685**	**2,654**	**109,608**	**155,620**	**10,534**	**166,154**

IFRS 7(11A)(e), IFRS 7(11B)(c)

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

PwC SFRS(I) Holdings Ltd and its Subsidiaries

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2018

	← Attributable to equity holders of the Company →												
	Share capital	Treasury shares	Share option reserve	Capital reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Equity component of convertible bonds	Asset revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017													
Balance as at 1 January 2017	**32,024**	**(900)**	**1,892**	-	**127**	**24**	-	-	**2,000**	**63,355**	**98,522**	**1,766**	**100,288**
Profit for the year	-	-	-	-	-	-	-	-	-	29,364	29,364	2,549	31,913
Other comprehensive income for the year	-	-	-	-	445	63	588	-	202	-	1,298	557	1,855
Total comprehensive income for the year	-	-	-	-	**445**	**63**	**588**	-	**202**	**29,364**	**30,662**	**3,106**	**33,768**
Purchase of treasury shares	-	(2,072)	-	-	-	-	-	-	-	-	(2,072)	-	(2,072)
Employee share option scheme													
- Value of employee services	-	-	690	-	-	-	-	-	-	-	690	-	690
- Treasury shares re-issued	-	1,554	(946)	488	-	-	-	-	-	-	1,096	-	1,096
Issue of new shares	9,884	-	-	-	-	-	-	-	-	-	9,884	-	9,884
Share issue expenses	(413)	-	-	-	-	-	-	-	-	-	(413)	-	(413)
Convertible bond													
- Equity component	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685
Dividend relating to 2016 paid	-	-	-	-	-	-	-	-	-	(10,102)	(10,102)	(1,920)	(12,022)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,600	5,600
Total transactions with owners, recognised directly in equity	9,471	(518)	(256)	488	-	-	-	1,685	-	(10,102)	768	3,380	4,148
Balance as at 31 December 2017	**41,495**	**(1,418)**	**1,636**	**488**	**572**	**87**	**588**	**1,685**	**2,202**	**82,617**	**129,952**	**8,252**	**138,204**

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

Reference

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	2018 **$'000**	2017 $'000
Cash flows from operating activities		
Total profit	**37,820**	31,913
Adjustments for:		
- Income tax expense	**14,817**	14,924
- Employee share option expense	**715**	690
- Amortisation, depreciation and impairment	**14,605**	23,300
- Gain on disposal of property, plant and equipment	**-**	(17)
- Impairment loss on financial assets, available-for-sale	**-**	575
- Net gain on disposal of financial assets, available-for-sale	**-**	(200)
- Impairment loss on financial assets, at FVOCI	**8**	-
- Reclassification adjustments from hedging reserve to profit or loss	**(121)**	(230)
- Loss on disposal of a subsidiary	**-**	945
- Fair value gain on investment property	**(174)**	123
- Interest income	**(2,144)**	(1,180)
- Dividend income	**(3,102)**	(2,230)
- Finance expenses	**8,846**	9,812
- Share of (profit)/loss of associated companies and joint ventures	**(340)**	174
- Unrealised currency translation losses	**1,488**	1,074
	72,418	79,673
Change in working capital, net of effects from acquisition and disposal of subsidiaries:		
- Inventories	**(4,200)**	(7,772)
- Trade and other receivables	**625**	(6,695)
- Contract assets	**(428)**	(414)
- Other current assets	**(107)**	(54)
- Financial assets, at FVPL	**(412)**	(2,651)
- Trade and other payables	**(2,256)**	(8,826)
- Contract liabilities	**1,101**	(117)
- Provisions for liabilities and other charges	**82**	67
Cash generated from operations	**66,823**	53,211
Interest received	**48**	35
Interest paid	**(5,087)**	(5,789)
Income tax paid	**(13,716)**	(15,504)
Net cash provided by operating activities	**48,068**	31,953
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	**-**	(13,400)
Additions to property, plant and equipment	**(2,515)**	(9,565)
Additions to investment property	**(246)**	(288)
Additions to intangible assets	**(1,492)**	(2,813)
Purchases of financial assets,available-for-sale	**-**	(3,956)
Purchases of financial assets, held-to-maturity	**-**	(472)
Disposal of a subsidiary, net of cash disposed of	**-**	179
Disposal of property, plant and equipment	**-**	4,974
Disposal of investment property	**-**	70
Disposal of financial assets, available-for-sale	**-**	300
Disposal of financial assets, at FVOCI	**1,200**	-
Loans to an associated company	**(1,440)**	(1,455)
Repayment of loans by an associated company	**212**	63
Dividends received	**3,102**	2,230
Interest received	**1,742**	2,290
Net cash provided by/(used in) investing activities	**563**	(21,843)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	2018 **$'000**	2017 $'000
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**-**	9,884
Proceeds from re-issuance of treasury shares	**1,229**	982
Share issue expense	**-**	(413)
Proceeds from issuance of convertible bond	**-**	50,000
Proceeds from borrowings	**9,300**	8,500
Purchase of treasury shares	**(2,389)**	(2,072)
Repayment of borrowings	**(30,109)**	(71,434)
Repayment of lease liabilities	**(138)**	(165)
Interest paid	**(2,991)**	(3,180)
Dividends paid to equity holders of the Company	**(8,082)**	(10,102)
Dividends paid to non-controlling interests	**(1,535)**	(1,920)
Net cash used in financing activities	**(34,715)**	(19,920)
Net increase/(decrease) in cash and cash equivalents	**13,916**	(9,810)
Cash and cash equivalents		
Beginning of financial year	**19,160**	29,548
Effects of currency translation on cash and cash equivalents	**(388)**	(578)
End of financial year	**32,688**	19,160

Reconciliation of liabilities arising from financing activities

	1 January 2018 $'000	Principal and interest payments $'000	Non-cash changes $'000		31 December 2018 $'000
			Interest expense	Foreign exchange movement	
Convertible bonds	48,267	(2,500)	2,745	-	48,512
Bank borrowings	45,982	(21,235)	2,318	(131)	26,934
Lease liabilities	925	(138)	65	-	852

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

Reference

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore IFRS-identical Financial Reporting Standards as issued by Accounting Standards Council[1] ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below. IFRS 1(3)

Guidance notes

Explicit and unreserved statement of compliance with SFRS(I)

1. An entity's first SFRS(I) financial statements are the first annual financial statements in which it adopts SFRS(I) by an explicit and unreserved statement of compliance with SFRS(I). IFRS 1(3)

Dual compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

2. As SFRS(I) is identical to the IFRS, an entity that is in compliance with SFRS(I) through the application of the SFRS(I) equivalent of IFRS 1 can choose to assert dual compliance with both the SFRS(I) and IFRS.

2.2 Adoption of SFRS(I)[1]

IFRS 1(23)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS* ("IFRS 1"). Under SFRS(I) equivalent of IFRS 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under the Standard. IFRS 1(9) IFRS 1(7)

The Group's opening balance sheet under SFRS(I) has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition"). IFRS 1(6)

Reference

2.2 Adoption of SFRS(I) (continued)

Guidance notes

Explanation of transition to SFRS(I)

1. SFRS(I) equivalent of IFRS 1 requires an entity ("first-time adopter") to explain how the transition from its previous GAAP to SFRS(I) affected its reported financial position, financial performance and cash flows. IFRS 1(23)

2. A first-time adopter of SFRS(I) is required to provide sufficient detail in its reconciliations to enable users to understand the material adjustments to the statement of financial position, statement of comprehensive income and statement of cash flows presented under previous GAAP. It is not sufficient to refer to earlier announcements or interim financial reports published by the entity for these disclosures; these disclosures should be included in its first SFRS(I) financial statements. IFRS 1(24), (25)

3. If an entity becomes aware of errors made under previous GAAP, those errors shall be distinguished from changes in accounting policies under the reconciliations presented above. IFRS 1(26)

Retrospective application of all accounting policies

4. SFRS(I) equivalent of IFRS 1 requires an entity to use the same accounting policies in its opening SFRS(I) balance sheet and throughout all periods presented in its first SFRS(I) financial statements. The transitional provisions in all SFRS(I) do not apply to a first-time adopter. Full retrospective application of all SFRS(I) effective at the end of the first SFRS(I) reporting period is required, subject to the mandatory exceptions and optional exemptions under the Standard. IFRS 1(7) IFRS 1(9)

5. The entity shall not apply different versions of SFRS(I) which were effective at an earlier date, but may early adopt a new SFRS(I) that is not yet mandatory if that SFRS(I) permits early application. IFRS 1(8)

Review accounting policy choices

6. A first-time adopter does not apply the requirements under SFRS(I) equivalent of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to changes in accounting policies that occur when the entity first adopts SFRS(I). Rather, the first-time adopter must provide an explanation of transitional adjustments and reconciliations of equity and comprehensive income. IFRS 1(27)

2.2 Adoption of SFRS(I) (continued)

Guidance notes

Review accounting policy choices (continued)

7. Where an SFRS(I) permits more than one accounting treatment for a transaction or event, an appropriate accounting policy is selected and applied consistently to similar transactions or events. Once a choice of one of the alternative treatments had been made, it becomes the entity's accounting policy and must be applied consistently from thereon. After the entity has presented its first SFRS(I) financial statements, changes in accounting policies should only be made in subsequent financial statements in accordance with the SFRS(I) equivalent of IAS 8, which is only if the change is required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

8. If a first-time adopter changes its accounting policies or its use of optional exemptions under IFRS 1 during the period covered by the first SFRS(I) financial statements (for example, if the entity had published interim financial statements in accordance with the SFRS(I) equivalent of IAS 34 *Interim Financial Reporting* and changed its choice of accounting policies or optional exemptions between its interim financial statements and first SFRS(I) annual financial statements), it must explain how this change affected its previously reported financial position, financial performance and cash flows. In this illustration, it is assumed that there were no changes to the accounting policies or optional exemptions elected by the Group during the period covered by its first SFRS(I) financial statements. IFRS 1(27A)

Interim SFRS(I) financial statements

9. Where an entity prepares interim financial reports in accordance with SFRS(I) equivalent of IAS 34 for part of the period covered by its first SFRS(I) financial statements, the entity is required to include for each interim financial report: IFRS 1(32)

   (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under SFRS(I) at that date; and

   (ii) a reconciliation to its total comprehensive income in accordance with SFRS(I) for that comparable interim period (current and year to date), with the starting point of the reconciliation as the total comprehensive income in accordance with previous GAAP for that period.

2.2 Adoption of SFRS(I) (continued)

Guidance notes

Interim SFRS(I) financial statements (continued)

10. An entity is not required to repeat all of the incremental SFRS(I) transitional disclosures for each interim period during the first year of reporting under SFRS(I). The opening statement of financial position and accompanying reconciliations of equity, total comprehensive income and statement of cash flows (if presented) are only required for the entity's first interim financial report in accordance with the SFRS(I) equivalent of IAS 34 for part of the period covered by its first SFRS(I) financial statements. IFRS 1(32(b))

Presentation and disclosure requirements

11. IFRS 1 does not provide exemptions from the presentation and disclosure requirements in other SFRS(I). IFRS 1(20)

Non-IFRS comparative information and historical summaries

12. Entities that present historical summaries or comparative information in the financial statements that is in accordance with previous GAAP shall: IFRS 1(22)

    - label the previous GAAP information prominently as not being prepared in accordance with SFRS(I); and
    - disclose the nature of the main adjustments that would make it comply with SFRS(I). The entity need not quantify these adjustments.

Tax impact on retrospective adjustments

13. The application of IFRS 1 and SFRS(I) equivalents of IFRS 9 and IFRS 15 may result in retrospective adjustments which affects the entity's profit or loss. Entities are reminded to reflect the corresponding tax implications on these adjustments retrospectively.

Reference

2.2 Adoption of SFRS(I) (continued)

Guidance notes

Optional exemptions under IFRS 1

14. The exemptions illustrated in this publication are selected exemptions for which PwC SFRS(I) Holdings Ltd has elected. Other available exemptions under IFRS 1 which have not been illustrated are as follows:

- Share-based payment transactions IFRS 1(D2 – D3)
- Insurance contracts IFRS 1(D4)
- Deemed cost on investments in subsidiaries, joint ventures and associates IFRS 1(D14 – D15A)
- Assets and liabilities of subsidiaries, associates and joint ventures IFRS 1(D16 – D17)
- Compound financial instruments IFRS 1(D18)
- Designation of previously recognised financial instruments IFRS 1(D19 – D19C)
- Fair value measurement of financial assets or financial liabilities at initial recognition IFRS 1(D20)
- Decommissioning liabilities included in the cost of property, plant and equipment IFRS 1(D21 – D21A)
- Financial assets or intangible assets accounted for in accordance with IFRIC 12 *Service Concession Arrangements* IFRS 1(D22)
- Extinguishing financial liabilities with equity instruments IFRS 1(D25)
- Severe hyperinflation IFRS 1(D26 – D30)
- Joint arrangements IFRS 1(D31)
- Stripping costs in the production phase of a surface mine IFRS 1(D32)
- Designation of contracts to buy or sell a non-financial item IFRS 1(D33)
- Foreign currency transactions and advance consideration IFRS 1(D36)

The optional exemptions under IFRS 1 shall not be applied by analogy to other items.

(a) Optional exemptions applied

SFRS(I) equivalent of IFRS 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I): IFRS 1(7)

(i) Business combinations[1] IFRS 1(C1)

The SFRS(I) equivalent of IFRS 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification[3] as in its previous SFRS financial statements has been adopted. IFRS 1(C4)(a)

IFRS 1(C2,C3)

The Group has not applied the SFRS(I) equivalent of IAS 21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21[4].

Reference

2.2 Adoption of SFRS(I) (continued)

Guidance notes

Business combinations

1. SFRS 103 *Business Combinations* was applied prospectively to all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on 1 July 2009. A first-time adopter may elect not to apply the SFRS(I) equivalent of IFRS 3 retrospectively to past business combinations (i.e., business combinations that occurred before the date of transition to the SFRS(I) framework).

2. Alternatively, a first-time adopter may choose to restate business combinations that occurred at a particular date before the date of transition to comply with the SFRS(I) equivalent of IFRS 3. However, if a first-time adopter chooses to restate any business combinations that occurred at a particular date before the date of transition, it **shall restate all** later business combinations and shall also apply the SFRS(I) equivalent of IFRS 10 *Consolidated Financial Statements* from the same date. IFRS 1(C1)

3. The classification of acquisition could include reverse acquisitions by the legal acquiree, uniting of interests, in addition to acquisitions by the legal acquirer. IFRS 1(C4)

Translation of goodwill and fair value adjustments arising on acquisitions of foreign operations

4. IFRS 1 provides optional exemptions for first-time adopters to elect not to apply the SFRS(I) equivalent of IAS 21 retrospectively to goodwill and fair value adjustments arising from business combinations that occurred before the date of transition to SFRS(I). Entities which elect these optional exemptions would not need to restate its foreign currency translation reserve for the effect of translating goodwill and fair value adjustments relating to acquisitions before the date of transition to SFRS(I) to closing exchange rate. Alternatively, entities may also choose to apply the SFRS(I) equivalent of IAS 21 retrospectively to fair value adjustments and goodwill arising in all business combinations or those business combinations that it elects to restate to comply with the SFRS(I) equivalent of IFRS 3 (see guidance note 2 above). IFRS 1(C2) IFRS 1(C3)

Reference

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(ii) Deemed cost[1]

The Group has elected to regard the fair values of certain licences classified as intangible assets as their deemed cost at the date of transition to SFRS(I) on 1 January 2017. IFRS 1(D5), (D7)

Guidance notes

Deemed cost

1. IFRS 1 provides an optional exemption which allows entities to use a value that is not depreciated cost in accordance with the SFRS(I) equivalents of IAS 16 *Property, Plant and Equipment*, IAS 40 *Investment Property* and IAS 38 *Intangible Assets* as the deemed cost on transition to SFRS(I) for property, plant and equipment, investment property (only if the entity elects to use the cost model under the SFRS(I) equivalent of IAS 40) and intangible assets (only for those intangible assets that meet the criteria for recognition and revaluation under the SFRS(I) equivalent of IAS 38) respectively. IFRS 1(D5-D8B)

2. Three possible values may be used as the basis of deemed cost if the optional exemption is elected:

   - the fair value of the property, plant and equipment, investment property or intangible asset at the date of transition to SFRS(I); IFRS 1(D5)

   - a previous GAAP revaluation of the property, plant and equipment, investment property or intangible asset at the date of revaluation. This is applicable only if the revaluation was, at the date of revaluation, broadly comparable to fair value or cost or depreciated cost in accordance with SFRS(I), adjusted to reflect, for example, changes in a general or specific price index; or IFRS 1(D6)

   - an event-driven fair value at the measurement date. This event-driven fair value must be recorded under the entity's previous GAAP financial statements. IFRS 1(D8)

3. The deemed cost exemption may be applied to any individual items of property, plant and equipment, investment property or intangible asset and cannot be applied for any other assets or liabilities. IFRS 1(D7)

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(iii) Cumulative translation differences[1]

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. IFRS 1(D13)

Guidance notes

Cumulative translation differences

1. IFRS 1 provides an optional exemption which relieves entities from complying with certain requirements under the SFRS(I) equivalent of IAS 21, which requires an entity to recognise cumulative translation differences arising from retranslating the net investment of its foreign operations using the closing rate method in other comprehensive income and accumulate these in a separate component of equity. IFRS 1(D13)

2. If this exemption is elected, it must be applied to **all** foreign operations of the Group. The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to SFRS(I) and the gain or loss on the subsequent disposal of any foreign operations shall exclude translation differences that arose before the date of transition to SFRS(I) and include later translation differences. IFRS 1(D13)

(iv) Leases[1]

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with the SFRS(I) equivalent of IFRIC 4 *Determining whether an Arrangement contains a Lease*. IFRS 1(D9A)

Guidance notes

Leases

1. IFRS 1 allows first-time adopters to determine whether an arrangement existing at the date of transition of SFRS(I) contains a lease on the basis of the facts and circumstances existing on that date. However, first-time adopters which have made the determination in accordance with its previous GAAP that would have given the same outcome as that resulting from applying the SFRS(I) equivalents of IAS 17 *Leases* and IFRIC 4 need not reassess that determination when it adopts SFRS(I). IFRS 1(D9) IFRS 1(D9A)

Reference

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(iv) Leases (continued)

Guidance notes

Leases (continued)

2. As SFRS 17 *Leases* and INT FRS 104 *Determining whether an Arrangement contains a Lease* contain identical guidance as the SFRS(I) equivalents of IAS 17 and IFRIC 4, entities transitioning from SFRS to SFRS(I) may elect this exemption to not reassess arrangements under the SFRS(I) equivalent of IFRIC 4 on the date of transition.

(v) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) equivalent of IAS 23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were capitalised previously under SFRS prior to date of transition are not restated. IFRS 1(D23)

Guidance notes

Borrowing costs

1. Under SFRS 23 *Borrowing Costs,* borrowing costs that relate to qualifying assets are capitalised as part of the cost of the asset prospectively from 1 January 2009, with earlier application permitted. SFRS 23(29)

2. The effective date and transitional provisions under SFRS 23 are not applicable to a first-time adopter as IFRS 1 requires retrospective application of all SFRS(I) effective as at the end of the first SFRS(I) reporting period, unless an exemption is provided under IFRS 1 which provides relief from retrospective application. IFRS 1(9)

3. IFRS 1 contains a specific optional exemption which allows a first-time adopter to apply the SFRS(I) equivalent of IAS 23 from the date of transition or from an earlier date. Entities previously reporting under SFRS may elect to use this optional exemption so as not to retrospectively capitalise borrowing costs incurred on qualifying assets constructed before 1 January 2009. This would likely impact entities with qualifying assets constructed before 1 January 2009 that are not fully depreciated at the date of transition to SFRS(I). IFRS 1(D23)

Reference

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(vi) Short-term exemption on adoption of the SFRS(I) equivalent of IFRS 9 Financial Instruments IFRS 1(E1), (E2)

The Group has elected to apply the short-term exemption to adopt the SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with the SFRS(I) equivalent of IFRS 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by the SFRS(I) equivalent of IFRS 7 relate to the items within scope of SFRS(I) equivalent of IFRS 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) equivalent of IFRS 7 and IFRS 9 to comparative information about items within scope of SFRS(I) equivalent of IFRS 9.

(vii) Practical expedients on adoption of SFRS(I) equivalent of IFRS 15 Revenue from Contracts with Customers

The Group has elected to apply the transitional provisions under paragraph C5 of the SFRS(I) equivalent of IFRS 15 at 1 January 2018 and have used the following practical expedients provided under the SFRS(I) equivalent of IFRS 15 as follows: IFRS 1(D34)

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period; IFRS 15(C5(b))

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and IFRS 15(C5(c))

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue. IFRS 15(C5(d))

Reference

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity[1] reported in accordance with SFRS to SFRS(I)

IFRS 1(24(a))

As at 1 January 2017	Reported under SFRS $'000	Effect of transition to SFRS(I) $'000	Explanatory Note	Reported under SFRS(I) $'000
ASSETS				
Current assets				
Cash and cash equivalents	36,212	-		36,212
Financial assets, at FVPL	8,326	-		8,326
Derivative financial instruments	452	-		452
Financial assets, available-for-sale	646	-		646
Trade and other receivables	16,399	(1,188)	B4	15,211
Inventories	17,094	-		17,094
Construction contract work-in-progress	147	(147)	B4	-
Contract assets	-	1,897	B2, B3, B4	1,897
Other current assets	-	79	B1	79
	79,276	641		79,917
Non-current assets				
Derivative financial instruments	112	-		112
Financial assets, available-for-sale	12,291	-		12,291
Financial assts, held-to-maturity	1,593	-		1,593
Trade and other receivables	1,990	-		1,990
Investments in associated companies	6,404	-		6,404
Investment in a joint venture	2,165	-		2,165
Investment properties	5,455	-		5,455
Property, plant and equipment	97,890	-		97,890
Intangible assets	19,600	2,000	A1	21,600
Deferred income tax assets	3,228	-		3,228
	150,728	2,000		152,728
Total assets	230,004	2,641		232,645
LIABILITIES				
Current liabilities				
Trade and other payables	10,556	(322)	B4	10,234
Contract liabilities	-	1,051	B1, B4	1,051
Current income tax liabilities	3,833	-		3,833
Derivative financial instruments	240	-		240
Borrowings	15,670	-		15,670
Provisions	2,295	(650)	B1, B4	1,645
	32,594	79		32,673
Non-current liabilities				
Derivative financial instruments	44	-		44
Borrowings	89,214	-		89,214
Deferred income tax liabilities	8,406	435	A1, B2, B3	8,841
Provisions	1,585	-		1,585
	99,249	435		99,684
Total liabilities	131,843	514		132,357
NET ASSETS	98,161	2,127		100,288
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	32,024	-		32,024
Treasury shares	(900)	-		(900)
Other reserves	6,419	(2,376)	A2, B2	4,043
Retained profits	58,852	4,503	A1, A2, B2, B3	63,355
	96,395	2,127		98,522
Non-controlling interests	1,766	-		1,766
Total equity	98,161	2,127		100,288

Reference

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued) IFRS 1(24(a))

	As at 31 Dec 2017 reported under SFRS $'000	Effect of transition to SFRS(I) $'000	Expla-natory note	As at 31 Dec 2017 reported under SFRS(I) $'000	Effects of applying SFRS(I) equivalent of IFRS 9^ $'000	As at 1 Jan 2018 reported under SFRS(I) $'000
ASSETS						
Current assets						
Cash and cash equivalents	22,010	-		22,010	-	22,010
Financial assets, at FVPL	10,785	-		10,785	1,110	11,895
Derivative financial instruments	1,069	-		1,069	-	1,069
Financial assets, available-for-sale	1,950	-		1,950	(1,950)	-
Trade and other receivables	19,510	(1,384)	B4	18,126	(212)	17,914
Inventories	24,258	-		24,258	-	24,258
Construction contract work-in-progress	262	(262)	B4	-	-	-
Contract assets	-	2,317	B2, B3, B4	2,317	(37)	2,280
Other current assets	-	38	B1	38	-	38
	79,844	709		80,553	(1,089)	79,464
Assets of disposal group classified as held-for-sale	3,333	-		3,333	-	3,333
	83,177	709		83,886	(1,089)	82,797
Non-current assets						
Derivative financial instruments	395	-		395	-	395
Financial assets, available-for-sale	15,298	-		15,298	(15,298)	-
Financial assets, at FVOCI	-	-		-	15,850	15,850
Other investments at amortised cost	-	-		-	2,406	2,406
Financial assets, held-to-maturity	2,122	-		2,122	(2,122)	-
Trade and other receivables	3,322	-		3,322	(7)	3,315
Investments in associated companies	7,008	-		7,008	-	7,008
Investment in a joint venture	1,200	-		1,200	-	1,200
Investment properties	5,550	-		5,550	-	5,550
Property, plant and equipment	153,611	-		153,611	-	153,611
Intangible assets	24,930	1,800	A1	26,730	-	26,730
Deferred income tax assets	3,319	-		3,319	15	3,334
	216,755	1,800		218,555	844	219,399
Total assets	299,932	2,509		302,441	(245)	302,196
LIABILITIES						
Current liabilities						
Trade and other payables	16,441	(621)	B4	15,820	-	15,820
Contract liabilities	-	1,426	B1, B4	1,426	-	1,426
Current income tax liabilities	2,942	-		2,942	-	2,942
Derivative financial instruments	440	-		440	-	440
Borrowings	9,524	-		9,524	-	9,524
Provisions	2,126	(767)	B1, B4	1,359	-	1,359
	31,473	38		31,511	-	31,511
Liabilities directly associated with disposal group classified as held-for-sale	220	-		220	-	220
	31,693	38		31,731	-	31,731

Reference

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued) IFRS 1(24(a))

	As at 31 Dec 2017 reported under SFRS $'000	Effect of transition to SFRS(I) $'000	Explanatory note	As at 31 Dec 2017 reported under SFRS(I) $'000	Effects of applying SFRS(I) equivalent of IFRS 9^ $'000	As at 1 Jan 2018 reported under SFRS(I) $'000
Non-current liabilities						
Trade and other payables	350			350	-	350
Derivative financial instruments	135	-		135	-	135
Borrowings	118,300	-		118,300	-	118,300
Deferred income tax liabilities	11,646	420	A1, B2, B3	12,066	-	12,066
Provisions	1,655	-		1,655	-	1,655
	132,086	420	132,086	132,506	-	132,506
Total liabilities	163,779	458	132,086	164,237	-	164,237
NET ASSETS	136,153	2,051		138,204	(245)	137,959
EQUITY						
Capital and reserves attributable to equity holders of the Company						
Share capital	41,495	-		41,495	-	41,495
Treasury shares	(1,418)	-		(1,418)	-	(1,418)
Other reserves	9,628	(2,370)	A2, B2	7,258	(645)	6,613
Retained profits	78,196	4,421	A1, A2, B2, B3	82,617	400	83,017
	127,901	2,051		129,952	(245)	129,707
Non-controlling interests	8,252	-		8,252	-	8,252
TOTAL EQUITY	136,153	2,051		138,204	(245)	137,959

^ *The explanatory notes on the effects of applying the SFRS(I) equivalent of IFRS 9 is detailed in Note 2.2C.*

Reference

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I) (continued) IFRS 1(24(b))

For the financial year ended 31 December 2017	Reported under SFRS $'000	Effect of transition to SFRS(I) $'000	Explanatory Note	Reported under SFRS(I) $'000
Continuing operations				
Sales	210,214	30	B3	210,244
Cost of sales	(77,366)	(127)	A1,B2	(77,493)
Gross profit	132,848	(97)		132,751
Other income				
- Interest	1,180	-		1,180
- Other	2,718	-		2,718
Other gains and losses	(1,383)	-		(1,383)
Expenses				
- Distribution and marketing	(52,140)	-		(52,140)
- Administrative	(29,105)	-		(29,105)
- Finance	(7,073)	-		(7,073)
- Impairment loss on financial assets	(74)	-		(74)
Share of loss of associated companies and joint ventures	(174)	-		(174)
Profit before income tax	46,797	(97)		46,700
Income tax expense	(14,902)	15	A1,B2, B3	(14,887)
Profit from continuing operations	31,895	(82)		31,813
Discontinued operations				
Profit from discontinued operations	100	-		100
Total profit	31,995	(82)		31,913
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Financial assets, available-for-sale				
- Fair value gains	582	-		582
- Reclassification	(164)	-		(164)
Cash flow hedges				
- Fair value gains	342	-		342
- Reclassification	(279)	-		(279)
Share of other comprehensive income of associated companies	27	-		27
Currency translation differences arising from consolidation				
- Gains	2,334	6	B2	2,340
- Reclassification	(1,200)	-		(1,200)
	1,642	6		1,648
Items that will not be reclassified subsequently to profit or loss:				
Revaluation gains on property, plant and equipment	207	-		207
Other comprehensive income, net of tax	1,849	-		1,855
Total comprehensive income	33,844	(76)		33,768

Reference

2.2 Adoption of SFRS(I) (continued)

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I). IFRS 1(25)

Guidance notes

Reconciliations of equity and total comprehensive income

1. IFRS 1 requires a first-time adopter to disclose reconciliations that give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. Illustrative Example 11 under the Guidance for Implementing IFRS 1 provides an example of this reconciliation. The above illustration is based on the example provided under Illustrative Example 11 under the Guidance for Implementing IFRS 1. Entities may choose to present the reconciliations using other alternative formats.

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) equivalent of IFRS 1 and the adoption of SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. IFRS 1(25)

A. Optional exemptions

As disclosed in Note 2.2(a), the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions that resulted in adjustments to the previously issued SFRS financial statements are as follows:

A1. Fair value as deemed costs on licences IFRS 1(D5)

As disclosed in Note 2.2(a)(ii), the Group has elected to regard the fair value of certain licences as their deemed cost at the date of transition to SFRS(I) on 1 January 2017. The aggregate fair value of these licenses amounted to $8,500,000 and the aggregate adjustment to the carrying amount of licenses for which this exemption was applied amounted to $2,000,000 at the date of transition on 1 January 2017. IFRS 1(30)

As a result, on 1 January 2017, the carrying amount of intangible assets and deferred tax liabilities increased by $2,000,000 and $340,000 respectively. The amortisation expense for the year ended 31 December 2017 increased by $200,000, with a corresponding decrease in income tax expense of $34,000. Retained profits as at 31 December 2017 increased by $1,494,000 (1 January 2017: $1,660,000).

A2. Cumulative translation differences IFRS 1(D13)

As disclosed in Note 2.2(a)(iii), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 was reduced/increased by $2,391,000 respectively.

Reference

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of SFRS(I) equivalent of IFRS 1, the Group has adopted the SFRS(I) equivalent of IFRS 15 retrospectively. As disclosed in Note 2.2(a)(vii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) equivalent of IFRS 15 at 1 January 2018. IFRS 1(7) IFRS 1(D34)

The adoption of the SFRS(I) equivalent of IFRS 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

B1. Accounting for sales with a right of return

When a customer has a right to return the product within a given period, under SFRS, the Group recognised a provision for returns which was measured at the net margin on the sale ($72,000 at 31 December 2017 and $100,000 at 1 January 2017), with revenue adjusted for the expected value of the returns and cost of sales adjusted for the value of the corresponding goods expected to be returned. SFRS 18(17)

The accounting for such sales with a right of return under the SFRS(I) equivalent of IFRS 15 is as disclosed in Note 2.3(b). Accordingly, the Group presented a refund liability and a right to recover the product from its customer as an asset in its SFRS(I) financial statements. The costs to recover the products are not material because the customer usually returns the product in a saleable condition at the store. The amount of refund liability and right to recover at 31 December 2017 was $110,000 and $38,000 (1 January 2017: $179,000 and $79,000) respectively. IFRS 15(B21) IFRS 15(B25)

To reflect this change, the Group reclassified from $72,000 of “provisions” to $110,000 of “contract liabilities" and $38,000 of “other current assets”[1] as at 31 December 2017 (1 January 2017: $100,000 from “provisions” to $179,000 of “contract liabilities” and $79,000 of “other current assets”).

Guidance notes

Asset recognised arising from rights to recover products from customers

1. The SFRS(I) equivalent of IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has presented them in ‘other current assets’ and discloses them separately in the related note.

Reference

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) equivalent of IFRS 15 (continued)

B2. Accounting for costs to fulfil a contract

As at 31 December 2017, cumulative training costs on staff working specifically on certain contracts to construct specialised equipment amounted to $291,000 (1 January 2017: $212,000) were expensed to the profit or loss as they did not qualify for recognition as an asset under any SFRS.

Under the SFRS(I) equivalent of IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they are capitalised as "contract assets – costs to fulfil a contract". IFRS 15(95)

Accordingly, the following adjustments were effected:

	Increase/(decrease)	
	As at 31 December 2017	As at 1 January 2017
Balance sheet	$'000	$'000
Retained profits	221	161
Foreign currency translation reserve	21	15
Contract assets	291	212
Deferred tax liability	49	36

	Year ended 31 December 2017
Statement of comprehensive income	$'000
Cost of sale/profit before tax	73
Income tax expense	(13)
Profit after tax	60
Currency translation differences arising from consolidation	6

B3. Accounting for contracts with multiple performance obligations

Under SFRS, each contract for construction of specialised equipment was assessed to be one contract with revenue recognised progressively by reference to the stage of completion of the contract activity at the balance sheet date.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that there are two distinct performance obligations which are satisfied at different timings. This resulted in an increase of $30,000 sales and profit before tax and $6,000 increase in income tax expense recognised for the financial year ended 31 December 2017 under SFRS(I). A corresponding contract asset of $380,000 (1 January 2017: $350,000) and deferred tax liabilities of $65,000 (1 January 2017: $59,000) was also recognised as a result of this change.

Reference

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) equivalent of IFRS 15 (continued)

B4. Presentation of contract assets and contract liabilities

The Group has also changed the presentation of certain amounts in the balance sheet as at 31 December 2017 to reflect the terminology of SFRS(I) equivalent of IFRS 15:

(i) Amounts due from customers arising from construction contracts of $1,384,000 (1 January 2017: $1,188,000) and construction contract work-in-progress of $262,000 (1 January 2017: $147,000) under SFRS are reclassified to be presented as part of contract assets.

(ii) Contract liabilities in relation to expected volume discounts and refunds to customers of $695,000 (1 January 2017: $550,000) were previously presented as current provisions under SFRS.

(iii) Advances received from customers arising from construction contracts of $541,000 (1 January 2017: $262,000) and amounts due to customers arising from construction contracts of $80,000 (1 January 2017: $60,000) under SFRS are reclassified to be presented as part of contract liabilities.

C. Adoption of SFRS(I) equivalent of IFRS 9

As disclosed in Note 2.2(a)(vi), the Group has elected to apply the short-term exemption to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. IFRS 1(E1)

At the same time, the Group is exempted from complying with SFRS(I) equivalent of IFRS 7 *Financial Instruments: Disclosure* for the comparative period to the extent that the disclosures required by the SFRS(I) equivalent of IFRS 7 relate to the items within scope of SFRS(I) equivalent of IFRS 9. IFRS 1(E2)

As a result, the requirements under SFRS are applied in place of the requirements under the SFRS(I) equivalents of IFRS 7 and IFRS 9 to comparative information about items within the scope of the SFRS(I) equivalent of IFRS 9.

The accounting policies for financial instruments under the SFRS(I) equivalent of IFRS 9 is as disclosed in Note 2.4.

Reference

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) equivalent of IFRS 9 (continued)

C1. Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under the SFRS(I) equivalent of IFRS 9. Material reclassifications resulting from management's assessment are disclosed below. The reclassifications did not result in adjustments in carrying amounts of the financial assets on 1 January 2018.

IFRS 7(42I)(a), (b), (42O), (42L)

	Note	Financial Assets							
	Note	Fair value through profit &loss (FVPL)**	Available-for-sale (AFS)	Held-to-maturity (HTM)	Amortised cost*	Fair value through other comprehensive income (FVOCI)	Deferred tax assets	Fair value reserves	Retained profits
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 31 December 2017 – before adoption of the SFRS(I) equivalent of IFRS 9		10,785	17,248	2,122	21,248	-	3,319	572	82,617
Reclassify investments from AFS to FVPL	(i)	1,110	(1,110)	-	-	-	-	(50)	50
Reclassify listed debt securities from AFS to amortised cost	(ii)	-	(288)	-	288	-	-	(20)	20
Reclassify non-trading equities from AFS to FVOCI	(iii)	-	(11,613)	-	-	11,613	-	(575)	575
Reclassify unlisted debt securities from HTM to amortised cost	(iv)	-	-	(2,122)	2,122	-	-	-	-
Reclassify unlisted debt securities from AFS to FVOCI	(v)	-	(4,237)	-	-	4,237	-	-	-
Provision for impairment:									
- Financial assets, at amortised cost		-	-	-	(7)	-	-	-	(7)
- Trade receivables, contract assets and lease receivables		-	-	-	(253)	-	-	-	(253)
Relating tax impact on the above		-	-	-	-	-	15	-	15
Balance as at 1 January 2018 – after adoption of the SFRS(I) equivalent of IFRS 9		**11,895**	**-**	**-**	**23,398**	**15,850**	**3,334**	**(73)**	**83,017**

* *Includes financial assets measured at amortised costs except for cash and cash equivalents.*

** *Excludes derivative financial instruments.*

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(i) Reclassification of financial assets from available-for-sale to FVPL IFRS 7(42J)(a), IAS8(28)(f)

Investments in certain preference shares amounting to $1,110,000 were reclassified from the "available-for-sale" category to "fair value through profit or loss" category. They are non-equity instruments that do not meet the criteria to be classified as amortised cost in accordance with SFRS(I) equivalent of IFRS 9, because their cash flows do not represent solely payments of principal and interest. For the financial year ended 31 December 2018, fair value gains related to these investments amounting to $1,190,000 were recognised in the profit or loss, along with related deferred tax expense of $214,000. IFRS 7(42J)(b)

(ii) Reclassification from available-for-sale to amortised cost IFRS 7(42J)(a)

Investments in certain listed corporate bonds amounting to $288,000 were reclassified from "available-for-sale" to "amortised cost". A reclassification is made at 1 January 2018 as the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest. The fair value of the investment of $288,000 as at 1 January 2018 was deemed to be the beginning amortised cost for these assets.

The effective interest rate determined on 1 January 2018 for these listed bonds is 4% p.a. and interest income of $11,000 was recognised during the financial year ended 31 December 2018. IFRS 7(42N)(a),(b)

The fair value of these listed corporate bonds is $300,000 as at 31 December 2018. A fair value gain of $12,000 would have otherwise been recognised in the statement of other comprehensive income for the financial year ended 31 December 2018 and accumulated in the fair value reserve as at 31 December 2018, had the listed corporate bonds not been reclassified to "amortised cost". IFRS 7(42M)(a),(b)

(iii) Equity investments reclassified from available-for-sale to FVOCI IFRS 7(42J)(a)

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of $11,613,000 were reclassified from "financial assets, available-for-sale" to "financial assets, at FVOCI" on 1 January 2018. Impairment loss of $575,000 previously recognised in profit and loss was reclassified to fair value reserves on the same date. Other income for the financial year ended 31 December 2018 was $292,000 lower as there is no longer any reclassification of accumulated fair value gains from reserves to profit or loss on the disposal of these investments.

Reference

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(iv) Reclassification from held-to-maturity to amortised cost IFRS 7(42J)(a)

Unlisted debt securities amounting to $2,122,000 previously classified as "held-to maturity" were reclassified to at "amortised cost" at 1 January 2018. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at 1 January 2018. An increase of $4,000 in the provision for impairment of these assets was recognised on 1 January 2018.

(v) Available-for-sale debt instruments reclassified as FVOCI IFRS 7(42J)(a)

Unlisted bonds amounting to $4,237,000 as at 1 January 2018 previously classified as "available for sale" were reclassified as "fair value through other comprehensive income". The Group's business model on these assets is to collect contractual cash flows and sell these assets. The contractual cash flows of these investments consist solely of payments of principal and interest.

(vi) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under the SFRS(I) equivalent of IFRS 15;
- debt instruments carried at fair value through OCI and amortised cost; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under the SFRS(I) equivalent of IFRS 9 is as disclosed in Note 2.4 and Note 13.

Reference

2.2 Adoption of SFRS(I) (continued)

(e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I) — IFRS 1(24)(a)

The Company's opening balance sheet under SFRS(I) was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I), except for the effects arising from the application of SFRS(I) equivalent of IFRS 9, as follows: — IFRS 1(6)

A. Classification and measurement of financial assets — IFRS 7(42I)(a)(b), (42L), (42O)

For financial assets held by the Company on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under the SFRS(I) equivalent of IFRS 9. Material reclassifications resulting from management's assessment are as follows. The reclassification did not result in adjustments in carrying amount of the financial assets as at 1 January 2018.

		Financial Assets				
	Note	Available-for-sale (AFS)	Amortised cost*	Fair value through other compre-hensive income (FVOCI)	Deferred tax assets	Retained Profits
		$'000	$'000	$'000	$'000	$'000
Balance as at 31 December 2017 – before adoption of the SFRS(I) equivalent of IFRS 9		1,500	10,698	-	-	1,276
Reclassify non-trading equities from AFS to FVOCI	(i)	(1,500)	-	1,500	-	-
Provision for impairment: - Trade receivables and other receivables	(ii)	-	(219)	-	-	(219)
Relating tax impact on the above		-	-	-	39	39
Balance as at 1 January 2018 – after adoption of the SFRS(I) equivalent of IFRS 9		-	10,479	1,500	39	1,096

* *Includes financial assets measured at amortised cost except for cash and cash equivalents.*

Reference

2.2 Adoption of SFRS(I) (continued)

(e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I) (continued) IFRS 1(24(a))

(i) Equity investments reclassified from available-for-sale to FVOCI IFRS 7(42J(a))

The Company has elected to recognise changes in fair values of all its equity investments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of $1,500,000 were reclassified from "financial assets, available-for-sale" to "financial assets, at fair value through other comprehensive income ("FVOCI")" on 1 January 2018. Other income for the financial year ended 31 December 2018 was $100,000 lower as there is no longer any reclassification of accumulated fair value gains from reserves to profit or loss on the disposal of these investments.

(ii) Impairment of financial assets

The Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables recognised under SFRS(I) equivalent of IFRS 15; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under the SFRS(I) equivalent of IFRS 9 is as disclosed in Note 2.4 and Note 13.

2.3 Revenue from contracts with customers

(a) Sale of goods – wholesale

IFRS 15(119)(a)(c)
IFRS 15 (125)

The Group manufactures and sells a range of furniture and electronic equipment in the wholesale market. Sales are recognised when control of the products has transferred to its customer, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.3 Revenue from contracts with customers (continued)

(a) Sale of goods – wholesale (continued)

Furniture is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. The claims are expected to be settled in the next financial year.

IFRS 15(126)(a)(c)
IFRS 15(119)(b)
IFRS 15(126)(d)

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

IFRS 15(117)

(b) Sale of goods – Retail

The Group operates a chain of retail stores selling household furniture. Revenue from the sale of these goods is recognised at a point in time when the furniture is delivered to the customer.

IFRS 15(119)(a),(c), (125)

Payment of the transaction price is due immediately when the customer purchases the furniture. However, the customer has a right of to return the goods to the Group within 28 days of delivery to the customer. Therefore, a contract liability (refund liability) and a right to the returned goods (included in other current assets) are recognised for products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

IFRS 15(119)(b)
IFRS 15(119)(d)
IFRS 15(126)(d)

The Group does not operate any customer loyalty programme[1].

2.3 Revenue from contracts with customers (continued)

Guidance notes

Revenue recognition

1. The revenue recognition policy for each principal activity is required to be disclosed and the disclosure should be tailored to the entity's specific revenue sources and terms of business so as to provide the readers with information for a proper understanding of the policies. For example, the following disclosure can be considered if the Group operates a customer loyalty programme:

   "The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

   Critical judgements in allocating the transaction price

   The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances.

   A contract liability is recognised until the points are redeemed or expire."

(c) Rendering of service – Logistics services

Revenue from logistics services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. IFRS 15(119)(a),(c) IFRS 15(124)

The customers are only invoiced once every two months. A contract asset is recognised for the cumulative revenue recognised but not yet invoiced. IFRS 15(119)(b) IFRS 15(117)

2.3 Revenue from contracts with customers (continued)

(d) Construction of specialised equipment

The construction division manufacture and produce specialised equipment for customers through fixed-price contracts. Revenue is recognised when the control over the specialised equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date. IFRS 15(119)(a),(c) IFRS 15(124)

The specialised equipment generally has no alternative use for the Group due to contractual restriction, and the Group generally has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress. IFRS 15(123) IFRS 15(124)

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these shall be accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will recognise these as contract assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately. IFRS 15(95)

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised equipment is delivered to the customers and the customers have accepted it in accordance with the sales contract. IFRS 15(125)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. IFRS 15(117)

Reference

2.3 Revenue from contracts with customers (continued)

(e) *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, except for certain contracts in Note 2.3(d) where transfer of control over the specialised equipment is recognised upon delivery and acceptance by the customer. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. IFRS 15(119)(b) IFRS 15(129)

As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(f) *Interest income*

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method. IFRS 15(5) IFRS 9(5.4.1)

(g) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(h) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term. IAS 17(50)

2.4 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and cash equivalents” on the balance sheet.

(iii) Financial assets, held-to-maturity

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of financial assets, held-to-maturity, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

2.4 Financial assets (continued)

(b) Recognition and derecognition

(iv) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Financial assets, available-for-sale and financial assets at FVPL are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

2.4 Financial assets (continued)

(d) Subsequent measurement (continued)

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables/Financial assets, held-to-maturity

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Reference

2.4 Financial assets (continued)

(e) Impairment (continued)

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.4(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is an objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

The accounting for financial assets from 1 January 2018 are as follows: IFRS 7(21)

(f) Classification and measurement

The Group classifies its financial assets in the following measurement categories: IFRS 9(4.1.1)

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. IFRS 9(4.1.2) IFRS 9(4.1.2.A) IFRS 9(4.1.4)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. IFRS 9(4.3.2)

The Group reclassifies debt investments when and only when its business model for managing those assets changes. IFRS9(4.4.1)

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. IFRS9(5.1.1)

Reference

2.4 Financial assets (continued)

(f) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset: IFRS 9(5.2.1) IFRS 9(4.1.1)

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. IFRS 9(4.1.2)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains/(losses)". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income". IFRS 9(4.1.2A)

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income that is not part of a hedging relationship is recognised in profit or loss in the period in which it arises and presented in "other gains/(losses)". IFRS 9(4.1.4)

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses)", except where the Group has elected to classify the investments as FVOCI. Movements in fair values of investments classified as FVOCI are presented as "fair value gains and losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income". IFRS 9(4.1.4) IFRS 9(5.7.5) IFRS 9(5.7.6) IFRS 7B5(e)

Reference

2.4 Financial assets (continued)

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. IFRS9(5.5.17) IFRS 9(5.2.2)

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) equivalent of IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. IFRS 9(5.5.15)

(h) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. IFRS 9(3.1.2)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. IFRS 9(3.2.3)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings. IFRS 9(3.2.6)

Reference

2.5 Derivatives financial instruments and hedging activities

IFRS 7(21)

IFRS 9(4.1,4), (5.1.1), (5.2.3)

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

IFRS 9(6.4.1(a),(b))

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 8. The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The following hedges in-placed as at 31 December 2017 qualified respectively as cash flow, fair value and net investment hedges under SFRS(I) equivalent of IFRS 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) equivalent of IFRS 9 and are thus treated as continuing hedges.

(a) Fair value hedge

IFRS 9(6.5.8)

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the Group's policy the critical terms of the forward exchange contracts must align with the hedged items. The Group designates the spot component of forward contracts as the hedging instrument. The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the spot of the currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised separately in profit or loss. The firm commitment of contracts entered into with various customers are designated as the hedged item.

Reference

2.5 Derivatives financial instruments and hedging activities (continued)

(b) Cash flow hedge

(i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates. IFRS 9(6.5.11)

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the fair value reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognized immediately in profit or loss.

(ii) Currency forwards

The Group has entered into currency forwards[1] that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows: IFRS 9(6.5.11)

The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory, property, plant & equipment), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example, through cost of sales). IFRS 9(6.5.11(d)(i))

The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately). IFRS 9(6.5.11(c))

Reference

2.5 Derivatives financial instruments and hedging activities (continued)

Guidance notes

Hedging with forwards

1. When hedging with forwards, companies can choose to recognise the forward element of the forward contract in other comprehensive income to the extent it relates to the hedged item under the criteria in IFRS 9 6.5.15 and 6.5.16. When such an election is made, at date of initial transition, companies can choose to apply such requirements prospectively or retrospectively by restating the comparatives.

(c) Net investment hedge

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss. IFRS 9(6.5.13), (6.5.14)

2.6 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less amortisation over the period of the subsidiaries' borrowings; and

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Accounting policies applied before 1 January 2018

(b) at the expected amount payable to the banks in the event it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount in (a).

Accounting policies applied from 1 January 2018

(c) at the amount of loss allowance computed using the impairment methodology under SFRS(I) equivalent of IFRS 9. IFRS 9(4.2.1(c)) IFRS 9(5.1.1)

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Critical accounting estimate – Determination of stand-alone selling price

Some fixed-price specialised equipment contracts include an allowance for one free of charge major parts replacement per contract period up a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative standalone selling price basis. Management estimates the stand-alone selling price at contract inception based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices. IFRS 15(123), (126(c))

(b) Critical accounting estimate – Estimation of total contract costs IFRS 15(123)

The Group has significant ongoing contracts to construct specialised equipment. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts recognised immediately.

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the surveying engineers to determine the progress of the construction and also on past experience of completed projects.

If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue would have been lower/higher by $2,300,000 and $2,100,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 13% from management's estimates, a provision for onerous contracts of $900,000 would have been recognised.

Reference

3. Critical accounting estimates, assumptions and judgements (continued)

3.2 Critical judgements in applying the entity's accounting policies

(a) *Critical judgements in recognising revenue – Sale of goods – Wholesale* IFRS 15(123)

The Group recognised revenue amounting to $2,950,000 for the sale of furniture to a wholesale customer in December 2018. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the Group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the Group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%.

Management has determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2018 as control of the product was transferred to the customer. The profit recognised for this sale was $1,625,000. The Group would suffer an estimated pre-tax loss of $1,760,000 in its 2019 financial statements if the sale is cancelled ($1,625,000 for the reversal of 2018 profits and $135,000 of costs connected with returning the stock to the warehouse).

In 2017, the Group did not recognise revenue of $280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The Group did not have any experience with the customer's purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the $280,000 of revenue not recognised in 2017, $150,000 was recognised in the current financial year based on the actual volume sold for the contract period (refer to Note 2.3(a)).

Notes to the Financial Statements

For the financial year ended 31 December 2018

Reference

4. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

IFRS 15(113)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

IFRS 15(114),(115)

	Singapore		People's Republic of China		The Philippines		Thailand			
	Component parts $'000	Construction $'000	Component parts $'000	Furniture $'000	Component parts $'000	Furniture $'000	Component parts $'000	All other segments $'000	Total for continuing operations $'000	
2018										
Total segment revenue	89,449	29,015	54,001	34,225	3,152	28,453	1,575	5,460	245,330	IFRS 15(115)
Inter-segment revenue	(22,158)	-	(11,552)	(4,580)	(742)	(2,840)	-	-	(41,872)	
Revenue from external customers	67,291	29,015	42,449	29,645	2,410	25,613	1,575	5,460	203,458	
Timing of revenue recognition										
- At a point in time	67,291	11,417	42,449	29,645	2,410	25,613	1,575	3,250	183,650	IFRS 15(B87-89)
- Over time	-	17,598	-	-	-	-	-	2,210	19,808	
	67,291	29,015	42,449	29,645	2,410	25,613	1,575	5,460	203,458	
2017										
Total segment revenue	87,928	29,791	59,682	39,355	2,845	25,737	1,054	7,652	254,044	IFRS 15(115)
Inter-segment revenue	(19,950)	-	(13,415)	(5,880)	(635)	(3,920)	-	-	(43,800)	
Revenue from external customers	67,978	29,791	46,267	33,475	2,210	21,817	1,054	7,652	210,244	
Timing of revenue recognition										
- At a point in time	67,978	9,487	46,267	33,475	2,210	21,817	1,054	5,135	187,423	IFRS 15(B87-89)
- Over time	-	20,304	-	-	-	-	-	2,517	22,821	
	67,978	29,791	46,267	33,475	2,210	21,817	1,054	7,652	210,244	

Revenue included reclassification of $128,000 (2017: $50,000) from hedging reserve relating to forward and option contracts.

Reference

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

IFRS 15(116)(a)

	Note	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Contract assets – specialised equipment construction contracts	(i)	**2,471**	2,026	1,685
Assets recognised for costs incurred to fulfil contracts	(iv)	**274**	291	212
Total contract assets		**2,745**	2,317	1,897
Contract liability – expected volume discounts	(i)	**1,844**	695	550
Contract liability – expected refund to customers		**135**	110	179
Contract liabilities – specialised equipment construction contracts	(i)	**548**	621	322
Total contract liabilities		**2,527**	1,426	1,051

(i) Significant changes in contract assets and liabilities

IFRS 15(118)

Contract assets have increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules for fixed-price contracts. There was also an impairment write-down of $77,000 recognised in relation to the asset for contract fulfilment costs, see (iv) for further information.

IFRS 15(113)(b)

Contract liabilities for expected volume discounts has increased due to increased discounts offered to customers with large volumes of orders.

Reference

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities (continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior financial year.

	2018 $'000	2017 $'000	
Revenue recognised that was included in the contract liability balance at the beginning of the period			IFRS 15(116)(b)
- Specialised equipment construction contracts	**420**	450	
Revenue recognised from performance obligations satisfied in previous periods			IFRS 15(116)(c)
- Consideration from component parts wholesale contracts, not previously recognised due to the constraint (see Note 3.2(a))	**150**	-	

(iii) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from contracts with customer

	2018 $'000	2017 $'000	
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December			IFRS 15(120)(a)
- Specialised equipment construction contracts	**8,881**	-*	

* *As permitted under the transitional provisions in SFRS(I) equivalent of IFRS 15, the transaction price allocated to (partially) unsatisfied obligations as of 31 December 2017 is not disclosed.*

Management expects that 60% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 may be recognised as revenue ($5,328,000). The remaining 40% ($3,553,000) may be recognised in the financial year ended 31 December 2020. The amount disclosed above does not include variable consideration which is constrained. IFRS 15(120)(b) IFRS 15(122)

All other contracts are for periods of one year or less, or are billed based on time incurred. As permitted under the SFRS(I) equivalent of IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed. IFRS 15(129) IFRS 15(121)

Reference

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities (continued)

(iv) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil long-term specialised equipment construction contracts. This is presented within contract assets in the balance sheet.

	2018 $'000	2017 $'000	
Asset recognised from costs incurred to fulfil a contract as at 31 December	**274**	291	IFRS 15(128)(a)
Amortisation and impairment loss recognised as cost of sales during the period	**121**	101	IFRS 15(128)(b)

The Group has recognised an asset in relation to training costs incurred to fulfil fixed-price contracts for the construction of specialised equipment. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. IFRS 15(127)(b)

Due to an increase in expected costs by 30% in the financial year ended 31 December 2018, management does not expect the capitalised costs to be completely recovered. Accordingly, an impairment loss of $77,000 has been recognised for the excess of the capitalised cost over the expected remaining consideration less any directly related costs not yet recognised as expense. IFRS 15(128)(b)

Reference

5. Other income

	Group 2018 $'000	Group 2017 $'000	Reference
Interest income			IFRS 7(20)(b)
- Financial assets, held-to-maturity	**-**	130	
- Financial assets, available-for-sale	**-**	70	
- Debt instruments at FVOCI	**205**	-	
- Other investments at amortised costs	**126**	-	
- Trade receivables	**120**	90	
- Loan to an associated company	**30**	60	
- Bank deposits	**1,663**	830	
	2,144	1,180	
Dividend income	**3,102**	2,230	
Rental income from investment properties	**521**	488	IAS 40(75)(f)(i)
	3,623	2,718	
	5,767	3,898	

Included in the Group's rental income from investment properties is contingent rent of $45,000 (2017: $50,000). The contingent rent was computed based on sales achieved by the lessees. IAS 17(56)(b)

The Group's dividend income includes dividends recognised from investments in equity instruments designated at fair value through other comprehensive income of $1,402,000. No dividend was recognised from investments in equity instruments designated at FVOCI, which was derecognised during the reporting period. IFRS 7(11A)(d) IFRS 7(20)(a)(vii)

6. Other gains and losses

	Group 2018 $'000	Group 2017 $'000	Reference
Fair value gains/(losses)			
- Financial assets, designated as FVPL at initial recognition	**-**	610	IFRS 7 (20)(a)(i)
- Financial assets, mandatorily measured at FVPL			IFRS 7 (20)(a)(i)
– Derivative financial instruments	**(1,020)**	424	
– Held-for-trading	**515**	(891)	
	(505)	143	
Financial assets, available-for-sale			
- Reclassification from other comprehensive income on disposal	**-**	200	
- Impairment loss	**-**	(575)	
	-	(375)	
Ineffectiveness and costs of hedging on fair value hedges	**(3)**	1	IAS 21(52(a)
Ineffectiveness and costs of hedging on cash flow hedges	**(8)**	(11)	
Currency exchange gain/(loss) – net	**312**	(90)	IAS 40(76)(d)
Gain on disposal of property, plant and equipment	**-**	17	
Net fair value gains/(losses) on investment properties	**174**	(123)	
Loss on disposal of subsidiary	**-**	(945)	
	(30)	(1,383)	

Reference

7. Financial assets, at FVPL

	Group 2018 $'000	2017 $'000
Beginning of financial year	**10,785**	8,326
Reclassification at 1 January 2018*	**1,110**	-
Additions	**1,490**	2,831
Fair value gains/(losses)	**515**	(281)
Disposals	**(300)**	(91)
End of financial year	**13,600**	10,785
Mandatorily measured at FVPL		
Current - held for trading		
Listed securities:		
- Equity securities – Singapore[1]	**8,235**	5,850
- Equity securities - US[1#]	**3,065**	4,935
	11,300	10,785
Non-current		
- Mandatorily redeemable preference shares[2]	**2,300**	-
Total	**13,600**	10,785

IFRS 7(8a)(ii)

** See Note 2.2C for details of reclassification at 1 January 2018 on adoption of SFRS(I) equivalent to IFRS 9.*
 # In 2017, $938,000 of the equity securities-US were designated at fair value on initial recognition.

Guidance notes

Financial assets, at FVPL

1. Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets.

IFRS 7(31)

2. The classification and measurement of all financial assets have to be re-assessed based on the new requirements of SFRS(I) equivalent of IFRS 9 at date of initial application. Upon re-assessment, some instruments, for example, convertible bonds and preference shares, which used to be classified as available-for sale might not continue to be classified as FVOCI.

   These instruments need to be analysed to determine if they contain features that cause the instruments not to meet the definition of an equity. If such instruments meet the definition of equity and not held for trading, the entity may elect to carry them at FVOCI without recycling to profit or loss. If they do not, they must be further analysed to determine the underlying business model and whether the contractual cash flows are solely payments of principal and interest. In this case, PwC SFRS(I) Holdings Ltd and its subsidiaries undertook this analysis and concluded that the preference shares should be held at fair value through profit or loss, as the shares do not meet the definition of equity and their cash flows relating to interest payments can be deferred and such deferral does not result in interest accruing on the deferred amount (such that the contractual cash flows are not solely payment of interest and principal).

   Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

Reference

8. Derivative financial instruments

	Group			Company		
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Derivatives held for hedging*	**46,134**	**2,162**	**(766)**	**900**	**211**	**-**
Derivatives with no hedge accounting applied						
- Currency forwards	**1,908**	**-**	**(610)**	**-**	**-**	**-**
Total		**2,162**	**(1,376)**		**211**	**-**
Less: Current portion		**(1,854)**	**1,376**		**(211)**	**-**
Non-current portion		**308**	**-**		**-**	**-**

** See the breakdown within the next page*

	Group			Company		
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability
	$'000	$'000	$'000	$'000	$'000	$'000
2017						
Derivatives held for hedging						
Cash-flow hedges						
- Interest rate swaps	**30,324**	645	-	-	-	-
- Currency forwards	**52,120**	50	(535)	-	-	-
Fair-value hedges						
- Currency forwards	**3,200**	359	(40)	2,200	266	(47)
Derivatives with no hedge accounting applied						
- Currency forwards	**2,108**	410	-	-	-	-
Total		1,464	(575)		266	(47)
Less: Current portion		(1,069)	440		(232)	35
Non-current portion		395	(135)		34	(12)

Reference

8. Derivative financial instruments (continued)

Hedging instruments used by the Group as at 31 December 2018:

IFRS 7(23A)
IFRS 7(23B)
IFRS 7(24A)
IFRS 7(24B)(a)(iv)
IFRS 7(24B)(b)(i)
IFRS 7(24C)(a)(i)
IFRS 7(24C)(b)(ii)

	Contract notional amount	Carrying amount		Financial statement line item	Changes in fair value used for calculating hedge ineffectiveness		Hedge ineffectiveness recognised in P&L*	Weighted average hedged rate	Maturity Date
		Asset	Liability		Hedging instrument	Hedged Item			
	$'000	$'000	$'000		$'000	$'000	$'000		
Group									
(i) Fair value hedge									
Foreign exchange risk									
- Forward contracts to hedge firm commitments	2,400	1,854	-	Derivative financial instruments	1,538	(1,538)	-	USD$1:$1.52 RMB4.83:$1	January 2018-March 2018
(ii) Cash flow hedge									
Foreign exchange risk									
- Forward contracts to hedge highly probable transactions	13,410	-	(766)	Derivative financial instruments	(276)	276	-	USD$1:$1.52	January 2018-March 2018
Interest rate risk									
- Interest rate swap to hedge floating rate borrowings	30,324	308	-	Derivative financial instruments	(337)	334	(3)	6.10%	2020
(iii) Net investment hedge									
Foreign exchange risk									
- Borrowings to hedge net investments in foreign operations	-	-	(3,010)	Borrowings	70	(70)	-	RMB4.83:$1	2021
Company									
(i) Fair value hedge									
Foreign exchange risk									
- Forward contracts to hedge firm commitments	900	211	211	Derivative financial instruments	(7)	7	-	USD$1:$1.52	January 2018-March 2018

IFRS 7(24C)(a)(ii)
IFRS 7(24C)(b)(iii)

** All hedge ineffectiveness are recognised in profit or loss within "other gains/losses".*

Reference

8. Derivative financial instruments (continued)

Effects of fair value hedges on hedged item in 2018 are as follows:

IFRS 7(24B)(a) (i), (ii), (iii)

	Carrying amount Assets/ (Liabiliites) $'000	Financial statement line item that includes hedged item	Accumulated amount of fair value adjustments $'000
Group			
Fair value hedge			
Foreign exchange risk			
- Forward contracts to hedge firm commitments	340	Trade and other receivables	340
Company			
Fair value hedge			
Foreign exchange risk			
- Forward contracts to hedge firm commitments	(5)	Trade and other receivables	(5)

Effects of cash flow hedges on hedging reserve in 2018 are as follows:

IFRS 7(24C)(b)(i)
IFRS 7(24C)(b)(iv)
IFRS 7(24C)(b)(v)
IFRS 7(24C)(b)(vi)
IFRS 7(24E)

	Opening balance $'000	Hedging losses recognised in OCI $'000	Amounts reclassified to P&L as hedged item has affected P&L $'000	Amounts reclassified to carrying amount of hedged item $'000	Related deferred tax impact $'000	Closing balance* $'000	P&L line item that includes reclassified amount
Group							
Cash flow hedge							
Foreign exchange risk							
- Forward contracts to hedge highly probable transactions	75	(276)	-	245	(10)	34	
Interest rate risk							
- Interest rate swap to hedge variable rate borrowings	12	(334)	425	-	(27)	76	Finance expenses

Effects of net investment hedge on currency transaction reserve are as follows:

	Opening balance $'000	Hedging losses recognised in OCI $'000	Amounts reclassified to P&L as hedged item has affected P&L $'000	Foreign currency translation on consolidation $'000	Related deferred tax impact $'000	Closing balance* $'000	P&L line item that includes reclassified amount
Net investment hedge							
Foreign exchange risk							
- Borrowings to hedge net investments in foreign operations	588	70	-	549	-	1,207	

* *All balances relate to continuing hedges* IFRS 7(24B)(b)(ii)

Reference

8. Derivative financial instruments (continued)

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- The credit value or debit value adjustments on the foreign exchange forwards and interest rate swaps which are not matched by the respective hedged items; and IFRS7(22B)(c) IFRS7(23D)
- Differences in critical terms between the hedging instruments and the hedged items.

Foreign exchange risk
Currency risks arises when transactions are denominated in foreign currencies other than functional currency, such as the United States Dollar ("USD") and Chinese Renminbi ("RMB"). To manage the currency risk, individual entities within the group enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly by entering into currency forwards with banks. IFRS 7(22A)(a),(b),(c) IFRS 7(22B)(a),(b),(c)

Group Treasury's risk management policy is to hedge between 60% and 80% of highly probable forecast transactions (mainly import purchases) in the next three months and approximately 90% of firm commitments denominated in foreign currencies. The risk is measured through a forecast of highly probable USD expenditure and tracking of firm commitments in USD and RMB. The objective of the hedges is to minimise the volatility of the Group's currency cost of highly probable transactions and firm commitments. In order to achieve these objectives, the Group entered into cash flow hedges and fair value hedges for highly probable purchase transactions and firm commitments respectively. The foreign exchange forwards are denominated in the same currency as the highly probable purchase transactions and firm commitments, therefore the hedge ratio is 1:1. IFRS 7(21A)(a),(b),(c)

Reference

8. Derivative financial instruments (continued)

Foreign exchange risk (continued)
The spot component of forward contracts is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points.

The Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in China are managed primarily through borrowings denominated in the relevant foreign currencies. Borrowings designated and qualified as hedges of net investments in the Group's subsidiaries have a carrying amount of $3,010,000 (2017: $2,986,000) and a fair value of $2,940,000 (2017:$2,577,000) at the balance sheet date. IFRS 7(22A)(a),(b),(c) IFRS 7(22B)(a),(b),(c)

There was no ineffectiveness during 2018 in relation to the net investment hedge. IFRS 7(23D)

Interest rate risk
The Group is exposed to interest rate risks arising from its borrowings with variable interest rates. Thus, the Group enters into interest rate swaps with the same critical terms as its borrowings ("hedged item"), such as reference interest rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its borrowings, therefore the hedged item is identified as a proportion of the outstanding amount of the borrowings. As all critical terms matched during the year, the economic relationship was 100% effective. IFRS 7(22A)(a),(b),(c) IFRS 7(22B)(a),(b),(c) IFRS 7(23D)

9. Financial assets, available-for-sale

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**15,298**	12,937	**1,500**	1,218
Reclassification at 1 January 2018*	**(15,298)**	-	**(1,500)**	-
Currency translation differences	-	47	-	-
Acquisition of subsidiary	-	473	-	-
Additions	-	3,956	-	316
Fair value gains/(losses) recognised in other comprehensive income	-	710	-	(34)
Impairment losses (Note 6)	-	(575)	-	-
Disposals	-	(300)		-
End of financial year	-	17,248	-	1,500
Less: Current portion	-	(1,950)	-	-
Non-current portion	-	15,298	-	1,500

** See Note 2.2C for details of reclassification at 1 January 2018 on adoption of SFRS(I) equivalent of IFRS 9.*

Financial assets, available-for-sale as at 31 December 2017 are analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Listed securities				
- Equity securities - Singapore	-	7,885	-	1,500
- Equity securities – US	-	3,728	-	-
- SGD corporate fixed rate notes of 4% due 27 August 2020	-	288	-	-
		11,901	-	1,500
Unlisted securities				
- SGD corporate variable rate notes due 30 November 2020	-	4,237	-	-
- Mandatorily redeemable preference shares	-	1,110	-	-
Total	-	17,248	-	1,500

The fair values of unlisted debt securities were derived using cash flows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2017: 4.2%).

During the financial year ended 31 December 2017, the Group recognised an impairment loss of $575,000 against an equity security in Singapore whose trade prices had been below cost for a prolonged period.

Reference

10. Financial assets, at FVOCI

IAS 1(77)

Financial assets, at FVOCI comprise:

- equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the Group considered this to be more relevant; and IFRS 7(11A)(b)

- debt securities where the contractual cash flows are solely payment of principal and interest and the objective of the Group's business model is achieved by collecting contractual cash flows and selling financial assets.

	Group		Company		
	2018	2017	**2018**	2017	
	$'000	$'000	**$'000**	$'000	
Beginning of financial year	**-**	-	**-**	-	
Reclassification at 1 January 2018*	**15,850**	-	**1,500**	-	IFRS 7(6)
Fair value (losses)/gains	**(1,198)**	-	**100**	-	
Disposal	**(1,200)**	-	**-**	-	
End of financial year	**13,452**	-	**1,600**	-	

** See Note 2.2C for details of reclassification at 1 January 2018 on adoption of SFRS(I) equivalent of IFRS 9.*

	Group 2018	Group 2017	Company 2018	Company 2017	
Non-current assets					
Investment in equity designated at FVOCI					IFRS 7 (8)(h)
Listed equity securities					IFRS 7 (11A)(a),(c)
- Singapore exchange	**7,344**	-	**1,600**	-	
- New York Stock Exchange	**2,014**	-	**-**	-	
	9,358	-	**1,600**	-	
Unlisted debt securities					
- SGD corporate variable rate notes due 30 November 2020	**4,094**	-	**-**	-	
	13,452	-	**1,600**	-	

During the financial year ended 31 December 2018, the Group sold listed equity securities as the underlying investment is no longer aligned with the the Group's long-term investment strategy. These investments had a fair value of $1,200,000 at the date of disposal. The cumulative gain on disposal of $257,000 was reclassified from fair value reserve to retained profits.

IFRS 7 (11B)(a),(b)

IFRS 7 (11B)(c)

Reference

11. Other investments at amortised cost

	Group 2018 $'000	2017 $'000
Beginning of financial year	-	-
Reclassification at 1 January 2018*	**2,410**	-
Impairment:		
- At 1 January 2018*	**(4)**	-
- Recognised in profit and loss during the year	**(17)**	-
End of financial year	**2,389**	-

** See Note 2.2C for details of reclassification at 1 January 2018 on adoption of SFRS(I) equivalent of IFRS 9.*

IFRS 7(8)(f)

Non-current other investments at amortised cost comprise of:	As at 31 December 2018 Carrying amount $'000	Fair Value $'000	Market interest rate
Listed SGD corporate 4.4% fixed rate notes due 27 August 2020	288	302	5.6%
Unlisted SGD 5.5% fixed rate notes due 31 May 2021	1,650	1,661	5.6%
Unlisted floating rate notes due 28 June 2019	472	472	5.6%
	2,410		
Less: Impairment provision	(21)		
	2,389		

12. Financial assets, held-to-maturity (non-current)

	Group As at 31 December 2017 Carrying amount* $'000	Fair value $'000	Market interest rate
Bonds with fixed interest of 5.5% and maturity date of 31 May 2021	1,650	1,720	5.0%
Bonds with variable interest rates and maturity date of 28 June 2019	472	475	6.5%
	2,122		

** See Note 2.2C for details of reclassification at 1 January 2018 on adoption of SFRS(I) equivalent of IFRS 9.*

The fair values are based on discounted cash flows using the above market interest rates for an equivalent bond at 31 December 2017. The fair values were within Level 2 of the fair value hierarchy.

Reference

13. Financial risk management

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with: IFRS 7(33)

- customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk; and

- high credit quality counterparties of at least an 'A' rating by external credit rating companies.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluations. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control. IFRS 7(33)

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 90 days past due based on historical collection trend. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. IFRS 7(35F)(e) IFRS 7(35F)(b)

The Group applies the simplified approach to providing for expected credit losses prescribed by SFRS(I) equivalent of IFRS 9, which permits the use of the lifetime credit loss provision for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, trade receivables, contract assets and lease receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. IFRS 9(5.5.15) IFRS 7(35F)(c) IFRS 7(35G)(a)(i),(b)

13. Financial risk management

(a) Credit risk (continued)

The Group and Company uses four categories of internal credit risk rating for its financial assets at amortised costs and financial assets at FVOCI. These four categories reflect the respective credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch. A summary of assumptions underpinning the Group's expected credit loss model is as follow:

Group and Company's category of internal credit rating	Group and Company's definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit losses
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected credit losses
Non-performing	Interest and/or principal repayments are 60 days past due.	Lifetime expected credit losses
Write-off	Interest and/or principal repayments are 90 days past due and there is no reasonable expectation of recovery.	Asset is written off

Reference

13. Financial risk management (continued)

(a) Credit risk (continued)

(i) Movements in credit loss allowance for financial assets are set out as follows:

IFRS 7(35H)(a)
IFRS 7(35H)(b)(iii)
IFRS 7(42P)
IFRS 7(16A)

	Trade receivables $'000	Contract assets $'000	Lease receivables $'000	Other financial assets at amortised costs $'000	Financial assets, at FVOCI $'000	Total $'000
Group						
Balance at 1 January 2018 under SFRS	509	-	-	-	-	509
Application of SFRS(I) equivalent of IFRS 9 (Note 2.2C)	224	24	5	7	*	260
Balance at 1 January 2018 under SFRS(I) equivalent of IFRS 9	**733**	**24**	**5**	**7**	*****	**769**
Changes in credit loss recognised in profit or loss:						
- New financial assets acquired	745	29	3	2	-	779
- Financial assets repaid	(515)	(24)	(5)	(2)	-	(546)
- Increase due to credit risk	-	-	-	23	8	31
- Financial assets written off#	(228)	-	-	-	-	(228)
	2	5	(2)	23	8	36
Balance at 31 December 2018	**735**	**29**	**3**	**30**	**8**	**805**

IFRS 7(35I)

* *Amount less than $1,000*

\# Trade receivables with a contractual amount of $180,000 written off during the year are still subject to enforcement activity.

IFRS 7(35L)

	Trade receivables $'000	Other receivables $'000	Total $'000
Company			
Balance at 1 January 2018 under SFRS	100	-	100
Application of SFRS(I) equivalent of IFRS 9	211	8	219
Balance at 1 January 2018 under SFRS(I) equivalent of IFRS 9	**311**	**8**	**319**
Changes in credit loss recognised in profit or loss:			
- New financial assets acquired	266	1	267
- Financial assets repaid	(311)	-	(311)
	(45)	1	(44)
Balance at 31 December 2018	**266**	**9**	**275**

Reference

13. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Credit risk exposure

The Group's and the Company's credit risk exposure in relation to trade receivables, contract assets and lease receivables under SFRS(I) equivalent of IFRS 9 as at 31 December 2018 are set out in the provision matrix as follows:

IFRS 7(35M)(iii)
IFRS 7(35N)

IFRS 7(35H)(b)(iii)

		Past due					
	Current	**Within 30 days**	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**	
	$'000	$'000	$'000	$'000	$'000	$'000	
Group							
Trade receivables and contract assets							
Expected loss rate	1%	4%	12%	17%	50%		
Gross carrying amount	13,622	3,125	1,107	1,408	262	19,524	IFRS 7(35K)(a)
Loss allowance provision	**(136)**	**(125)**	**(133)**	**(239)**	**(131)**	**(764)**	
Finance lease receivables							
Expected loss rate	0.5%	1.5%	-	-	-		
Gross carrying amount	434	109	-	-	-	543	IFRS 7(35K)(a)
Loss allowance provision	**(2)**	**(1)**	**-**	**-**	**-**	**(3)**	
Company							
Trade receivables							
Expected loss rate	1%	3%	9%	15%	62%		
Gross carrying amount	4,748	465	666	431	129	6,439	IFRS 7(35K)(a)
Loss allowance provision	**(47)**	**(14)**	**(60)**	**(65)**	**(80)**	**(266)**	

The Group's and the Company's credit risk exposure in relation to trade receivables, contract assets and lease receivables under SFRS 39 as at 31 December 2017 are set out as follows:

	Past due				
	Within 30 days	**30 to 60 days**	**60 to 90 days**	**More than 90 days**	**Total**
	$'000	$'000	$'000	$'000	$'000
Group					
Trade receivables					
Gross carrying amount:					
- Not past due					11,592
- Past due but not impaired	1,952	1,021	347	1,716	5,036
- Past due and impaired	-	-	-	800	800
	1,952	1,021	347	2,516	17,428
Less: Allowance for impairment					(509)
Net carrying amount					16,919
Company					
Trade receivables					
Gross carrying amount:					
- Not past due					5,412
- Past due but not impaired	731	432	187	650	2,000
- Past due and impaired	-	-	-	200	200
	731	432	187	850	7,612
Less: Allowance for impairment					(100)
Net carrying amount					7,512

13. Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (Company)

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

Reference

13. Financial risk management (continued)

(a) Credit risk (continued)

(iii) *Other financial assets at amortised cost and financial assets, at FVOCI*

Other financial assets at amortised cost include listed and unlisted bonds (previously classified as financial assets, held-to-maturity), loans to related parties and key management personnel, other receivables and bank deposits. Financial assets, at FVOCI comprise unlisted debt securities.

The movements for credit loss allowance for other financial assets at amortised cost and financial assets, at FVOCI between SFRS 39 and SFRS(I) equivalent of IFRS 9 are set out as follows: IFRS 7(35H)(a)

IFRS 7(42P)

	Group					Company
	Loans to related parties	Investments in bonds	Other Receivables	Financial assets, at FVOCI	Total	Loans to related parties
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Balance at 1 January 2018 under SFRS	-	-	-	-	-	-
Application of SFRS(I) equivalent of IFRS 9	2	4	1	*	7	8
Balance at 1 January 2018 under SFRS(I) equivalent of IFRS 9	**2**	**4**	**1**	*****	**7**	**8**
Changes in credit loss recognised in profit or loss:						
- New financial assets acquired	-	-	2	-	2	1
- Financial assets repaid	(1)	-	(1)	-	(2)	-
- Increase due to credit risk	6	17	-	8	31	-
	5	17	1	8	31	1
Balance at 31 December 2018	**7**	**21**	**2**	**8**	**38**	**9**
Carrying amount at 31 December 2018	889	2,410	115	13,452		1,057
External credit rating	A	A	A	AA		A

IFRS 7(35M)(a)

** Amount less $1,000*

There are no credit loss allowance for the above financial assets for the financial year ended 31 December 2017.

All of the other financial assets at amortised cost and financial assets, at FVOCI are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12-month expected credit losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are of low credit risk as management have considered that they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses and credit ratings of the above financial assets are as follows: IFRS 7(35F)(a)(i)

IFRS 7(35M)(a)

Group's internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	AAA	0.01%	12-month expected losses	Gross carrying amount
	AA	0.06%		
	A	0.87%		

Reference

13. Financial risk management (continued)

(b) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 7, Note 8 and Note 10 to the financial statements, except for the following:

IFRS 7 (8f)
IFRS 7 (8g)

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Loans and receivables	-	41,674	**-**	26,950
Financial assets at amortised cost	**56,771**	-	**25,719**	-
Financial liabilities at amortised cost	**124,292**	143,644	**81,274**	82,314

Disclosure Checklist

IFRS 1 First-time adoption of International Financial Reporting Standards

The disclosure checklist below sets out the disclosure requirements under the "Presentation and disclosure" section under SFRS(I) equivalent of IFRS 1.

S/N	Paragraph	Extracts of disclosure requirements under IFRS 1	Illustration
1	20	This IFRS does not provide exemptions from the presentation and disclosure requirements in other IFRSs.	Reporting entity to consider in disclosures made.
		Comparative Information	
2	21	An entity's first IFRS financial statements shall include at least three statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.	Consolidated statement of comprehensive income, Balance sheet – Group, Balance sheet – Company, Consolidated statement of changes in equity, Consolidated statement of cash flows.
		Non-IFRS comparative information and historical summaries	
3	22	Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with IFRSs. This IFRS does not require such summaries to comply with the recognition and measurement requirements of IFRSs. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by IAS 1. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall: (a) label the previous GAAP information prominently as not being prepared in accordance with IFRSs; and (b) disclose the nature of the main adjustments that would make it comply with IFRSs. An entity need not quantify those adjustments.	Not illustrated.
		Explanation of transition to IFRSs	
4	23	An entity shall explain how the transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows.	Note 2.2
5	23A	An entity that has applied IFRSs in a previous period, as described in paragraph 4A, shall disclose: (a) the reason it stopped applying IFRSs; and (b) the reason it is resuming the application of IFRSs.	Not illustrated.
6	23B	When an entity, in accordance with paragraph 4A, does not elect to apply IFRS 1, the entity shall explain the reasons for electing to apply IFRSs as if it had never stopped applying IFRSs.	Not illustrated.

Disclosure Checklist

IFRS 1 First-time adoption of International Financial Reporting Standards

S/N	Paragraph	Extracts of disclosure requirements under IFRS 1	Illustration
		Reconciliations	
7	24	To comply with paragraph 23, an entity's first IFRS financial statements shall include:	
		(a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with IFRSs for both of the following dates: (i) the date of transition to IFRSs; and (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.	Note 2.2(b)
		(b) a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.	Note 2.2(c)
		(c) if the entity recognised or reversed any impairment losses for the first time in preparing its opening IFRS statement of financial position, the disclosures that IAS 36 Impairment of Assets would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to IFRSs.	Not illustrated.
8	25	The reconciliations required by paragraph 24(a) and (b) shall give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.	Note 2.2(b), (c) and (d)
9	26	If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.	Not illustrated.
10	27	IAS 8 does not apply to the changes in accounting policies an entity makes when it adopts IFRSs or to changes in those policies until after it presents its first IFRS financial statements. Therefore, IAS 8's requirements about changes in accounting policies do not apply in an entity's first IFRS financial statements.	Reporting entity to consider on transition to SFRS(I).
11	27A	If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).	Not illustrated.
12	28	If an entity did not present financial statements for previous periods, its first IFRS financial statements shall disclose that fact.	Not illustrated.

Disclosure Checklist

IFRS 1 First-time adoption of International Financial Reporting Standards

S/N	Paragraph	Extracts of disclosure requirements under IFRS 1	Illustration
		Designation of financial assets or financial liabilities	
13	29	An entity is permitted to designate a previously recognised financial asset as a financial asset measured at fair value through profit or loss in accordance with paragraph D19A. The entity shall disclose the fair value of financial assets so designated at the date of designation and their classification and carrying amount in the previous financial statements.	Not illustrated.
14	29A	An entity is permitted to designate a previously recognised financial liability as a financial liability at fair value through profit or loss in accordance with paragraph D19. The entity shall disclose the fair value of financial liabilities so designated at the date of designation and their classification and carrying amount in the previous financial statements.	Not illustrated.
		Use of fair value as deemed cost	
15	30	If an entity uses fair value in its opening IFRS statement of financial position as deemed cost for an item of property, plant and equipment, an investment property, an intangible asset or a right-of-use asset (see paragraphs D5 and D7), the entity's first IFRS financial statements shall disclose, for each line item in the opening IFRS statement of financial position: (a) the aggregate of those fair values; and (b) the aggregate adjustment to the carrying amounts reported under previous GAAP.	Note 2.2(d) – A1
		Use of deemed cost for investments in subsidiaries, joint ventures and associates	
16	31	Similarly, if an entity uses a deemed cost in its opening IFRS statement of financial position for an investment in a subsidiary, joint venture or associate in its separate financial statements (see paragraph D15), the entity's first IFRS separate financial statements shall disclose: (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount; (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.	Not illustrated.
		Use of deemed cost for oil and gas assets	
17	31A	If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.	Not illustrated.
		Use of deemed cost for operations subject to rate regulation	
18	31B	If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under IFRS 1	Illustration
		Use of deemed cost after severe hyperinflation	
19	31C	If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening IFRS statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first IFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics: (a) a reliable general price index is not available to all entities with transactions and balances in the currency. (b) exchangeability between the currency and a relatively stable foreign currency does not exist.	Not illustrated.
		Interim financial reports	
20	32	To comply with paragraph 23, if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of IAS 34: (a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include: (i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and (ii) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP. (b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations. (c) If an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).	Not illustrated.
21	33	IAS 34 requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, IAS 34 also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.	Not illustrated.

Listed below are the disclosure requirements under SFRS(I) equivalent of IFRS 7 which were amended arising from IFRS 9, as set out under paragraph 44Z of the SFRS(I) equivalent of IFRS 9.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Significance of financial instruments for financial position and performance	
		Statement of financial position	
		Categories of financial assets and financial liabilities	
1	8	The carrying amounts of each of the following categories, as specified in IFRS 9, shall be disclosed either in the statement of financial position or in the notes:	
		(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with IFRS 9.	Note 7
		(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9 and (ii) those that meet the definition of held for trading in IFRS 9.	Not illustrated.
		(f) financial assets measured at amortised cost.	Note 11, 13(b).
		(g) financial liabilities measured at amortised cost.	Note 13(b)
		(h) financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of IFRS 9.	Note 10
		Financial assets or financial liabilities at fair value through profit or loss	
2	9	If the entity has designated as measured at fair value through profit or loss a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose:	Not illustrated.
		(a) the maximum exposure to credit risk (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period.	
		(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 36(b)).	
		(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:	
		(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or	
		(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.	
		Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.	
		(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.	

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Financial assets or financial liabilities at fair value through profit or loss (continued)	
3	10	If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of IFRS 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of IFRS 9), it shall disclose: (a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of IFRS 9 for guidance on determining the effects of changes in a liability's credit risk). (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation. (c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers. (d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.	Not illustrated.
4	10A	If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of IFRS 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of IFRS 9), it shall disclose: (a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of IFRS 9 for guidance on determining the effects of changes in a liability's credit risk); and (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.	Not illustrated.
5	11	The entity shall also disclose: (a) a detailed description of the methods used to comply with the requirements in paragraphs 9(c), 10(a) and 10A(a) and paragraph 5.7.7(a) of IFRS 9, including an explanation of why the method is appropriate. (b) if the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 9(c), 10(a) or 10A(a) or paragraph 5.7.7(a) of IFRS 9 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant. (c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of IFRS 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of IFRS 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of IFRS 9.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Investments in equity instruments designated at fair value through other comprehensive income	
6	11A	If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of IFRS 9, it shall disclose:	
		(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.	Note 10
		(b) the reasons for using this presentation alternative.	Note 10
		(c) the fair value of each such investment at the end of the reporting period.	Note 10
		(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.	Note 5
		(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.	Statement of changes in equity
7	11B	If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:	
		(a) the reasons for disposing of the investments.	Note 10
		(b) the fair value of the investments at the date of derecognition.	Note 10
		(c) the cumulative gain or loss on disposal.	Note 10
		Reclassification	
8	12B	An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of IFRS 9. For each such event, an entity shall disclose: (a) the date of reclassification. (b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements. (c) the amount reclassified into and out of each category.	Not illustrated.
9	12C	For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of IFRS 9: (a) the effective interest rate determined on the date of reclassification; and (b) the interest revenue recognised.	Not illustrated.
10	12D	If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose: (a) the fair value of the financial assets at the end of the reporting period; and (b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Collateral	
11	14	An entity shall disclose: (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of IFRS 9; and (b) the terms and conditions relating to its pledge.	Not illustrated as no incremental disclosure requirements introduced arising from amendment.
		Allowance account for credit losses	
12	16A	The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.	Note 10 Note 13
		Statement of comprehensive income	
		Items of income, expense, gains or losses	
13	20	An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes: (a) net gains or net losses on: (i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with IFRS 9 (eg financial liabilities that meet the definition of held for trading in IFRS 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss. (v) financial liabilities measured at amortised cost. (vi) financial assets measured at amortised cost. (vii) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9. (viii) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period. (b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of IFRS 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.	Note 6 Not illustrated. Not illustrated. Consolidated Statement of Comprehensive Income Consolidated Statement of Comprehensive Income Not illustrated. Note 5

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Statement of comprehensive income (continued)	
		Items of income, expense, gains or losses (continued)	
13	20	(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: (i) financial assets and financial liabilities that are not at fair value through profit or loss; and (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.	Not illustrated.
14	20A	An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.	Not illustrated.
		Other disclosures	
		Hedge accounting	
15	21A	An entity shall apply the disclosure requirements in paragraphs 21B–24F for those risk exposures that an entity hedges and for which it elects to apply hedge accounting. Hedge accounting disclosures shall provide information about:	
		(a) an entity's risk management strategy and how it is applied to manage risk;	Note 8
		(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and	Note 8
		(c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.	Note 8
16	21B	An entity shall present the required disclosures in a single note or separate section in its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	Reporting entity to consider in disclosures made.
17	21C	When paragraphs 22A–24F require the entity to separate by risk category the information disclosed, the entity shall determine each risk category on the basis of the risk exposures an entity decides to hedge and for which hedge accounting is applied. An entity shall determine risk categories consistently for all hedge accounting disclosures.	Reporting entity to consider in disclosures made.
18	21D	To meet the objectives in paragraph 21A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this IFRS and IFRS 13 *Fair Value Measurement*.	Reporting entity to consider in disclosures made.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The risk management strategy	
19	22A	An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):	
		(a) how each risk arises.	Note 8
		(b) how the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why.	Note 8
		(c) the extent of risk exposures that the entity manages.	Note 8
20	22B	To meet the requirements in paragraph 22A, the information should include (but is not limited to) a description of:	
		(a) the hedging instruments that are used (and how they are used) to hedge risk exposures;	Note 8
		(b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and	Note 8
		(c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.	Note 8
21	22C	When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of IFRS 9) it shall provide, in addition to the disclosures required by paragraphs 22A and 22B, qualitative or quantitative information about:	Not illustrated.
		(a) how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and	
		(b) how the risk component relates to the item in its entirety (for example, the designated risk component historically covered on average 80 per cent of the changes in fair value of the item as a whole).	
		The amount, timing and uncertainty of future cash flows	
22	23A	Unless exempted by paragraph 23C, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.	Note 8
23	23B	To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses:	
		(a) a profile of the timing of the nominal amount of the hedging instrument; and	Note 8
		(b) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.	Note 8

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The amount, timing and uncertainty of future cash flows (continued)	
24	23C	In situations in which an entity frequently resets (ie discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (ie the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long—such as in the example in paragraph B6.5.24(b) of IFRS 9) the entity: (a) is exempt from providing the disclosures required by paragraphs 23A and 23B. (b) shall disclose: (i) information about what the ultimate risk management strategy is in relation to those hedging relationships; (ii) a description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and (iii) an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity's process in relation to those hedging relationships.	Not illustrated.
25	23D	An entity shall disclose by risk category a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.	Note 8
26	23E	If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources by risk category and explain the resulting hedge ineffectiveness.	Not illustrated.
27	23F	For cash flow hedges, an entity shall disclose a description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur.	Not illustrated.
		The effects of hedge accounting on financial position and performance	
28	24A	An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):	
		(a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);	Note 8
		(b) the line item in the statement of financial position that includes the hedging instrument;	Note 8
		(c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and	Note 8
		(d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.	Note 8

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The effects of hedge accounting on financial position and performance (continued)	
29	24B	An entity shall disclose, in a tabular format, the following amounts related to hedged items separately by risk category for the types of hedges as follows:	
		(a) for fair value hedges:	
		(i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);	Note 8
		(ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);	Note 8
		(iii) the line item in the statement of financial position that includes the hedged item;	Note 8
		(iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and	Note 8
		(v) the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses in accordance with paragraph 6.5.10 of IFRS 9.	Not illustrated.
		(b) for cash flow hedges and hedges of a net investment in a foreign operation:	
		(i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (ie for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of IFRS 9);	Note 8
		(ii) the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 6.5.11 and 6.5.13(a) of IFRS 9; and	Note 8
		(iii) the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The effects of hedge accounting on financial position and performance (continued)	
30	24C	An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows: (a) for fair value hedges: (i) hedge ineffectiveness—ie the difference between the hedging gains or losses of the hedging instrument and the hedged item—recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of IFRS 9); and (ii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness. (b) for cash flow hedges and hedges of a net investment in a foreign operation: (i) hedging gains or losses of the reporting period that were recognised in other comprehensive income; (ii) hedge ineffectiveness recognised in profit or loss; (iii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness; (iv) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see IAS 1) (differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss); (v) the line item in the statement of comprehensive income that includes the reclassification adjustment (see IAS 1); and (vi) for hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive income (see paragraph 6.6.4 of IFRS 9).	(a)(i) Note 8 (a)(ii) Note 8 (b)(i) Note 8 (b)(ii) Note 8 (b)(iii) Note 8 (b)(iv) Note 8 (b)(v) Note 8 (b)(vi) Not illustrated.
31	24D	When the volume of hedging relationships to which the exemption in paragraph 23C applies is unrepresentative of normal volumes during the period (ie the volume at the reporting date does not reflect the volumes during the period) an entity shall disclose that fact and the reason it believes the volumes are unrepresentative.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The effects of hedge accounting on financial position and performance (continued)	
32	24E	An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with IAS 1 that, taken together:	
		(a) differentiates, at a minimum, between the amounts that relate to the disclosures in paragraph 24C(b)(i) and (b)(iv) as well as the amounts accounted for in accordance with paragraph 6.5.11(d)(i) and (d)(iii) of IFRS 9;	Note 8
		(b) differentiates between the amounts associated with the time value of options that hedge transaction related hedged items and the amounts associated with the time value of options that hedge time-period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 6.5.15 of IFRS 9; and	Not illustrated.
		(c) differentiates between the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction related hedged items, and the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time-period related hedged items when an entity accounts for those amounts in accordance with paragraph 6.5.16 of IFRS 9.	Not illustrated.
33	24F	An entity shall disclose the information required in paragraph 24E separately by risk category. This disaggregation by risk may be provided in the notes to the financial statements.	Note 8
		Option to designate a credit exposure as measured at fair value through profit or loss	
34	24G	If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:	Not illustrated.
		(a) for credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;	
		(b) the gain or loss recognised in profit or loss on designation of a financial instrument, or a proportion of it, as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9; and	
		(c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of IFRS 9 and the related nominal or principal amount (except for providing comparative information in accordance with IAS 1, an entity does not need to continue this disclosure in subsequent periods).	

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Fair value	
35	28	In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of IFRS 9). In such cases, the entity shall disclose by class of financial asset or financial liability: (a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of IFRS 9). (b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference. (c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.	Not illustrated.
36	29	Disclosures of fair value are not required: (a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables; (c) for a contract containing a discretionary participation feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably; or (d) for lease liabilities.	Reporting entity to consider in disclosures made.
37	30	In the case described in paragraph 29(c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including: (a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably; (b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably; (c) information about the market for the instruments; (d) information about whether and how the entity intends to dispose of the financial instruments; and (e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Credit risk	
		Scope and objectives	
38	35A	An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in IFRS 9 are applied. However: (a) for trade receivables, contract assets and lease receivables, paragraph 35J(a) applies to those trade receivables, contract assets or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.5.15 of IFRS 9, if those financial assets are modified while more than 30 days past due; and (b) paragraph 35K(b) does not apply to lease receivables.	Reporting entity to consider in diclosures made.
39	35B	The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide: (a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses; (b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and (c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.	Note 13 Note 13 Note 13
40	35C	An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	Reporting entity to consider in diclosures made.
41	35D	To meet the objectives in paragraph 35B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.	Reporting entity to consider in diclosures made.
42	35E	If the disclosures provided in accordance with paragraphs 35F–35N are insufficient to meet the objectives in paragraph 35B, an entity shall disclose additional information that is necessary to meet those objectives.	Reporting entity to consider in diclosures made.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		The credit risk management practices	
43	35F	An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate:	
		(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:	Not illustrated.
		(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of IFRS 9, including the classes of financial instruments to which it applies; and	Note 13
		(ii) the presumption in paragraph 5.5.11 of IFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;	Not illustrated.
		(b) an entity's definitions of default, including the reasons for selecting those definitions;	Note 13
		(c) how the instruments were grouped if expected credit losses were measured on a collective basis;	Note 13
		(d) how an entity determined that financial assets are credit-impaired financial assets;	Not illustrated.
		(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and	Note 13
		(f) how the requirements in paragraph 5.5.12 of IFRS 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity:	
		(i) determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.5.5 of IFRS 9; and	Not illustrated.
		(ii) monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of IFRS 9.	Not illustrated.
44	35G	An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of IFRS 9. For this purpose an entity shall disclose:	
		(a) the basis of inputs and assumptions and the estimation techniques used to:	
		(i) measure the 12-month and lifetime expected credit losses;	Note 13
		(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and	Not illustrated.
		(iii) determine whether a financial asset is a credit-impaired financial asset.	Not illustrated.
		(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and	Note 13
		(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Quantitative and qualitative information about amounts arising from expected credit losses	
45	35H	To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:	
		(a) the loss allowance measured at an amount equal to 12-month expected credit losses;	Note 13
		(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:	
		(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;	Not illustrated.
		(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and	Not illustrated.
		(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9.	Note 13
		(c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.	Not illustrated.
46	35I	To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 35H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 35H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:	
		(a) changes because of financial instruments originated or acquired during the reporting period;	Note 13
		(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with IFRS 9;	Not illustrated.
		(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and	Note 13
		(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Quantitative and qualitative information about amounts arising from expected credit losses (continued)	
47	35J	To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose: (a) the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and (b) the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.	Not illustrated.
48	35K	To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:	
		(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with IAS 32).	Note 13
		(b) a narrative description of collateral held as security and other credit enhancements, including:	
		(i) a description of the nature and quality of the collateral held;	Not illustrated.
		(ii) an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and	Not illustrated.
		(iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.	Not illustrated.
		(c) quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.	Not illustrated.
49	35L	An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.	Note 13

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Credit risk exposure	
50	35M	To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:	
		(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;	Note 13
		(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:	
		(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;	Not illustrated.
		(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and	Not illustrated.
		(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of IFRS 9.	Note 13
		(c) that are purchased or originated credit-impaired financial assets.	Not illustrated.
51	35N	For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of IFRS 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of IFRS 9).	Note 13
52	36	For all financial instruments within the scope of this IFRS, but to which the impairment requirements in IFRS 9 are not applied, an entity shall disclose by class of financial instrument:	
		(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not quality for offset in accordance with IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.	Not illustrated.
		(b) a description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Transfers of financial assets	
53	42C	For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement: (a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action; (b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or (c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 3.2.5(a)–(c) of IFRS 9 are met.	Reporting entity to consider in diclosures made.
		Transferred financial assets that are not derecognised in their entirety	
54	42D	An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety: (a) the nature of the transferred assets. (b) the nature of the risks and rewards of ownership to which the entity is exposed. (c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets. (d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities). (e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities. (f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of IFRS 9), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.	Not illustrated as no incremental disclosure requirements introduced arising from amendment.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Transferred financial assets that are derecognised in their entirety (continued)	
55	42E	To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 3.2.6(a) and (c)(i) of IFRS 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date: (a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised. (b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets. (c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined. (d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date. (e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement. (f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).	Not illustrated as no incremental disclosure requirements introduced arising from amendment.
		Initial application of IFRS 9	
56	42I	In the reporting period that includes the date of initial application of IFRS 9, the entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:	
		(a) the original measurement category and carrying amount determined in accordance with IAS 39 or in accordance with a previous version of IFRS 9 (if the entity's chosen approach to applying IFRS 9 involves more than one date of initial application for different requirements);	Note 2.2C
		(b) the new measurement category and carrying amount determined in accordance with IFRS 9;	Note 2.2C
		(c) the amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that IFRS 9 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.	Not illustrated
		In accordance with paragraph 7.2.2 of IFRS 9, depending on the entity's chosen approach to applying IFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application. An entity shall present these quantitative disclosures in a table unless another format is more appropriate.	Not illustrated.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Initial application of IFRS 9 (continued)	
57	42J	In the reporting period that includes the date of initial application of IFRS 9, an entity shall disclose qualitative information to enable users to understand:	
		(a) how it applied the classification requirements in IFRS 9 to those financial assets whose classification has changed as a result of applying IFRS 9.	Note 2.2C
		(b) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss at the date of initial application.	Note 2.2C
		In accordance with paragraph 7.2.2 of IFRS 9, depending on the entity's chosen approach to applying IFRS 9, the transition can involve more than one date of initial application. Therefore this paragraph may result in disclosure on more than one date of initial application.	Not illustrated.
58	42K	In the reporting period that an entity first applies the classification and measurement requirements for financial assets in IFRS 9 (ie when the entity transitions from IAS 39 to IFRS 9 for financial assets), it shall present the disclosures set out in paragraphs 42L–42O of this IFRS as required by paragraph 7.2.15 of IFRS 9.	Reporting entity to consider in disclosures made.
59	42L	When required by paragraph 42K, an entity shall disclose the changes in the classifications of financial assets and financial liabilities as at the date of initial application of IFRS 9, showing separately:	
		(a) the changes in the carrying amounts on the basis of their measurement categories in accordance with IAS 39 (ie not resulting from a change in measurement attribute on transition to IFRS 9); and	Note 2.2C
		(b) the changes in the carrying amounts arising from a change in measurement attribute on transition to IFRS 9.	Not illustrated.
		The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in IFRS 9.	
60	42M	When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified so that they are measured at amortised cost and, in the case of financial assets, that have been reclassified out of fair value through profit or loss so that they are measured at fair value through other comprehensive income, as a result of the transition to IFRS 9:	
		(a) the fair value of the financial assets or financial liabilities at the end of the reporting period; and	Note 2.2C(ii)
		(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets or financial liabilities had not been reclassified.	Note 2.2C(ii)
		The disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in IFRS 9.	

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Initial application of IFRS 9 (continued)	
61	42N	When required by paragraph 42K, an entity shall disclose the following for financial assets and financial liabilities that have been reclassified out of the fair value through profit or loss category as a result of the transition to IFRS 9: (a) the effective interest rate determined on the date of initial application; and (b) the interest revenue or expense recognised. If an entity treats the fair value of a financial asset or a financial liability as the new gross carrying amount at the date of initial application (see paragraph 7.2.11 of IFRS 9), the disclosures in this paragraph shall be made for each reporting period until derecognition. Otherwise, the disclosures in this paragraph need not be made after the annual reporting period in which the entity initially applies the classification and measurement requirements for financial assets in IFRS 9.	Note 2.2C Note 2.2C
62	42O	When an entity presents the disclosures set out in paragraphs 42K–42N, those disclosures, and the disclosures in paragraph 25 of this IFRS, must permit reconciliation between: (a) the measurement categories presented in accordance with IAS 39 and IFRS 9; and (b) the class of financial instrument as at the date of initial application.	Note 2.2C Note 2.2C
63	42P	On the date of initial application of Section 5.5 of IFRS 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening loss allowances determined in accordance with IFRS 9. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.	Note 13
64	42Q	In the reporting period that includes the date of initial application of IFRS 9, an entity is not required to disclose the line item amounts that would have been reported in accordance with the classification and measurement requirements (which includes the requirements related to amortised cost measurement of financial assets and impairment in Sections 5.4 and 5.5 of IFRS 9) of: (a) IFRS 9 for prior periods; and (b) IAS 39 for the current period.	Reporting entity to consider in disclosures made.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 7	Illustration
		Initial application of IFRS 9 (continued)	
65	42R	In accordance with paragraph 7.2.4 of IFRS 9, if it is impracticable (as defined in IAS 8) at the date of initial application of IFRS 9 for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of IFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of IFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D of IFRS 9 until those financial assets are derecognised.	Not illustrated.
66	42S	In accordance with paragraph 7.2.5 of IFRS 9, if it is impracticable (as defined in IAS 8) at the date of initial application for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraphs B4.1.12(c) of IFRS 9 based on the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of IFRS 9. An entity shall disclose the carrying amount at the reporting date of the financial assets whose contractual cash flow characteristics have been assessed based on the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12 of IFRS 9 until those financial assets are derecognised.	Not illustrated.

Disclosure Checklist

IFRS 15 Revenue from Contracts with Customers

The disclosure checklist below sets out the disclosure requirements under the "disclosure" section under SFRS (I) equivalent of IFRS 15.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 15	Illustration
1	110	The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:	
		(a) its contracts with customers;	See paragraphs 113–122
		(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts; and	See paragraphs 123–126
		(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95.	See paragraphs 127–128
2	111	An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.	Reporting entity to consider in disclosures made.
3	112	An entity need not disclose information in accordance with this Standard if it has provided the information in accordance with another Standard.	Reporting entity to consider in disclosures made.
		Contracts with customers	
4	113	An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:	
		(a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and	Note 4
		(b) any impairment losses recognised (in accordance with SFRS (I) equivalent of IFRS 9) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.	Note 4(b)
		Disaggregation of revenue	
5	114	An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87–B89 when selecting the categories to use to disaggregate revenue.	Note 4(a)
6	115	In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies the SFRS (I) equivalent of IFRS 8 *Operating Segments*.	Note 4(a)

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 15	Illustration
		Contract balances	
7	116	An entity shall disclose all of the following: (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed; (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and (c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).	Note 4(b) Note 4(b)(ii) Note 4(b)(ii)
8	117	An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information.	Note 2.3
9	118	An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following: (a) changes due to business combinations; (b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification; (c) impairment of a contract asset; (d) a change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable); and (e) a change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability).	Note 4(b)(i)
		Performance obligations	
10	119	An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following: (a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement; (b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58); (c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent); (d) obligations for returns, refunds and other similar obligations; and (e) types of warranties and related obligations.	Note 2.3

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 15	Illustration
		Transaction price allocated to the remaining performance obligations	
11	120	An entity shall disclose the following information about its remaining performance obligations: (a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and (b) an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways: (i) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and (ii) by using qualitative information.	Note 4(b)(iii)
12	121	As a practical expedient, an entity need not disclose the information in paragraph 120 for a performance obligation if either of the following conditions is met: (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or (b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.	Note 4(b)(iii)
13	122	An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained (see paragraphs 56–58).	Note 4(b)(iii)
		Significant judgements in the application of this Standard	
14	123	An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following: (a) the timing of satisfaction of performance obligations; and (b) the transaction price and the amounts allocated to performance obligations.	See paragraphs 124–125 See paragraph 126
		Determining the timing of satisfaction of performance obligations	
15	124	For performance obligations that an entity satisfies over time, an entity shall disclose both of the following: (a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and (b) an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.	Note 2.3
16	125	For performance obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services.	Note 2.3

Disclosure Checklist

IFRS 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) equivalent of IFRS 15	Illustration
		Determining the transaction price and the amounts allocated to performance obligations	
17	126	An entity shall disclose information about the methods, inputs and assumptions used for all of the following: (a) determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration; (b) assessing whether an estimate of variable consideration is constrained; (c) allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and (d) measuring obligations for returns, refunds and other similar obligations.	Note 2.3
		Assets recognised from the costs to obtain or fulfil a contract with a customer	
18	127	An entity shall describe both of the following: (a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and (b) the method it uses to determine the amortisation for each reporting period.	Note 4(b)(iv) Note 4(b)(iv)
19	128	An entity shall disclose all of the following: (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and (b) the amount of amortisation and any impairment losses recognised in the reporting period.	Note 4(b)(iv) Note 4(b)(iv)
		Practical expedients	
20	129	If an entity elects to use the practical expedient in either paragraph 63 (about the existence of a significant financing component) or paragraph 94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.	Note 2.3(e)

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Practical Guide to New Singapore Financial Reporting Standards for 2017

Contents

Introduction

This publication details new standards and amendments effective for the first time for 2017 year-ends and forthcoming requirements - that is, new standards and amendments issued and not effective for periods starting on 1 January 2017 but will be effective for later periods.

Since March 2016, the following amendments have been issued:

- Amendments to FRS 104 *Insurance Contracts*, regarding the implementation of FRS 109
- Amendments to FRS 102 *Share Based Payments*, regarding the classification and measurement of share based payment transactions
- Amendments to FRS 40 *Investment Property*, regarding transfer of investment property
- Amendments to FRS 115 *Revenue from Contracts with Customers*, regarding clarifications to the standard
- Annual improvements 2014-2016 covering FRS 112 *Disclosure of Interests in Other Entities*, FRS 101 *First-time Adoption of FRS* and FRS 28 *Investments in Associates and Joint Ventures*
- INT FRS 122 *Foreign Currency Transactions and Advance Consideration*

This Practical Guide is designed to be used by preparers, users and auditors of FRS financial statements. It includes a quick reference table of each standard/amendment/interpretation categorised by the effective date. The publication gives an overview of the impact of the changes which may be significant for some entities, helping companies understand if they will be affected and to begin their considerations. It will help entities plan more effectively by flagging up where new processes and systems or more guidance may be needed.

Abbreviations used in the publication

ASC	Accounting Standards Council
FRS	Singapore Financial Reporting Standards
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
INT FRs	Interpretations of Financial Reporting Standard

New/revised standards and interpretations

Standards	Significant changes in: Scope and Definition	Significant changes in: Measurement and Recognition	Significant changes in: Presentation and Disclosures	Details (Page)
- Annual improvements 2014–2016				
• Amendments to FRS 101 First time adoption of Financial Reporting Standards		✓		4
• Amendments to FRS 112 Disclosure of interests in Other Entities			✓	4
• Amendments to FRS 28 Investments in Associates and Joint Ventures		✓		4
Effective for annual periods beginning on or after 1 January 2017				
• Amendments to FRS 12 Income Taxes		✓		5
• Amendments to FRS 7 Statement of Cash Flows			✓	7
Effective for annual periods beginning on or after 1 January 2018				
• Amendments to FRS 104 Insurance Contracts		✓		9
• Amendments to FRS 40 Investment Property	✓			11
• Amendments to FRS 102 Share-based Payment		✓		12
• Amendments to FRS 115 Revenue from Contracts from Customer	✓			14
• FRS 109 Financial Instruments	✓	✓	✓	16
• FRS 115 Revenue from Contracts with Customers	✓	✓	✓	19
• INT FRS 122 Foreign Currency Transactions and Advance Consideration		✓		21
Effective for annual periods beginning on or after 1 January 2019				
• FRS 116 Leases	✓	✓	✓	23
To be determined				
• Amendments to FRS 110 Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures		✓		25

Improvements to FRSs 2014–2016

The table below identifies the significant changes to the standards arising from the 2014 to 2016 annual improvement project and the implications for management.

Effective date
See final column in table below.

Standard/ Interpretation	Amendment	Effective date
Amendment to FRS 101 First time adoption of FRS.	This amendment deletes the short-term exemptions covering transition provisions of FRS 107, FRS 109, and FRS 110. These transition provisions were available to entities for passed reporting periods and are therefore no longer applicable.	Annual periods starting on or after 1 January 2018.
Amendment to FRS 112 Disclosure of interests in other entities	This amendment clarifies that the disclosure requirement of FRS 112 is applicable to interest in entities classified as held for sale except for summarized financial information (paragraph B17 of FRS 112). Previously, it was unclear whether all other FRS 112 requirements were applicable for these interests. The objective of FRS 112 was to provide information about nature of interests in other entities, risks associated with these interests, and the effect of these interests on financial statements. The Board noted that this objective is relevant to interests in other entities regardless of whether they are classified as held for sale.	Should be applied retrospectively for annual periods beginning on or after 1 January 2017.
Amendments to FRS 28 Investments in associates and joint ventures.	FRS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.	Should be applied retrospectively for annual periods beginning on or after 1 January 2018.

Amendments to FRS 12 Income Taxes – Recognition of deferred tax assets for unrealised losses

The ASC has issued amendments to FRS 12 *Income taxes*. The amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

Effective date
Annual periods beginning on or after 1 January 2017. Early adoption is permitted.

Impact

What is the additional guidance?

1. Is there any temporary difference when an asset is measured at fair value and that fair value is less than its tax base?

   Yes. A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

2. Can an entity assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit?

   Yes. Determining the existence and amount of temporary differences and estimating future taxable profit against which deferred tax assets can be utilised are two separate steps. Recovering assets for more than their carrying amounts is inherent in an expectation of taxable profits and should therefore be included in estimated taxable profit. For example, an entity should assume that an available-for-sale debt investment will be recovered for more than its carrying value when that outcome is probable even if carrying value is below its tax base (original investment cost).

3. Is the recoverability of deferred tax assets considered separately or collectively?

   It depends on the tax law. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

How do deferred tax assets affect future taxable profits?
The tax deduction resulting from the reversal of deferred tax assets is excluded from estimated future taxable profit used to evaluate the recoverability of those assets.

Effective date and transition

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. An entity may, on initial application of this amendment, elect to recognise any change in the opening equity of the earliest comparative period presented in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change across different equity components.

Amendments to FRS 12 Income Taxes – Recognition of deferred tax assets for unrealised losses

Insight

The amendments clarify the existing guidance under FRS 12. They do not change the underlying principles for the recognition of deferred tax assets.

The amendments arose from a question about the deferred tax accounting on debt investments measured at fair value, however, the amendments are not limited to any specific type or class of assets, and they clarify several of the general principles underlying the accounting for deferred tax assets.

Amendments to FRS 7 Statement of Cash Flows – Disclosure initiative

The ASC has issued amendments to FRS 7 *Statement of Cash Flows*. The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective date
Annual periods beginning on or after 1 January 2017. Early adoption is permitted.

Impact

What is the additional disclosure?
An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from:
- cash flows, such as drawdowns and repayments of borrowings; and
- non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

What items should an entity include in the additional disclosure?
1. Is the disclosure limited to debt?

   No. Debt is not defined or required to be disclosed by current FRS, so it is decided that disclosure of changes in liabilities for which cash flows were, or future cash flows will be, classified as financing activities in the statement of cash flows.

2. Should an entity include financial assets in the disclosure if those assets are used to manage its financing activities?

   Yes. An entity should include changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) in the new disclosures if such cash flows were, or will be, included in cash flows from financing activities.

3. Can an entity include changes in other items as part of the disclosures?

   Yes. Changes in other items should be included where an entity considers that such disclosures would meet the objective of the disclosure requirement above. For example, an entity might consider including changes in cash and cash equivalents, pension liabilities and interest payments that are classified as operating activities in the statement of cash flows, etc. However, the amendment requires such disclosure to be separate from the disclosure of changes in liabilities arising from financing activities.

4. Is a specific disclosure format required?

   No. The amendment suggests that a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities would meet the disclosure requirement, but a specific format is not mandated. However, where a reconciliation is used, the disclosure should provide sufficient information to link items included in the reconciliation to the balance sheet and statement of cash flows.

Amendments to FRS 7 Statement of Cash Flows – Disclosure initiative

Effective date and transition

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. When an entity first applies the amendment, it is not required to provide comparative information in respect of preceding periods.

Insight

The amendments responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

Amendments to FRS 104 Insurance Contracts – Applying FRS 109, 'Financial instruments' with FRS 104, 'Insurance contracts'

The ASC has issued amendments to FRS 104 *Insurance Contracts*. These amendments address the concerns of insurance companies about the different effective dates of FRS 109 *Financial instruments*, and the forthcoming new insurance contracts standard.

Effective date
Annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Issue
These amendments address the concerns of insurance companies about the different effective dates of FRS 109 *Financial instruments*, and the forthcoming new insurance contracts standard. The amendment to FRS 104 provides two different solutions for insurance companies: a temporary exemption from FRS 109 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional. FRS 104 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective.

Key provisions

Temporary exemption from applying FRS 109
For annual periods beginning before 1 January 2021, the amendment to FRS 104 allows insurers to continue to apply FRS 39 *Financial Instruments: Recognition and measurement*, instead of adopting FRS 109, if their activities are 'predominantly connected with insurance'. The exemption can only be applied at the level of the reporting entity. To assess whether activities are 'predominantly connected with insurance', two tests have to be performed. Only if both tests are passed are an insurer's activities considered to be predominantly connected with insurance.

First, an insurer assesses whether the carrying amount of its liabilities arising from contracts within FRS 104's scope is significant, compared to the total carrying amount of all of its liabilities.

Secondly, the insurer compares the total carrying amount of its liabilities connected with insurance with the total carrying amount of all of its liabilities. In addition to liabilities arising directly from contracts within FRS 104's scope, liabilities connected with insurance include

- non-derivative investment contract liabilities measured at fair value through profit or loss applying FRS 39; and
- liabilities that arise because the insurer issues, or fulfils obligations arising from, those insurance and non-derivative investment contracts.

The second test is passed if the resulting percentage is either: greater than 90%; or if it is less than or equal to 90% but greater than 80%, the insurer is not engaged in a significant activity unconnected with insurance.

The assessment is made, based on the carrying amounts as at the annual reporting date that immediately precedes 1 April 2016. Under certain circumstances, a reassessment is required or permitted.

Amendments to FRS 104 Insurance Contracts – Applying FRS 109, ‘Financial instruments’ with FRS 104, ‘Insurance contracts’

Overlay approach

Under FRS 109, certain financial assets have to be measured at fair value through profit or loss; whereas, under FRS 104, the related liabilities from insurance contracts are often measured on a cost basis. This mismatch creates volatility in profit or loss. By using the ‘overlay approach’, the effect is eliminated for certain eligible financial assets. For these financial assets, an insurer is permitted to reclassify – from profit or loss to other comprehensive income – the difference between the amount that is reported in profit or loss under FRS 109 and the amount that would have been reported in profit or loss under FRS 39.

Financial assets are eligible for designation for the ‘overlay approach’ if they are measured at fair value through profit or loss under FRS 109, but not so measured under FRS 39. In addition, the asset cannot be held in respect of an activity that is unconnected with contracts within FRS 104’s scope. If a designated financial asset no longer meets the eligibility criteria (for example, because it is transferred so that it is now held in respect of an entity’s banking activities or because the entity ceases to be an insurer), it shall be de-designated; in that case, any balance accumulated in other comprehensive income relating to this financial asset is reclassified to profit or loss.

The ‘overlay approach’ is applied retrospectively. Accordingly, the difference between the fair value of the designated financial assets and its carrying amount is recognised as an adjustment to the opening balance of accumulated other comprehensive income. Following the same logic, if the entity stops using the overlay approach, it adjusts the opening balance of retained earnings for the balance of accumulated other comprehensive income.

Impact

Both the temporary exemption and the ‘overlay approach’ allow entities to avoid temporary volatility in profit or loss that might result from adopting FRS 109 before the forthcoming new insurance contracts standard. Furthermore, by using the temporary exemption, an entity does not have to implement two sets of major accounting changes within a short period, and it can take into account the effects of the new insurance standard when first applying the classification and measurement requirements of FRS 109.

Groups that contain insurance subsidiaries should be aware that the temporary exemption only applies at the level of the reporting entity. So, unless the whole group is eligible for the temporary exemption, whilst an eligible insurance subsidiary can continue to apply FRS 39 in its individual financial statements, the subsidiary will have to prepare FRS 109 information for consolidation purposes. Furthermore, it should be noted that, under both approaches, significant additional disclosures are required.

Amendments to FRS 40 Investment Property – Transfer of Investment Property

The ASC has issued amendments to FRS 40 *Investment Property*. These amendments clarify when assets are transferred to, or from, investment properties.

Effective date
Annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Impact
The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of an investment property. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

The issue arose from confusion over whether an entity transfers property under development from inventory to investment property when there is evidence of a change in use that was not explicitly included in the standard. The list of evidence was therefore re-characterised as a non-exhaustive list of examples to help illustrate the principle. The examples were expanded to include assets under construction and development and not only transfers of completed properties.

The Board provided two options for transition.

1. Prospective application. Any impact from properties that are reclassified would be treated as an adjustment to opening retained earnings as at the date of initial application. There are also special disclosure requirement if this option is selected.

2. Retrospective application. This option can only be selected without the use of hindsight.

Amendments to FRS 102 Share-based Payment – Classification and Measurement of Share-based Payment Transactions

The ASC has issued amendments FRS 102 *Share-based Payment*. This amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a ‘net settlement’ feature in respect of withholding taxes.

Effective date
Annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Issue

Impact
The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in FRS 102 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

Insight

Measurement of cash-settled awards
Under FRS 102, the measurement basis for an equity-settled, share-based payment should not be ‘fair value’ in accordance with FRS 113. However, ‘fair value’ was not defined in connection with a cash-settled, share-based payment, and there has been diversity in practice. The amendment clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the ‘fair value’, but non-market performance conditions and service conditions are reflected in the estimate of the number of awards expected to vest.

This change has most impact where an award vests (or does not vest) based on a non-market condition. Previously, some argued that the fair value of a cash-settled award was determined using the guidance in FRS 113 and reflected the probability that non-market and service vesting conditions would be met. The amendment clarifies that non-market and service vesting conditions are ignored in the measurement of fair value.

Modification of cash-settled awards
FRS 102 includes guidance on how to account for a modification that adds a cash alternative to an equity-settled award, but it did not include guidance on how to account for a modification from cash-settled to equity-settled.

A modification to a cash-settled award is reflected immediately in the measurement of fair value. Any incremental value added to an equity-settled award is recognised over any remaining vesting period, and any reduction in value is ignored. The amendment addresses the accounting for a modification that changes both the value and the classification of a cash-settled award and, in particular, clarifies the order in which the changes are applied.

The amendment requires any change in value to be dealt with before the change in classification. The cash-settled award is remeasured, with any difference recognised in the income statement before the remeasured liability is reclassified into equity.

Amendments to FRS 102 Share-based Payment – Classification and Measurement of Share-based Payment Transactions

Awards with net settlement features

Tax laws or regulations may require the employer to withhold some of the shares to which an employee is entitled under a share-based payment award, and to remit the tax payable on the award to the tax authority. The Basis for Conclusions paragraphs added to FRS 102 by the amendments note that FRS 102 would require such an award to be split into a cash settled component for the tax payment and an equity settled component for the net shares issued to the employee. However the amendment adds an exception that requires the award to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. The exception would not apply to any equity instruments that the entity withholds in excess of the employee's tax obligation associated with the share-based payment.

The cash payment to the tax authority might be much greater than the expense that has been recognised for the share-based payment. The amendment says that the entity should disclose an estimate of the amount that it expects to pay to the tax authority in respect of the withholding tax obligation where that is necessary to inform users about the future cash flows.

Who is affected?

Entities that have employee share-based payments will need to consider whether or not these changes will affect their accounting. In particular entities with the following arrangements are likely to be effected:

- Cash-settled share-based payments that include performance conditions;
- Equity-settled awards that include net settlement features relating to tax obligations; and
- Cash-settled arrangements that are modified to equity-settled share-based payments.

The changes are effective from 1 January 2018, with early adoption permitted. The transition provisions, in effect, specify that the amendments apply to awards that are not settled as at the date of first application or to modifications that happen after the date of first application, without restatement of prior periods. There is no income statement impact as a result of any reclassification from liability to equity in respect of 'net settled awards'; the recognised liability is reclassified to equity without any adjustment.

The amendments can be applied retrospectively, provided that this is possible without hindsight and that the retrospective treatment is applied to all of the amendments.

Amendments to FRS 115 Revenue from Contracts from Customer – Clarifications to FRS 115

The ASC has issued amendments FRS 115 *Revenue from Contracts from Customers*. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

The amendments do not change the core principles of FRS 115 however, they clarify some of the more complex aspects of the standard. The amendments could be relevant to a broad range of entities and should be considered as management evaluates the impact of FRS 115.

Effective date
Annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Impact

Identifying performance obligations
The amendments clarify the guidance for determining when the promises in a contract are 'distinct' goods or services and, therefore, should be accounted for separately. The amendments specifically address how an entity determines whether goods or services are 'separately identifiable' from other promises in the contract and clarify that the objective is to determine whether the nature of an entity's promise is to transfer individual goods or services to the customer, or to transfer a combined item (or items) to which the individual goods and services are inputs.

Licences of IP
The amendments to the licensing guidance clarify when revenue from a licence of IP should be recognised 'over time' and when it should be recognised at a 'point in time'. An entity should be expected to undertake activities that significantly affect the IP to conclude that revenue is recognised over time. The amendment clarifies that activities significantly affect the IP when: (a) the activities are expected to change the form or functionality of the IP or (b) the ability of the customer to obtain benefit from the IP is substantially derived from, or dependent upon, those activities (for example, a brand or logo).

The amendments also clarify when to apply the guidance on recognising revenue for licences of IP with fees in the form of a sales- or usage-based royalty. This guidance only applies when the licence is the predominant item.

Principal versus agent guidance
The IASB has clarified that the principal in an arrangement controls a good or service before it is transferred to a customer. The amendments make targeted improvements to clarify the relationship between the control principle and the indicators, the 'unit of account' for the assessment and how to apply the control principle to services. The IASB also revised the structure of the indicators so that they indicate when the entity is the principal rather than indicate when it is an agent, and eliminated two of the indicators ('the entity's consideration is in the form of a commission' and 'the entity is not exposed to credit risk').

Amendments to FRS 115 Revenue from Contracts from Customer – Clarifications to FRS 115

Practical expedients on transition
The amendments introduce additional practical expedients to simplify transition. One expedient allows entities to use hindsight at the beginning of the earliest period presented or the date of initial application (additional option under modified transition method) to account for contract modifications before that date. The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. In addition, the IASB also allows entities applying modified retrospective method opting out completed contract practical expedient.

Insight

Finalise now
Entities should ensure that they have identified the key terms of their revenue contracts and determined the impact on their accounting before the effective date of FRS 115. They should also have implemented the systems and processes to capture the information needed to determine the measurement of revenue, and to prepare the new disclosures.

FRS 109 Financial Instruments

The ASC has issued FRS 109 *Financial instruments*, which replaces FRS 39 *Financial instruments: Recognition and measurement*. This final version includes requirements on the classification and measurement of financial assets and liabilities, hedging, and the expected credit losses model that replaces the incurred loss impairment model used currently.

Effective date
Annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Key provisions

Classification and measurement
FRS 109 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under FRS 109 for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category – financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch').

Expected credit losses
FRS 109 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in FRS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). FRS 109 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Disclosures
Extensive disclosures are required, including reconciliations from opening to closing amounts of the ECL provision, assumptions and inputs and a reconciliation on transition of the original classification categories under FRS 39 to the new classification categories in FRS 109.

FRS 109 Financial Instruments

Hedge accounting

Hedge effectiveness tests and eligibility for hedge accounting
FRS 109 relaxes the requirements for hedge effectiveness and, consequently to apply hedge accounting. Under FRS 39, a hedge must be highly effective, both going forward and in the past (that is, a prospective and retrospective test, with results in the range of 80%-125%). FRS 109 replaces this bright line with a requirement for an economic relationship between the hedged item and hedging instrument, and for the 'hedged ratio' to be the same as the one that the entity actually uses for risk management purposes. Hedge ineffectiveness will continue to be reported in profit or loss (P&L). An entity is still required to prepare contemporaneous documentation; however, the information to be documented under FRS 109 will differ.

Hedged items
The new requirements change what qualifies as a hedged item, primarily removing restrictions that currently prevent some economically rational hedging strategies from qualifying for hedge accounting. For example:

- Risk components of non-financial items can be designated as hedged items, provided they are separately identifiable and reliably measurable. This is good news for entities that hedge for only a component of the overall price of non-financial items such as the oil price component of jet fuel price exposure, because it is likely that more hedges will now qualify for hedge accounting.
- Aggregated exposures (that is, exposures that include derivatives) can be hedged items.
- FRS 109 makes the hedging of groups of items more flexible, although it does not cover macro hedging (this will be the subject of a separate discussion paper in the future). Treasurers commonly group similar risk exposures and hedge only the net position (for example, the net of forecast purchases and sales in a foreign currency). Under FRS 39, such a net position cannot be designated as the hedged item; but FRS 109 permits this if it is consistent with an entity's risk management strategy. However, if the hedged net position consists of forecast transactions, hedge accounting on a net basis is only available for foreign currency hedges.
- FRS 109 allows hedge accounting for equity instruments measured at fair value through other comprehensive income (OCI), even though there will be no impact on P&L from these investments.

Hedging instruments
FRS 109 relaxes the rules on the use of some hedging instruments as follows:

- Under FRS 39, the time value of purchased options is recognised on a fair value basis in P&L, which can create significant volatility. FRS 109 views a purchased option as similar to an insurance contract, such that the initial time value (that is, the premium generally paid for an at or out of the money option) must be recognised in P&L, either over the period of the hedge (if the hedge item is time related, such as a fair value hedge of inventory for six months), or when the hedged transaction affects P&L (if the hedge item is transaction related, such as a hedge of a forecast purchase transaction). Any changes in the option's fair value associated with time value will be recognised in OCI.
- A similar accounting treatment to options can also be applied to the forward element of forward contracts and to foreign currency basis spreads of financial instruments. This should result in less volatility in P&L.
- Under FRS 39, non-derivative financial items were allowed for hedge of FX risk. The eligibility of non-derivative financial items as hedging instruments is extended to non-derivative financial items accounted for at fair value through P&L.

FRS 109 Financial Instruments

Accounting, presentation and disclosure
The accounting and presentation requirements for hedge accounting in FRS 39 remain largely unchanged in FRS 109.

However, entities will now be required to reclassify the gains and losses accumulated in equity on a cash flow hedge to the carrying amount of a non-financial hedged item when it is initially recognised. This was permitted under FRS 39, but entities could also choose to accumulate gains and losses in equity. Additional disclosures are required under the new standard.

Own credit risk in financial liabilities
Although not related to hedge accounting, FRS 109 was also amended to allow entities to early adopt the requirement to recognise in OCI the changes in fair value attributable to changes in an entity's own credit risk (from financial liabilities that are designated under the fair value option). This can be applied without having to adopt the remainder of FRS 109.

Effective date and transition
FRS 109 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. FRS 109 is to be applied retrospectively but comparatives are not required to be restated. If an entity elects to early apply FRS 109 it must apply all of the requirements at the same time.

Insight
FRS 109 applies to all entities. However, financial institutions and other entities with large portfolios of financial assets measured at amortised cost or FVOCI will be the most effected and in particular, by the ECL model. It is critical that these entities assess the implications of the new standard as soon as possible. It is expected that the implementation of the new ECL model will be challenging and might involve significant modifications to credit management systems. An implementation group has been set up by the IASB in order to deal with the most challenging aspects of implementation of the new ECL model.

FRS 115 Revenue from Contracts with Customers

The ASC has issued FRS 115 *Revenue from Contracts with Customers*, a standard on revenue recognition which replaces FRS 118 *Revenue*, FRS 11 *Construction Contracts*, and other revenue-related interpretations.

Effective date
Annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Key provisions
Summarised below are some of the areas that could create the most significant challenges for entities as they transition to the new standard.

Transfer of control
Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, nor is it necessarily the same as the culmination of an earnings process as it is considered today. Entities will also need to apply new guidance to determine whether revenue should be recognised over time or at a point in time.

Variable consideration
Entities might agree to provide goods or services for consideration that varies upon certain future events occurring or not occurring. Examples include refund rights, performance bonuses and penalties. These amounts are often not recognised as revenue today until the contingency is resolved. Now, an estimate of variable consideration is included in the transaction price if it is highly probable that the amount will not result in a significant revenue reversal if estimates change. Even if the entire amount of variable consideration fails to meet this threshold, management will need to consider whether a portion (a minimum amount) does meet the criterion. This amount is recognised as revenue when goods or services are transferred to the customer. This could affect entities in multiple industries where variable consideration is currently not recorded until all contingencies are resolved. Management will need to reassess estimates each reporting period, and adjust revenue accordingly.

There is a narrow exception for intellectual property (IP) licences where the variable consideration is a sales-or usage-based royalty.

Allocation of transaction price based on relative stand-alone selling price
Entities that sell multiple goods or services in a single arrangement must allocate the consideration to each of those goods or services. This allocation is based on the price an entity would charge a customer on a stand-alone basis for each goods or services.

Licences
Entities that license their IP to customers will need to determine whether the licence transfers to the customer over time or at a point in time. A licence that is transferred over time allows a customer access to the entity's IP as it exists during the licence period. Licences that are transferred at a point in time allow the customer the right to use the entity's IP as it exists when the licence is granted. The customer should be able to direct the use of and obtain substantially all of the remaining benefits from the licensed IP to recognise revenue when the licence is granted. The standard includes several examples to assist entities making this assessment.

FRS 115 Revenue from Contracts with Customers

Time value of money
Some contracts provide the customer or the entity with a significant financing benefit (explicitly or implicitly). This is because performance by an entity and payment by its customer might occur at significantly different times. An entity should adjust the transaction price for the time value of money if the contract includes a significant financing component. The standard provides certain exceptions to applying this guidance and a practical expedient which allows entities to ignore time value of money if the time between transfer of goods or services and payment is less than one year.

Contract costs
Entities sometimes incur costs (such as sales commissions or mobilisation activities) to obtain or fulfil a contract. Contract costs that meet certain criteria are capitalised as an asset and are amortised as revenue is recognised. More costs are expected to be capitalised in some situations. Management will also need to consider how to account for contract costs incurred for contracts that are not completed upon the adoption of the standard.

Disclosures
Extensive disclosures are required to provide greater insight into both revenue that has been recognised, and revenue that is expected to be recognised in the future from existing contracts. Quantitative and qualitative information will be provided about the significant judgements and changes in those judgements that management made to determine revenue that is recorded.

Effective date and transition
FRS 115 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Entities can apply the revenue standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application in equity (modified retrospective method). Entities that elect to apply the standard using the full retrospective method can apply certain practical expedients.

Insight

Finalise now
Entities should ensure that they have identified the key terms of their revenue contracts and determined the impact on their accounting before the effective date of FRS 115. They should also have implemented the systems and processes to capture the information needed to determine the measurement of revenue, and to prepare the new disclosures.

INT FRS 122 Foreign Currency Transactions and Advance Consideration

The ASC has issued INT FRS 122 *Foreign Currency Transactions and Advance Consideration*, on how to determine the date of the transaction when applying the standard on foreign currency transactions, FRS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

Effective date
Annual periods beginning on or after 1 January 2018. Earlier application is permitted.

Issue
The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. The issue arises because FRS 21 requires an entity to use the exchange rate at the 'date of the transaction', which is defined as the date when the transaction first qualifies for recognition. The question therefore is whether the date of the transaction is the date when the asset, expense or income is initially recognised, or the earlier date on which the advance consideration is paid or received, resulting in recognition of a prepayment or deferred income.

The Interpretation provides guidance for when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Key provisions

Single payment/receipt
The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration.

Example – Single upfront payment
Supplier enters into a contract with a customer on 1 January 20x1 and receives the full consideration of $50 on this date. The goods are delivered and revenue is recognised on 31 March 20x1. The Interpretation requires that:

- Supplier will recognise a non-monetary contract liability, translating $50 at the exchange rate on 1 January 20x1.

- Supplier will recognise revenue at 31 March 20x1 (that is, the date on which the goods are transferred to the customer). Supplier will derecognise the non-monetary contract liability. Revenue will be recognised at the same amount in functional currency, using the exchange rate at the date of the transaction, which is 1 January 20x1. In this case, the amount of revenue is the same as the amount of the non-monetary contract liability derecognised.

Multiple receipts/payments
The Interpretation states that, if there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

INT FRS 122 Foreign Currency Transactions and Advance Consideration

The illustrative examples accompanying the Interpretation provide guidance on multiple receipts/ payments when:

- revenue is recognised at a single point in time;
- services are purchased over a period of time; and
- revenue is recognised at multiple points in time.

Example – Revenue recognised at a single point in time with multiple payments
Supplier enters into a contract with a customer on 1 January 20x1 to deliver goods in exchange for total consideration of $50 and receives an upfront payment of $20 on this date. The goods are delivered and revenue is recognised on 31 March 20x1. $30 is received on 1 April 20x1 in full and final settlement of the purchase consideration.

The Interpretation requires that:
- Supplier will recognise a non-monetary contract liability, translating $20 at the exchange rate on 1 January 20x1.
- Supplier will recognise revenue at 31 March 20x1 (that is, the date on which it transfers the goods to the customer).
- On 31 March 20x1, Supplier will:
  - derecognise the non-monetary contract liability of $20 and recognise $20 of revenue using the same exchange rate (that is, the exchange rate at 1 January 20x1); and
  - recognise revenue and a receivable for the remaining $30, using the exchange rate on 31 March 20x1.
- The receivable of $30 is a monetary item, so it should be translated using the closing rate until the receivable is settled.

Impact
This Interpretation will impact all entities that enter into foreign currency transactions for which consideration is paid or received in advance. The most significant impact is expected for entities that enter into long-term crossborder/foreign currency contracts, with significant upfront payments. Such arrangements are common in the construction industry and will impact both the supplier and their customers (for example, shipping and airlines).

Effective date and transition
The amendment is effective for annual periods beginning on or after 1 January 2018.
Earlier application is permitted. Entities can choose to apply the Interpretation:
- retrospectively for each period presented;
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the Interpretation is first applied; or
- prospectively from the beginning of a prior reporting period presented as comparative information.

FRS 116 Leases

The ASC has issued FRS 116 *Leases*, which replaces the current guidance in FRS 17. This will require far-reaching changes in accounting by lessees in particular.

Effective date
Annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Key provisions
Under FRS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). FRS 116 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under FRS 116, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact
FRS 116 is likely to have a significant impact on the financial statements of a number of lessees.

Statement of financial position
The new standard will affect both the balance sheet and related ratios, such as debt/equity ratios. Depending on the particular industry and the number of lease contracts previously classified as operating leases under FRS 17, the new approach will result in a significant increase in debt on the balance sheet.

Statement of comprehensive income
Lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset in their income statement. In comparison with operating leases under FRS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

Statement of cash flows
The new guidance will also change the statement of cash flows because lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flows in full. Only the part of the lease payments that reflects interest on the lease liability can be presented as an operating cash flow (if it is the entity's policy to present interest payments as operating cash flows). Cash payments for the principal portion of the lease liability are classified within financing activities. Payments for short-term leases, for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented within operating activities.

FRS 116 Leases

Transition
FRS 116 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with FRS 115 *Revenue from Contracts with Customers*. In order to facilitate transition, entities can choose a "simplified approach" that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the "simplified approach" does not require a restatement of comparatives. In addition, as a practical expedient, entities are not required to reassess whether a contract is or contains a lease at the date of initial application (that is, such contracts are 'grandfathered').

Insight

Start preparing now
Entities should ensure that they have implemented systems and processes to identify all lease contracts, to capture the information needed to determine the measurement of the right-of-use asset and the lease liability, and to prepare the new disclosures.

Amendments to FRS 110 Consolidated financial statements and FRS 28 Investments in associates
– Sale or contribution of assets between an investor and its associate or joint venture

The ASC has issued amendments FRS 110 *Consolidated financial statements* and FRS 28 (2011) *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.

Effective date
To be determined.

Issue

Is it a business or an asset?
The amendments resolve a current inconsistency between FRS 110 and FRS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'.

Full gain or loss will be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests.

Scope
The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

Insight

The change required by the amendments is likely to increase the pressure on the definition of 'business' and potentially on the classification of joint arrangements under FRS 111.

All entities that sell or contribute assets into their associates or joint ventures will be affected. You will need to assess whether the assets sold or contributed constitute a business in order to determine the appropriate accounting treatment.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 11 December 2014

(A) FINANCIAL REPORTING STANDARDS					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2009	FRS 1 (revised)	Presentation of Financial Statements	IAS 1 (revised)	Presentation of Financial Statements	FRS 1 (revised) is consistent with IAS 1 in all material aspects.
2009	FRS 2 (revised)	Inventories	IAS 2 (revised)	Inventories	FRS 2 is consistent with IAS 2 in all material aspects.
2009	FRS 7 (revised)	Statement of Cash Flows	IAS 7 (revised)	Statement of Cash Flows	FRS 7 is consistent with IAS 7 (effective from 1994) in all material aspects.
2009	FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors	FRS 8 is consistent with IAS 8 in all material aspects.
2007	FRS 10 (revised)	Events after the Reporting Period	IAS 10 (revised)	Events after the Reporting Period	FRS 10 is consistent with IAS 10 in all material aspects.
2009	FRS 11 (revised)	Construction Contracts	IAS 11 (revised)	Construction Contracts	FRS 11 is consistent with IAS 11 (effective from 1995) in all material aspects.
2007	FRS 12 (revised)	Income Taxes	IAS 12 (revised)	Income Taxes	FRS 12 is consistent with IAS 12 (effective from 1998) in all material aspects, except for accounting for unremitted foreign income. Under Recommended Accounting Practice (RAP) 8 issued by the Institute of Certified Public Accountants of Singapore (ICPAS), no deferred tax is accounted for temporary difference arising from foreign income not yet remitted to Singapore if:

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					(a) the entity is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. Under IAS 12, deferred tax is required to be accounted for temporary difference arising from such unremitted foreign income.
2009	FRS 16 (revised)	Property, Plant and Equipment (PPE)	IAS 16 (revised)	Property, Plant and Equipment (PPE)	FRS 16 is consistent with IAS 16 in all material aspects, except that FRS 16 gives the following exemption: "For an enterprise which had: revalued its PPE before 1 January 1984 (in accordance with the prevailing accounting standard at the time); or performed any one-off revaluation on its PPE between 1 January 1984 and 31 December 1996 (both dates inclusive), there will be no need for the enterprise to revalue its assets in accordance with paragraph 29 of FRS 16." "One-off revaluation" means any instance where an item of PPE was revalued only once between 1 January 1984 and 31 December 1996 (both dates inclusive). Where an item of PPE has been revalued more than once during this period, the company should: (a) explain why the particular item of PPE should be exempted; and (b) obtain the auditor's concurrence of the explanation. IAS 16 does not include the above exemption.

(A) FINANCIAL REPORTING STANDARDS

Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2007	FRS 17 (revised)	Leases	IAS 17 (revised)	Leases	FRS 17 is consistent with IAS 17 in all material aspects.
2005	FRS 18	Revenue	IAS 18	Revenue	FRS 18 is consistent with IAS 18 (effective from 1995) in all material aspects except for revenue recognition of pre-sold uncompleted properties. INT FRS 115 prescribes the accounting treatment for sale of uncompleted properties. Please refer to section B below on Interpretations for details. Under IFRS, such revenue is generally recognised after the properties are completed and handed over to the buyers.
2013	FRS 19 (revised)	Employee Benefits	IAS 19 (revised)	Employee Benefits	FRS 19 is consistent with IAS 19 in all material aspects.
2005	FRS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	FRS 20 is consistent with IAS
2006	FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates	IAS 21 (revised)	The Effects of Changes in Foreign Exchange Rates	FRS 21 is consistent with IAS 21 in all material aspects.
2009	FRS 23 (revised)	Borrowing Costs	IAS 23 (revised)	Borrowing Costs	FRS 23 is consistent with IAS 23 in all material aspects.
2011	FRS 24 (revised)	Related Party Disclosures	IAS 24 (revised)	Related Party Disclosures	FRS 24 is consistent with IAS 24 in all material aspects.
2005	FRS 26	Accounting and Reporting by Retirement Benefit Plans	IAS 26	Accounting and Reporting by Retirement Benefit Plans	FRS 26 is consistent with IAS 26 (effective from 1990) in all material aspects.
2014	FRS 27 (revised)	Separate Financial Statements	IAS 27	Separate Financial Statements	FRS 27 is consistent with IAS 27 in all material aspects, except in: • one of the conditions for exemption from consolidation. This dissimilarity is as identified in FRS 110. • effective dates: IAS 27 (revised) is effective for annual periods beginning on or after 1 January 2013.

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Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2014	FRS 28 (revised)	Investments in Associates and Joint Ventures	IAS 28 (revised)	Investments in Associates and Joint Ventures	FRS 28 is consistent with IAS 28 in all material aspects, except in: • one of the conditions for exemption from equity accounting. This dissimilarity is as identified in FRS 110. • effective dates: IAS 28 (revised) is effective for annual periods beginning on or after 1 January 2013.
2005	FRS 29	Financial Reporting in Hyperinflationary Economies	IAS 29	Financial Reporting in Hyperinflationary Economies	FRS 29 is consistent with IAS 29 (effective from 1990) in all material aspects.
2005	FRS 31	Interests in Joint Ventures	IAS 31	Interests in Joint Ventures	FRS 31 is consistent with IAS 31 in all material aspects, except in one of the conditions for exemption from proportionate consolidation or equity accounting. The dissimilarity is as identified in FRS 27. Note that IAS 31 is being replaced by IFRS 11, which is effective for annual periods beginning on or after 1 January 2013. Correspondingly, FRS 31, is being replaced by FRS 111, which is effective for annual periods beginning on or after 1 January 2014.
2007 – for listed companies 2008 – for non-listed companies	FRS 32 (revised)	Financial Instruments: Presentation	IAS 32	Financial Instruments: Presentation	FRS 32 is consistent with IAS 32 (effective from 2007) in all material aspects.
2009	FRS 33 (revised)	Earnings per Share	IAS 33 (revised)	Earnings per Share	FRS 33 is consistent with IAS 33 in all material aspects.
2009	FRS 34 (revised)	Interim Financial Reporting	IAS 34 (revised)	Interim Financial Reporting	FRS 34 is consistent with IAS 34 in all material aspects.
2009	FRS 36 (revised)	Impairment of Assets	IAS 36 (revised)	Impairment of Assets	FRS 36 is consistent with IAS 36 in all material aspects.

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2006	FRS 37 (revised)	Provisions, Contingent Liabilities and Contingent Assets	IAS 37 (revised)	Provisions, Contingent Liabilities and Contingent Assets	FRS 37 is consistent with IAS 37 (effective from 1999) in all material aspects.
2009	FRS 38 (revised)	Intangible Assets	IAS 38 (revised)	Intangible Assets	FRS 38 is consistent with IAS 38 in all material aspects.
2007	FRS 39 (revised)	Financial Instruments: Recognition and Measurement	IAS 39 (revised)	Financial Instruments: Recognition and Measurement	FRS 39 is consistent with IAS 39 in all material aspects except for the effect of difference in transition dates.
2007	FRS 40 (revised)	Investment property	IAS 40 (revised)	Investment property	FRS 40 is consistent with IAS 40 (effective from 2005) in all material aspects.
2005	FRS 41	Agriculture	IAS 41	Agriculture	FRS 41 is consistent with IAS 41 in all material aspects.
2005 – for listed companies 2006 – for other companies	FRS 102	Share-based Payment	IFRS 2	Share-based Payment	FRS 102 is consistent with IFRS 2 in all material aspects, except for their effective dates for non-listed companies. For non-listed companies, FRS 102 is effective for annual periods beginning on or after 1 January 2006, whilst IFRS 2 is effective for annual periods beginning on or after 1 January 2005. Additionally, IFRS 2 will apply to: (a) share-based payment transactions that were granted on or after 7 November 2002 and had not yet vested by 1 January 2005; and (b) share-based payment transactions made before 7 November 2002, which were subsequently modified. FRS 102 replaces “7 November 2002” with “22 November 2002”.
1 Jul 2009	FRS 103 (revised)	Business Combinations	IFRS 3 (revised)	Business Combinations	FRS 103 is consistent with IFRS 3 in all material aspects.
2007	FRS 104 (revised)	Insurance Contracts	IFRS 4 (revised)	Insurance Contracts	FRS 104 is consistent with IFRS 4 in all material aspects.

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2009	FRS 105 (revised)	Non-current Assets Held-for-Sale and Discontinued Operations	IFRS 5 (revised)	Non-current Assets Held-for-Sale and Discontinued Operations	FRS 105 is consistent with IFRS 5 in all material aspects.
2009	FRS 106 (revised)	Exploration for and Evaluation of Mineral Resources	IFRS 6 (revised)	Exploration for and Evaluation of Mineral Resources	FRS 106 is consistent with IFRS 6 in all material aspects.
2007 – for listed companies 2008 – for non-listed companies	FRS 107	Financial Instruments: Disclosures	IFRS 7	Financial Instruments: Disclosures	FRS 107 is consistent with IFRS 7 in all material aspects, except for their effective dates for non-listed companies. For non-listed companies, FRS 107 is effective for annual periods beginning on or after 1 January 2008, whilst IFRS 7 is effective for annual periods beginning on or after 1 January 2007.
2009	FRS 108	Operating Segments	IFRS 8	Operating Segments	FRS 108 is consistent with IFRS 8 in all material aspects.
2013	FRS 113	Fair Value Measurement	IFRS 13	Fair Value Measurement	FRS 113 is consistent with IFRS 13 in all material aspects.
2014	FRS 110	Consolidated Financial Statements	IFRS 10	Consolidated Financial Statements	FRS 110 is consistent with IFRS 10 in all material aspects, except in: • one of the conditions for exemption from consolidation. FRS 110 requires the ultimate holding company or any intermediate parent of a company that seeks exemption from consolidation to produce consolidated financial statements that are available for public use. These consolidated financial statements need not comply with any specific accounting framework. IFRS 10 requires the ultimate holding company or any intermediate parent of a company that seeks exemption from consolidation to produce consolidated financial statements that are available for public use and comply with IFRS. • effective dates: IFRS 10 is effective for annual periods beginning on or after 1 January 2013.

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2014	FRS 111	Joint Arrangements	IFRS 11	Joint Arrangements	FRS 111 is consistent with IFRS 11 in all material aspects, except in: • one of the conditions for exemption from proportionate consolidation or equity accounting. The dissimilarity is as identified in FRS 110. • effective dates: IFRS 11 is effective for annual periods beginning on or after 1 January 2013.
2014	FRS 112	Disclosure of Interests in Other Entities	IFRS 12	Disclosure of Interests in Other Entities	FRS 112 is consistent with IFRS 12 in all material aspects except for the effective dates. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.
2016	FRS 114	Regulatory Deferral Accounts	IFRS 14	Regulatory Deferral Accounts	FRS 114 is consistent with IFRS 14 in all material aspects.
2017	FRS 115	Revenue from contracts with customers	IFRS 15	Revenue from contracts with customers	FRS 115 is consistent with IFRS 15 in all material aspects.
2018	FRS 109	Financial Instruments	IFRS 9	Financial Instruments	FRS 109 is consistent with IFRS 9 (the completed version issued in July 2014) in all material aspects.
2005	INT FRS 7	Introduction of the Euro	SIC 7	Introduction of the Euro	INT FRS 7 is consistent with SIC 7 (effective from 1998) in all material aspects.
2005	INT FRS 10	Government Assistance – No specific Relation to Operating Activities	SIC 10	Government Assistance – No Specific Relation to Operating Activities	INT FRS 10 is consistent with SIC 10 (effective from 1998) in all material aspects.

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2005	INT FRS 12	Consolidation – Special Purpose Entities	SIC 12	Consolidation – Special Purpose Entities	INT FRS 12 is consistent with SIC 12 (effective from 1999) in all material aspects. Note that SIC 12 has been incorporated into IFRS 10, which is effective for annual periods beginning on or after 1 January 2013. Correspondingly, INT FRS 12 has been incorporated into FRS 110, which is effective for annual periods beginning on or after 1 January 2014.
2005	INT FRS 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	INT FRS 13 is consistent with SIC 13 (effective from 1999) in all material aspects. Note that SIC 13 has been incorporated into IAS 28 (revised), which is effective for annual periods beginning on or after 1 January 2013 and has been adopted locally.
2005	INT FRS 15	Operating Leases – Incentives	SIC 15	Operating Leases – Incentives	INT FRS 15 is consistent with SIC 15 (effective from 1999) in all material aspects.
2005	INT FRS 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	INT FRS 21 is consistent with SIC 21 (effective from 2000) in all material aspects. Note that INT FRS 21 has been incorporated into FRS 12, which is effective for annual periods beginning on or after 1 January 2012.
2005	INT FRS 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	INT FRS 25 is consistent with SIC 25 (effective from 2000) in all material aspects.
2005	INT FRS 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	INT FRS 27 is consistent with SIC 27 (effective from 2001) in all material aspects.

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2008	INT FRS 29 (revised)	Service Concession Arrangements: Disclosures	SIC 29 (revised)	Disclosure – Service Concession Arrangements	INT FRS 29 is consistent with SIC 29 (effective from 2001) in all material aspects.
2005	INT FRS 31	Revenue – Barter Transactions Involving Advertising Services	SIC 31	Revenue – Barter Transactions Involving Advertising Services	INT FRS 31 is consistent with SIC 31 (effective from 2001) in all material aspects.
2005	INT FRS 32	Intangible Assets – Web Site Costs	SIC 32	Intangible Assets – Web Site Costs	INT FRS 32 is consistent with SIC 32 (effective from 2002) in all material aspects.
2009	INT FRS 101 (revised)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	IFRIC 1 (revised)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	INT FRS 101 is consistent with IFRIC 1 (effective from 2004) in all material aspects.
-	-	-	IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	IFRIC 2, effective for annual periods beginning on or after 1 January 2005 has not been adopted locally.
2008	INT FRS 104	Determining whether an Arrangement contains a Lease	IFRIC 4 (revised)	Determining whether an Arrangement contains a Lease	INT FRS 104 is consistent with IFRIC 4 in all material aspects.
2007	INT FRS 105 (revised)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	IFRIC 5 (revised)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	INT FRS 105 is consistent with IFRIC 5 in all material aspects.
1 Dec 2005	INT FRS 106	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	INT FRS 106 is consistent with IFRIC 6 in all material aspects.
1 Mar 2006	INT FRS 107	Applying the Restatement Approach under FRS 29	IFRIC 7	Applying the Restatement Approach under FRS 29	INT FRS 107 is consistent with IFRIC 7 in all material aspects.
1 Jun 2006	INT FRS 109	Reassessment of Embedded Derivatives	IFRIC 9	Reassessment of Embedded Derivatives	INT FRS 109 is consistent with IFRIC 9 in all material aspects.
1 Nov 2006	INT FRS 110	Interim Financial Reporting and Impairment	IFRIC 10	Interim Financial Reporting and Impairment	INT FRS 110 is consistent with IFRIC 10 in all material aspects.
2009	INT FRS 112 (revised)	Service Concession Arrangements	IFRIC 12 (revised)	Service Concession Arrangements	INT FRS 112 is consistent with IFRIC 12 in all material aspects.

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1 Jul 2008	INT FRS 113	Customer Loyalty Programmes	IFRIC 13	Customer Loyalty Programmes	INT FRS 113 is consistent with IFRIC 13 in all material aspects.
2008	INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	IFRIC 14	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	INT FRS 114 is consistent with IFRIC 14 in all material aspects.
2011	INT FRS 115	Agreements for the Construction of Real Estate	IFRIC 15	Agreements for the Construction of Real Estate	INT FRS 115 is consistent with IFRIC 15 in all material aspects except for effective dates. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. Based on IFRIC 15, an agreement for the construction of real estate meets the definition of a construction contract, and percentage-of-completion accounting can be used, only when the buyer is able to: • specify the major structural elements of the design of the real estate before construction begins; and/or • specify major structural changes once construction is in progress (whether or not it exercises that ability). If the agreement is not a construction contract, it may be an agreement for the rendering of services if the entity is not required to acquire and supply the construction materials required for the construction. In this situation, the entity may still be able to use percentage-of- completion accounting. If the agreement is neither a construction contract nor a service contract, it is a contract to supply goods for which IAS 18 should be applied. In this case, the percentage-of-completion accounting can only be applied if the entity transfers to the buyer control and the significant risks and rewards of ownership of the work-in-progress in its current state as construction progresses.

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					The Accompanying Note to INT FRS 115 states that the standard residential property sales in Singapore that meet the criteria set out in FRS 18.14 would require such sales to be accounted for on a percentage-of-completion method. However, in some situations specific to the circumstances of a development project as described in paragraph 32, there might be uncertainties that would require the completion-of-construction method to be applied, consistently with the principles set out in FRS 18 for the treatment of revenue when such uncertainties exist.
1 Oct 2008	INT FRS 116	Hedges of a Net Investment in a Foreign Operation	IFRIC 116	Hedges of a Net Investment in a Foreign Operation	INT FRS 116 is consistent with IFRIC 16 in all material aspects.
1 July 2009	INT FRS 117	Distributions of Non-cash Assets to Owners	IFRIC 17	Distributions of Non-cash Assets to Owners	INT FRS 117 is consistent with IFRIC 17 in all material aspects.
1 July 2009	INT FRS 118	Transfers of Assets from Customers	IFRIC 18	Transfers of Assets from Customers	INT FRS 118 is consistent with IFRIC 18 in all material aspects.
1 July 2010	INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	INT FRS 119 is consistent with IFRIC 19 in all material aspects.
2013	INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine	IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	INT FRS 120 is consistent with IFRIC 20 in all material aspects.
2014	INT FRS 121	Levies	IFRIC 21	Levies	INT FRS 121 is consistent with IFRIC 21 in all material aspects.
2018	INT FRS 122	Foreign Currency Transactions and Advance Consideration	IFRIC 22	Foreign Currency Transactions and Advance Consideration	INT FRS 122 is consistent with IFRIC 22 in all material aspects

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