



Embracing a New Beginning
Illustrative Annual Report 2018

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 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.

Cover image taken by Fang Eu-Lin from our new office at Marina One.

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Publication Guide

Scope

This publication illustrates the consolidated financial statements of a fictitious Singapore-incorporated company listed on the Mainboard of the Singapore Exchange Limited (“SGX”), PwC Holdings Ltd (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2018 when it adopts Singapore Financial Reporting Standards International (“SFRS(I)”), through the application of the requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)* (“SFRS(I) 1”).

This publication also illustrates the disclosures that are required when the Group adopts the new major accounting standards, SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*, at the same time.

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

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 Holdings Ltd.

Depending on individual facts and circumstances, other disclosures may be relevant that are not applicable to PwC 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.

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 SFRS(I).

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 SFRS(I). 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.

Effective date

The standards applied in these illustrative financial statements are based on the SFRS(I) version in issue as at 30 September 2018 and effective for annual periods beginning on 1 January 2018. SFRS(I) issued as at 30 September 2018 but not yet effective for annual periods beginning after 1 January 2018 have not been early adopted in these illustrative financial statements.

SFRS(I) 1 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) effective at the end of the entity’s first SFRS(I) reporting period, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

Effective date (continued)

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 2018 and at the end of the entity's first SFRS(I) reporting period, and ensure that these are appropriately reflected in the financial statements.

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. Illustrations of new requirements arising from the adoption of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15 are highlighted in orange.

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.

Foreword

A New Beginning

2018 marks many new beginnings for PwC. From moving into our new office at Marina One to new ways of working through changing technology and digitisation, we continue to innovate and stay relevant for the evolving global economy and the financial reporting landscape. We are confident and ready to embrace and ride through these changes with you, bringing trust and solutions to your important problems.

Future Ready



Financial Reporting

We are geared up and ready for the adoption of the two new accounting standards that are effective from 2018: SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

Companies with equity or debt instruments listed on the Singapore Exchange (“SGX”) will have to apply Singapore Financial Reporting Standards (International) (“SFRS(I)s”) that is identical to the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) from 1 January 2018.

In this publication, you will find a comprehensive illustration of a SGX Listed Group for the year ended 31 December 2018, when it adopts the new SFRS(I)s with disclosures that would be required when the Group adopts the SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* at the same time.

To be future-ready, the next notably new accounting standard – SFRS(I) 16 *Leases* that is effective for annual periods beginning on or after 1 January 2019 has also been illustrated in the Appendix. Under this new standard, almost all leases will be recognised on the balance sheet, as the distinction between operating and finance leases is removed. An asset (the right to use the leased item) and a financial liability to pay rentals are required to be recognised.



Corporate Governance

The fourth version of the Code of Corporate Governance (“Code”) was announced on 6 August 2018 and comes into effect for annual periods beginning on or after 1 January 2019. In this version, the traditional “Comply or Explain” approach has been fine-tuned and refreshed and the original 16 Principles in the Code have been streamlined into 13 Principles. To be prepared for this change, we have also included a summary of the changes arising from this 2018 Code released by Monetary Authority of Singapore.



Our commitment

The 2018 edition of PwC's Illustrative Annual Report entitled "Embracing a New Beginning" is 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.

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 2018



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Abbreviation used

References are made in this publication to the legislation, guideline or listing rule that requires a particular disclosure. The abbreviation 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
SFRS(I)	Singapore Financial Reporting Standard (International)
SFRS(I) INT	Singapore Financial Reporting Standard (International) Interpretations
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 in voluntary
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Corporate Governance

Board of Directors

Corporate Governance Report

Board of Directors

As at 24 April 2019

SGX
1207(4)(b)(iii),
CG Guideline
2.3**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 2010 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2012. 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 28 April 2017.

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 4 July 2011 and was last re-elected on 3 July 2017. 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 2000 and 2009. 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 2010. He is also the Chairman of the Trustees of Singapore Healthcare Fund, Asia Pacific Development Fund and Global Diversified Fund since 2007.

Board of Directors

As at 24 April 2019

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 30 July 2010 and was last re-elected on 31 July 2017.

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 2000. She has been the managing director of Leading Real Estate Marketing Pte Ltd since 2009.

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 4 July 2011. He was re-elected as a Director and appointed as the Chairman to the Nominating Committee on 3 May 2017.

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 1993. In 2008, he became the managing director of Moonstar Ltd, a telecommunication company listed on the Singapore Stock Exchange.

Board of Directors

As at 24 April 2019

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 2018.

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

He began his career with an international law firm in 1982, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1986. He commenced his professional practice in 1991 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 17 May 2010 and was last re-elected on 18 May 2017. 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 2004 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2009 and 2013.

Board of Directors

As at 24 April 2019

Mr Ang Boon Chew

Chief Executive Officer and Executive Director

Years on Board: 5

Aged 47, Singaporean

- Member of Board of Directors

Mr Ang Boon Chew was appointed to the Board on 17 February 2014 and was last re-elected on 18 May 2017. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1994 and became its Chief Executive Officer on 1 October 2006. He was subsequently appointed as the General Manager of PwC Holdings Ltd on 2 November 2011 and became its Chief Executive Officer on 17 February 2015.

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 2019. 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 2004, and a non-executive director of Routers Electronics Inc., a corporation listed on the New York Stock Exchange since 2007.

Corporate Governance Report

For the financial year ended 31 December 2018

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.

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.

SGX 710

The Monetary Authority of Singapore ("MAS") issued the Code of Corporate Governance (the "Code") on 2 May 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. These illustrative financial statements do not include the changes proposed in the Code of Corporate Governance released on 6 August 2018, the provisions of which will enter into force for financial years beginning on or after 1 January 2019.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2018, with specific reference to the principles and guidelines of the Code, and as applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act.

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

This Corporate Governance Report 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

For the financial year ended 31 December 2018

(A) BOARD MATTERS

The Board of Directors as at 24 April 2019 comprises:

Mr Tan Cheng Eng (Chairman and Independent Director)

Mr Balachandran Nair (Independent Director)

Madam Wan Oon Kee (Independent Director)

Mr Michael Philip White (Independent Director)

Mr Lee Chee Wai (Independent Director)

Mr David Grey (Non-independent Non-executive Director)

Mr Ang Boon Chew (CEO and Executive Director)

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.

Corporate Governance Report

For the financial year ended 31 December 2018

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. The Board periodically reviews the company's Code of Conduct and Ethics, tone from-the-top and organizational culture to promote accountability and ethical behaviour. All directors lend their experience and expertise to, and take active roles in strategy setting and monitoring Management's performance against agreed objectives.

CG Guideline
1.1

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.

CG Guidelines
1.2, 1.3 and
1.5

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.

Corporate Governance Report

For the financial year ended 31 December 2018

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

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

Corporate Governance Report

For the financial year ended 31 December 2018

	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⁾		
<u>Executive Director</u>	Position Held		Attended	Position Held		Attended	Position Held		Attended	Position Held		Attended	Position Held		Attended
Ang Boon Chew	M	10	10	-	-	-	-	-	-	-	-	-	-	-	-
Andrew Lloyd ⁽²⁾	-	1	1	-	-	-	-	-	-	-	-	-	-	3	3
Ran Jedwin Gervasio ⁽³⁾	M	-	-	-	-	-	-	-	-	-	-	-	M	-	-
<u>Non-executive Director</u>															
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 2019

M – Member as at 20 March 2019

⁽¹⁾ Number of meetings held/attended during the financial year/period from 1 January 2018 (or from date of appointment of Director, where applicable) to 31 December 2018⁽²⁾ Resigned on 5 January 2019⁽³⁾ Appointed on 27 February 2019⁽⁴⁾ Appointed on 3 May 2018⁽⁵⁾ Resigned on 3 May 2018**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 Director¹ 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.

Corporate Governance Report

For the financial year ended 31 December 2018

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

During the year, the directors took up the following training opportunities at the company's expense, to develop and maintain knowledge in specific areas:

- Singapore Institute of Directors (SID) Directors Conference
- Financial Reporting Standards Updates
- Legal and Regulatory Updates
- Training on Revised Risk Management Standards COSO ERM 2017 and ISO 31000: 2018
- IT Governance and Cybersecurity Training

The Company Secretary periodically recommends training opportunities to the NC, however directors may themselves search for and pursue opportunities which help them to keep pace with their area of professional expertise.

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. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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 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.

Corporate Governance Report

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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 family² members;
- (c) the Chairman is part of the management team; or
- (d) the Chairman is not an independent director.

² 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). The five independent directors – Mr Tan Cheng Eng (Board Chairman), Mr Balachandran Nair, Madam Wan Oon Kee, Mr Michael Philip White and Mr Lee Chee Wai, 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 substantial shareholders.

CG Principle 2,
CG Guidelines
2.1, 2.2 and
2.3

CG Guideline 2.3

An “independent” director is one who has no relationship with the company, its related corporations³, 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;

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CG Guideline 2.3 (continued)

- (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, payments⁴ 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 with⁵ a 10% shareholder of the company, in the current or immediate past financial year.

³ 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.

⁴ 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.

⁵ 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, has reaffirmed that all five Independent Directors are independent in character and 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 has in place a process to assess the independence of the relevant directors through a particularly rigorous review.

CG Guideline
2.4

CG Guideline 2.5

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.

Board Composition and Independent Directors

The Board reviews the size of the Board on an annual basis, and considers the present Board size of eight adequate for the current scope and nature of the Group's operations. Based on the NC's observation and the annual Board Evaluation exercise, the Board's decision making is not dominated by any individual, and Management proposals brought before the Board have been constructively challenged by the Executive and Non-Executive Directors alike.

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.

Board Experience

CG Guideline
2.6

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.

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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

CG Guideline
2.7 and 2.8

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 the presence of management.

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.

Chairman

CG Principle 3,
CG Guideline
3.1

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 independent Board Chairman, Mr Tan Cheng Eng is responsible for leading the Board and facilitating its effectiveness. He stimulates a robust yet collegiate setting, sets the right ethical and behavioural tone, and provides leadership to the Board. 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.

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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

CG Guideline
3.2

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.

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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

CG Guideline
3.3 and 3.4

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. The Independent Directors, led by the Lead Independent Director, meet at least annually without the presence of the other directors to discuss matters of significance which are subsequently reported to the Chairman through the Lead Independent Director.

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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 2007. 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.

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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 Principle
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

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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 commitments⁶. 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.

⁶ 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.

CG Principle
4.4

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 4.5

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

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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.

CG Principle
4.6

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 4.7

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.

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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 Principle
4.7

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.

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.

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

CG Principle
4.7

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):

- Board size and composition; Board independence;
- Board processes;
- Board information and accountability;

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Assessing Board Performance (continued)

CG Principle
4.7

- Board performance in discharging principle functions; Board committee performance;
- Interactive skills; Knowledge; Directors duties;
- Availability at meetings; and
- Overall contribution.

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.

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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;
- 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

Corporate Governance Report

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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 Principle
6.3

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 Principle
6.5

Corporate Governance Report

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(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 Principle 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 personnel⁷. 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.

⁷ 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.

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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);
- (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 Guidelines
7.1 and 7.2

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 Guidelines
7.4

Corporate Governance Report

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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.

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

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

Corporate Governance Report

For the financial year ended 31 December 2018

Remuneration of Executive Directors and Key Management Personnel (continued)

(A) Fixed and Variable (continued)

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 sustained performance and value creation, 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.

Corporate Governance Report

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(C) Share Options

Management staff 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, and hold these shares as long as they remain on the Board.

CG Guidelines
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.

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:

Corporate Governance Report

For the financial year ended 31 December 2018

Remuneration of Non-Executive Directors (continued)

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 Committees	
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.

Corporate Governance Report

For the financial year ended 31 December 2018

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.

Corporate Governance Report

For the financial year ended 31 December 2018

The Annual Remuneration Report

	Basic salary ⁽¹⁾	Fees ⁽¹⁾	Benefits- in-kind	Bonus	Termination benefit ⁽⁷⁾	Fair value of share options granted ⁽²⁾	Total 2018	Total 2017	Total Fair Value of Options granted in ⁽⁸⁾	CG Principle 9, CG Guidelines 9.1, 9.2, 9.3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2018 2017	
Executive Directors										
Ang Boon Chew	286	32 ⁽³⁾	420	36	-	86	860	855	100	100
Andrew Lloyd ⁽⁴⁾	276	32	357	15	-	-	680	674	-	-
Ran Jedwin Gervasio ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-
Non-executive Directors										
Tan Cheng Eng	-	95	-	-	-	-	95	95	-	-
David Grey	-	70	-	-	-	-	70	70	-	-
Balachandran Nair	-	65	-	-	-	-	65	65	-	-
Michael Philip White	-	56	-	-	-	-	56	56	-	-
Wan Oon Kee	-	44	-	-	-	-	44	44	-	-
Lee Chee Wai	-	41	-	-	-	-	41	41	-	-
Selamat Baharuddin	-	30	-	-	100	-	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	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 2019.
 (5) Joined the Group as a key executive on 1 March 2017 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 27 February 2019.
 (6) Fees paid/payable by PwC Global Limited, ultimate holding company and the director's employer company. Appointed as a director on 3 May 2018.
 (7) 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 2018.
 (8) 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.

Corporate Governance Report

For the financial year ended 31 December 2018

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 Guidelines
9.4

Disclosure on Remuneration

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.

Corporate Governance Report

For the financial year ended 31 December 2018

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 Principle
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 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.

Corporate Governance Report

For the financial year ended 31 December 2018

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
10.3

Risk Committee

The Risk Committee consists of the following three Directors:

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

CG Principle
11.4

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

The Group Risk Management Framework, approved by the Board, 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 Principle
11.4

- reviews and recommends updates to the Group's risk governance approach, Risk Management Framework and core risk management process;
- reviews the significant strategic, financial, operational, regulatory/compliance, and information technology risks of the Group, and conducts horizon scanning to further identify emerging risks in these categories;
- reviews Management's assessment of risks and Management's action plans to mitigate such risks;
- supports the Board in the setting of risk appetite for top risks;
- reviews reports of any material breaches of risk tolerances;
- reports to the Board and the Audit Committee on matters, findings and recommendations relating to risk management;
- reviews the adequacy and effectiveness of the Group's risk management systems; and

Corporate Governance Report

For the financial year ended 31 December 2018

Roles and Responsibilities of the Risk Committee (continued)

- reviews, together with the Audit Committee, the adequacy and effectiveness of the Group's internal controls addressing financial, operational, regulatory/compliance and information technology risks.

The Risk Committee reviewed is satisfied with the adequacy and effectiveness of the Group's existing 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. At Risk Committee meetings held during the year, the Risk Committee provided feedback to Management on its proposed top risks, risk treatment plans and actual performance against agreed Key Risk Indicators (KRIs). 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. Adequacy and effectiveness of the Group's risk management framework and systems, identify gaps with leading practices, and recommend how such gaps may be remediated.

CG Principle
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.

Risk Tolerance

The Board establishes, at the start of every financial year, the risk appetite of the Group for each of its top risks, having considered the extent of risk which needs to be taken to achieve strategic objectives and value creation. Risk appetite is then translated into risk tolerance limits by Management under the Risk Committee's guidance. Subsequently, Management monitors the extent of risk the Group is exposed to through a set of Key Risk Indicators agreed with the Risk Committee. Breaches of risk tolerance limits are escalated to the Risk Committee, and where relevant the Audit Committee, for their direction on how the risk management strategy should be adjusted.

CG Principle
11.1

“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

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:

- 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.

ACGC
Guidebook
Page 35, Para
1.2.27

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 Group Risk Register, which is reviewed by Management, 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.

Corporate Governance Report

For the financial year ended 31 December 2018

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 (addressing financial, operational, regulatory/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 2018.

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.

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 Guidelines
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 2018.

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.⁸

⁸ 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 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.

Corporate Governance Report

For the financial year ended 31 December 2018

CG Guideline 12.8

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.

The Audit Committee comprises the following Directors:

CG Principle
12,
CG Guidelines
12.1 and 12.8

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

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.

Corporate Governance Report

For the financial year ended 31 December 2018

CG Guideline 12.3

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.

Roles and Responsibilities of the Audit Committee

The Audit Committee has written Terms of Reference, approved by the Board, which sets out its composition, authority and duties. 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.

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;

Corporate Governance Report

For the financial year ended 31 December 2018

Roles and Responsibilities of the Audit Committee (continued)

- 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 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)

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- enquire 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 12.5

Corporate Governance Report

For the financial year ended 31 December 2018

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 2018 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 2018 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

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

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.

CG Guideline 12.7

Corporate Governance Report

For the financial year ended 31 December 2018

Whistle Blowing (continued)

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 Guidelines
12.9

Corporate Governance Report

For the financial year ended 31 December 2018

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	<p>The Audit Committee considered the approach and methodology applied to the valuation model in goodwill impairment assessment.</p> <p>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.</p> <p>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 2018.</p>
Revenue recognition and provision for onerous loss-making specialised equipment contracts	<p>The Audit Committee considered the approach and assessed the reasonableness of management's estimated total contract cost 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 onerous contracts were recorded appropriately.</p> <p>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 2018.</p>

Corporate Governance Report

For the financial year ended 31 December 2018

Guidance notes

Financial Matters – AC commentary

- 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.

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”)CG Principle
13, CG
Guideline 13.1

The IAD provides assurance to the Board and Audit Committee, based on internal audit activities it undertakes, over the adequacy and effectiveness of the Group’s internal controls. 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. Overall, the Audit Committee is satisfied that IAD as a function continues to be effective, adequately resourced, and independent of all activities which it audits.

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.

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 Guidelines
13.2 and 13.3

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.

CG Guideline
13.2

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.

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

CG Guideline
13.4

- 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 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).

CG Principle
13,
CG Guideline
13.1

CG Guidelines
13.2 and 13.3

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.

CG Guideline
13.2

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.

Corporate Governance Report

For the financial year ended 31 December 2018

(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.

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.

Corporate Governance Report

For the financial year ended 31 December 2018

Shareholder Rights (continued)

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.

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 is committed to treating shareholders fairly and equitably, and promoting regular and effective communication with shareholders. The directors and Management regularly engage shareholders to hear their views on matters affecting the company.

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.

Corporate Governance Report

For the financial year ended 31 December 2018

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, prospects, operational and financial performance were shared by Management without contravening SGX's policy on selective disclosure.

CG Guideline
15.4

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 Guidelines
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.

Corporate Governance Report

For the financial year ended 31 December 2018

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

Principle 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

Principle 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

All directors are present at Annual General Meetings, and other general meetings held by the Company if any, to address shareholders' queries. Appropriate members of Management are also present at general meetings to address operational questions from shareholders which may arise.

CG Guideline
16.3

Corporate Governance Report

For the financial year ended 31 December 2018

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.

Summary of Changes between the 2012 and the 2018 Corporate Governance Code

The 2018 Code of Corporate Governance was released by MAS on 6 August 2018, and will take effect for financial years commencing from 1 January 2019.

For changes in the SGX Listing Rules relating to Board composition, a longer three year transition period has been stipulated, to provide companies more time to make the necessary changes. In summary, the changes arising from the 2017-2018 Code review exercise include:

Overall Changes

- Recalibration of “Comply or explain” regime to make Code Principles mandatory, and require more thoughtful disclosure where companies have not adopted Code Provisions
- New ‘Introduction’ section to the Code
- New Practice Guidance of better practices which complement the Code
- Removal of the Disclosure Guide to the Code
- Code length halved through shifting Provisions into the SGX Listing Rules and Practice Guidance

Corporate Governance Report

For the financial year ended 31 December 2018

Board Matters

- One-third Independent Directors now mandatory under the SGX Listing Rules
- The Code further provides that the Board should comprise a majority of Non-Executive Directors, or where the Chairman is not independent, a majority of Independent Directors
- Directors seeking appointment/re-appointment as Independent Directors beyond nine years will be subject to two-tier voting
- Of the seven tests of director independence in the 2012 Code, four have been moved to the SGX Listing Rules, and two to Practice Guidance
- Shareholding threshold reduced from 10% to “substantial shareholder” (currently 5%) in the context of director independence
- The Code now provides that Boards should have and disclose a Board diversity policy
- Age added as an aspect of diversity
- The requirement for first-time directors of listed entities to undergo training as well confirming that the prescribed training has been undertaken is now mandatory under the SGX Listing Rules

Remuneration and Other Matters

- The Code now provides that companies should disclose the relationship between remuneration, performance and value creation
- Beyond employees who are immediate family members of directors and the CEO, the Code now provides that the remuneration of substantial shareholders and their immediate family members who are employees should be disclosed, although the monetary threshold has been raised from \$50,000 to \$100,000
- The requirement that companies need to maintain an internal audit function that is adequately resourced, effective and independent of the activities it audits is now mandatory under SGX Listing Rules
- The Board is now required to comment on the adequacy and effectiveness of both internal control and risk management systems, and in reviewing such, should obtain assurance from the CEO and other key management personnel responsible. A statement on whether the AC concurs with the Board’s comments must also be provided.
- Disclosure of reasons for not paying dividends has been made mandatory under the SGX Listing Rules
- New Principle 13 ‘Engagement with Stakeholders’ included in the code

Sustainability Report

Environmental, Social and Governance Performance

Sustainability Report 2018

For the financial year ended 31 December 2018

Guideline 1

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

The sustainability report should comprise of five key components:

Sustainability Reporting Framework

Selection of a 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), will enhance acceptance and comparability.

Material Environmental, Social, and Governance (ESG) Factors

Identification of material ESG factors, explaining the reason for their selection and a description of the selection process, taking into consideration their relevance to 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 for each material ESG factor identified.

Board Statement

The sustainability report should contain a statement from the Board on describing its role in considering sustainability issues as part of its strategic formulation, in determining the material ESG factors and overseeing 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.

Sustainability Report 2018

For the financial year ended 31 December 2018

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 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 2018 Sustainability Report is our 3rd 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 emphasised 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.

Message from our CEO

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.

GRI
disclosures:
GRI 102-11
GRI 102-14

Sustainability Report 2018

For the financial year ended 31 December 2018

Message from our CEO (continued)

Today, several of the global challenges the world faces directly or indirectly impacts every industry. They include climate change, population growth, urbanisation 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 FY18, we continued to build on the sustainability successes of past years, and increased our efforts in ensuring a sustainable supply chain. Early in 2018, 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 in 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

Sustainability Report 2018

For the financial year ended 31 December 2018

About this Report

Reporting period

This report, which is produced annually, covers the reporting period from 1 January 2018 to 31 December 2018 (Financial Year 2018, or FY18), unless otherwise stated. For selected performance indicators that have been historically tracked, we have included data from the past three years.

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

This is our third Sustainability Report and the fifth Communication on Progress since becoming a signatory to the United Nations Global Compact in September 2012. Our FY17 report was published on 1 March 2018.

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

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.

GRI disclosures:
GRI 102-4
GRI 102-49

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

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 FY18 Sustainability Report and the assurance report can be found on our website.

GRI disclosures:
GRI 102-4
GRI 102-49

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 third year of our 5-year plan, we are proud to share with you the results of our sustainability efforts in 2018 in the following key areas which form our core strategic pillars:

Sustainability Report 2018

For the financial year ended 31 December 2018

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	<ul style="list-style-type: none">• Responsible sourcing• Innovation• Government regulations• Social/political movements• Ethical labour	<ul style="list-style-type: none">• Product end-of-life• Climate change• Energy and emissions• Waste management• Water consumption and availability	<ul style="list-style-type: none">• Customer satisfaction• Employee satisfaction• Employee training and development• Employee health and safety• Diversity and equal opportunity• Public health and safety• Community engagement

Governance

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.

GRI disclosures:
GRI 102-18

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.

Stakeholder engagement

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.

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

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.

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 specialised 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.



Sustainability Report 2018


For the financial year ended 31 December 2018

In 2018, 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	<ul style="list-style-type: none"> • Launch of a team tasked with monitoring suppliers' compliance with labour laws • Expansion of due diligence concerning suppliers • Supplier training
	Environmental policy	<ul style="list-style-type: none"> • Establishment of a water resource management policy • Assessment of water resource risks at facilities • Adoption of water resource reduction technologies
Employees 	Workplace environment improvements	<ul style="list-style-type: none"> • Assuring suitable work hours; work leave sessions providing education on the necessity of employee vacation days
	Production facility conditions	<ul style="list-style-type: none"> • Assurance of labour rights at production facilities • Strengthening of workplace safety teams that improve HSE Management
NGO 	Supplier labour rights	<ul style="list-style-type: none"> • Distribution of procedure for banning the hiring of underage employees • Routine monitoring for compliance
	Environmental policy	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Expansion of shared growth policy with major suppliers • Support system for supplier recruitment • Development of 'small but strong' support program
	Strengthening workplace safety	<ul style="list-style-type: none"> • Strengthening of teams in charge of workplace safety management • Strengthening of process improvement and diagnosis

Sustainability Report 2018

For the financial year ended 31 December 2018

Stakeholders	Major issues	Stakeholder feedback incorporated
Local communities 	Ethical facility management	<ul style="list-style-type: none">Establishment of collaboration councils in production communitiesImprovement of chemical emissions/wastewater discharge
	Contributions to local communities	<ul style="list-style-type: none">Expansion of the Hope for Children programIncrease in corporate social contribution investment
Partners 	Fair pricing	<ul style="list-style-type: none">Purchase of raw materials for our suppliers to help manage material prices
	Assistance of suppliers' recruitment	<ul style="list-style-type: none">Holding job expos to help suppliers hire employees

Materiality

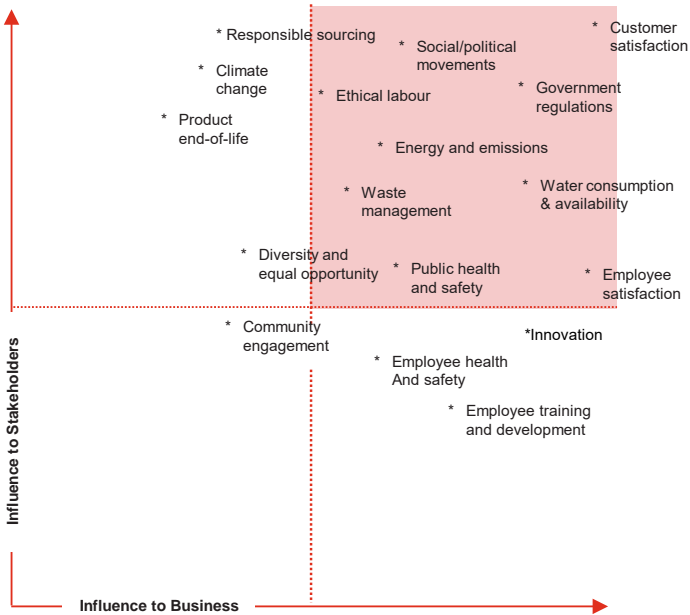
We recognise that material issues can directly or indirectly impact our ability to create long-term value for its customers, employees, investors and society at large. Sustainability considers a broader scope of action and issues in determining what is material compared with the origins of materiality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

Materiality Matrix



Maintaining a sustainable supply chain

Ethical Labour

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 only one material aspect from each sustainability pillar to highlight how it can be reported.

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 Labour/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 prioritise 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 program. 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.

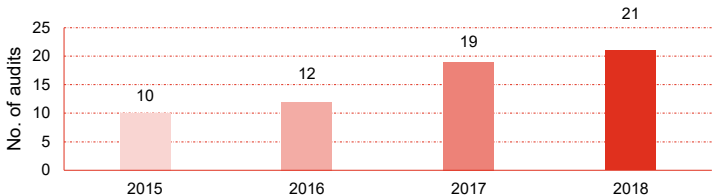
Targets and performance

This year we exceeded our performance targets and conducted more audits than our FY18 target. In 2018, 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.

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

In addition, we also introduced a new supplier assessment matrix in early 2018. 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.



	FY18 target	FY18 performance	Remarks	FY19 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

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.

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

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

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

SGX-ST
Practice
Note 7.6:4.1(ii)

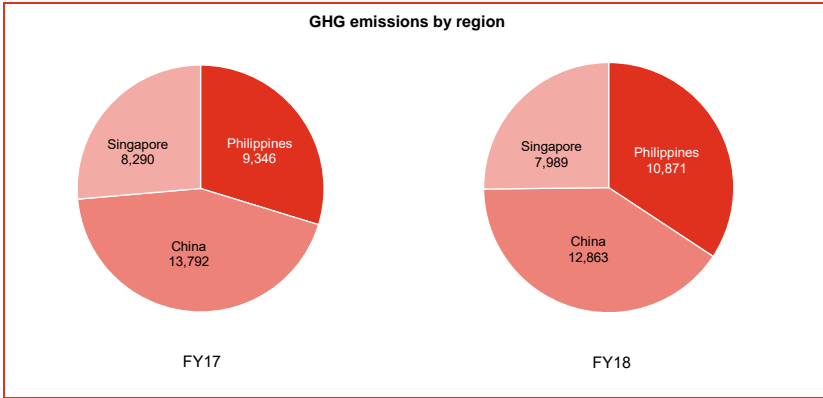
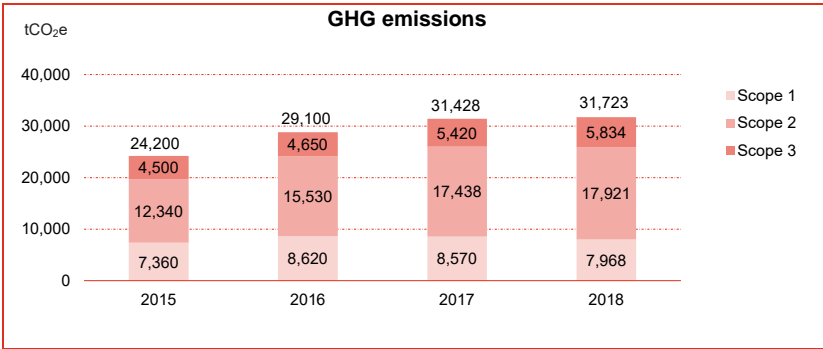
We replace outdated or inefficient heating, cooling, and lighting systems, repair compressed air leaks, and recover and redirect waste heat. These initiatives alone helped reduce our carbon emissions by more than 11,200 metric tons. In addition to making facilities energy efficient, we explore ways to 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.

Targets and performance

In 2018, we managed to stabilise our total GHG emission to a level that is similar to the FY17 level of emissions. Although we did not achieve the target of a 2% decrease in GHG emissions, the 1% increase from the FY17 level of emissions is a significant improvement from the 8% increase from the FY16 to FY17 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 FY19.

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



	FY18 target	FY18 Performance	Remarks	FY19 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 FY19 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 heavily 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 innovative measures 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 centre with free group exercise classes and subsidised 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. Additionally, for our older employees, we provide digital training programmes to ensure they continue to upskill and stay up-to-date with changing work practices

Sustainability Report 2018

For the financial year ended 31 December 2018

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)

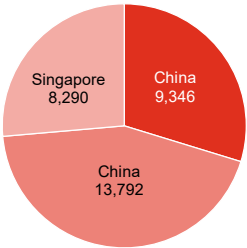
In 2018, PwC Holdings continued to receive positive feedback from employees who took part in the Employee Survey. 81% of our employees across our operations participated in the survey, which included a total of 30 multiple-choice questions across 10 dimensions of workplace life, including training and development, diversity and workplace safety practices, among others. 9 out of 10 dimensions showed improvement over the previous year, with the availability of overseas secondment opportunities being the only dimension with a 2% decrease in rating. 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 2017, a statistically significant increase.

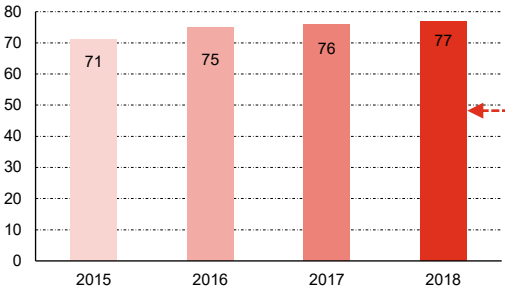
Employees were most satisfied about company mindset, quality work practices and training. 89% of these employees said the company's values concerning quality have been communicated clearly to them, and 78% responded favourably that the people they work with cooperate to get the job done and that they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

	FY18 Target	FY18 Performance	Remarks	FY19 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%

Respondents by region



What are employees saying?



80% of respondents are satisfied with their job

Record High

Total Company Employee Satisfaction

84% of respondents are satisfied with their supervisor

80% of respondents are satisfied with The Company

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.

Sustainability Report 2018

For the financial year ended 31 December 2018

GRI Content Index

Disclosure Number	Disclosure requirements	Reported? (Y/N)	Location
102-1	Name of the organisation	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 organisation	Y	Annual report
102-9	Supply chain	Y	Maintaining a sustainable supply chain
102-10	Significant changes to the organisation 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 behaviour	Y	Maintaining a sustainable supply chain, Minimising our environmental footprint, Caring for our people
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

Sustainability Report 2018

For the financial year ended 31 December 2018

GRI Context Index (continued)

Disclosure Number	Disclosure requirements	Reported? (Y/N)	Location
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

GRI Context Index (continued)

Disclosure	Disclosure requirements	Location
Specific Disclosures		
GRI Standard: Emissions		
103-1/2/3	Management Approach	Minimising our environmental footprint
305-1	Direct (Scope 1) GHG emissions	Minimising our environmental footprint
305-2	Energy indirect (Scope 2) GHG emissions	Minimising our environmental footprint
305-3	Other indirect (Scope 3) GHG emissions	Minimising our environmental footprint
GRI Standard: Supplier Environmental Assessment		
103-1/2/3	Management Approach	Maintaining a sustainable supply chain
308-1	New suppliers that were screened using environmental criteria	Maintaining a sustainable supply chain
GRI Standard: Training and development		
103-1/2/3	Management Approach	Caring for our people
404-2	Programmes for upgrading employee skills and transition assistance programmes	Caring for our people
GRI Standard: Supplier Social Assessment		
103-1/2/3	Management Approach	Maintaining a sustainable supply chain
414-1	New suppliers that were screened using social criteria	Maintaining a sustainable supply chain

Statutory Report

Directors' Statement

Independent Auditor's Report

Directors' Statement

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

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 107 to 412 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 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements¹ and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Section 1,
Twelfth
Schedule

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 2018)²

Dr Ran Jedwin Gervasio

(appointed on 27 February 2019)²

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)(d)

Directors' Statement

For the financial year ended 31 December 2018

Directors' interests in shares or debentures³

- (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 corporations⁵, except as follows:

Section 9,
Twelfth
Schedule
CA 164(1)(a,b)

	Holdings registered in <u>name of director</u>		Holdings in which a director is deemed <u>to have an interest</u>	
	<u>At</u> <u>31.12.2018</u>	<u>At 1.1.2018</u> <u>or date of</u> <u>appointment,</u> <u>if later</u>	<u>At</u> <u>31.12.2018</u>	<u>At 1.1.2018 or</u> <u>date of</u> <u>appointment,</u> <u>if later</u>
Ultimate holding corporation – PwC Global Limited <u>(No. of ordinary shares)</u>				
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	1,000	-	-
Mr Andrew Llyod (resigned on 5 January 2019) ³	200,000	200,000	-	-

- (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)

	<u>No. of unissued ordinary shares under option</u>	
	<u>At</u> <u>31.12.2018</u>	<u>At 1.1.2018 or date of</u> <u>appointment, if later</u>
<u>Mr Ang Boon Chew</u>		
2016 Options	50,000	50,000
2017 Options	50,000	-
2018 Options	50,000	-

Directors' Statement

For the financial year ended 31 December 2018

Directors' interests in shares or debentures³ (continued)

- (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 <u>31.12.2018</u>	At 1.1.2018 or date of <u>appointment, if later</u>
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 Components (Philippines) Pte Ltd		
– No. of ordinary shares	700,000	700,000
PwC Furniture (PRC) Pte Ltd		
– Registered and issued share capital	RMB 8,500,000	RMB 8,500,000

- (d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

SGX 1207(7)

Share options

- (a) PwC Employee Share Option Scheme⁵

Section 2,
Twelfth
Schedule

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.

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

Directors' Statement

For the financial year ended 31 December 2018

Share options (continued)**(a) PwC Employee Share Option Scheme⁵ (continued)**

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.

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 respectively⁶.

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**No. of unissued ordinary shares of the Company under option**SGX
852(1)(b)(i)

<u>Name of director</u>	<u>Granted in financial year ended 31.12.2018</u>	<u>Aggregate granted since commenceme nt of scheme to 31.12.2018</u>	<u>Aggregate exercised since commenceme nt of scheme to 31.12.2018</u>	<u>Aggregate outstanding as at 31.12.2018</u>
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

No options have been granted to controlling shareholders of the Company or their associates⁷ (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(ii)

During the financial year, 940,000 treasury shares of the Company were re-issued at the exercise price of \$1.31 or \$1.28 per share, upon the exercise of the 2015 or 2016 Options respectively.

Section 5,
Twelfth
Schedule

Directors' Statement

For the financial year ended 31 December 2018

Share options (continued)**(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

<u>Name of director</u>	No. of unissued ordinary shares under option at <u>31.12.2018</u>	<u>Exercise price</u>	<u>Exercise period</u>
2015 Options	110,000	\$1.31	1.1.2017 – 31.12.2020
2016 Options	1,422,000	\$1.28	1.1.2018 – 31.12.2021
2017 Options	909,000	\$2.95	1.1.2019 – 31.12.2022
	<u>2,441,000</u>		

Audit Committee⁸

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 2018

Audit Committee⁸ (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 reappointment.

DV

On behalf of the directors⁹



Tan Cheng Eng

Director



Ang Boon Chew

Director

20 March 2019^{9,10}

Directors' Statement

For the financial year ended 31 December 2018

Guidance notes

Directors' Statement

Inclusion of Company's statement of changes in equity

- 1 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 2018, 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 in office at the date of the statement

- 2 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

- 3 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. Interests in rights or share options, are also required to be disclosed.

Section 9,
Twelfth
Schedule
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 interest 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 has any interest in the shares or debentures of the Company or any related corporations.

Directors' Statement

For the financial year ended 31 December 2018

Guidance notes**Directors' Statement (continued)****Related corporations**

- 4 Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries.

CA 6

Share options

- 5 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

- 6 Where such disclosures have been made in a previous statement, reference may be made to that statement.

Section 3,
Twelfth
Schedule**Definition of associates**

- 7 The SGX Listing Manual defines associates differently to that in paragraph 3 of SFRS(I) 1-28 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):
 - (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.

SGX (General
– Definitions)

Directors' Statement

For the financial year ended 31 December 2018

Guidance notes

Directors' Statement (continued)

Audit Committee

- 8 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

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

Date of Directors' Statement

- 10 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

- 11 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)(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 of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2018;
- the balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial 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.

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

Reference
CA 201(4)
CA 207

Statutory Report

Report on the Audit of the Financial Statements (continued)

Our Audit Approach

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.

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 2018. 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
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Impairment assessment on goodwill	
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Refer to Note 3.1(c) (Critical accounting estimates, assumptions and judgements) and Note 30(a) (Goodwill) to the financial statements.

As at 31 December 2018, goodwill amounted to \$10,377,000 after recognising an impairment charge of \$1,081,000.

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.

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

Reference
CA 201(4)
CA 207

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>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.</p>	<p>We involved valuation specialists 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.</p> <p>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.</p> <p>We also found the disclosure on the sensitivity analysis in Note 3.1(c) to be appropriate.</p>
<p>Revenue recognition and provision for onerous loss-making specialised equipment contracts</p> <p><i>Refer to Note 3.1(b) (Critical accounting estimates, assumptions and judgements) and Note 4 (Revenue from Contracts with Customers) to the financial statements.</i></p> <p>For the financial year ended 31 December 2018, revenue from construction of specialised equipment amounted to \$29,015,000 and it represented 14% of the total revenue of the Group.</p>	<p>We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers).</p> <p>In relation to actual costs incurred, we:</p> <ul style="list-style-type: none"> 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. <p>In relation to estimated total contract costs, we:</p> <ul style="list-style-type: none"> 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 cost that we have been committed to quotations from and contracts and suppliers.

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

Reference
CA 201(4)
CA 207

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on revenue recognition and provision for onerous loss-making specialised equipment contracts as significant judgements were made to estimate the total contract costs to complete, which were used to determine (i) the progress for the Group’s recognition of construction revenue and the provision for onerous contracts and (ii) when it is probable that the total contract costs would exceed the total construction revenue and remaining costs. No provision for onerous loss-making contracts was recognised for the financial year ended 31 December 2018.	<p>We compared the contract revenue against the estimated total contract costs.</p> <p>We evaluated management’s sensitivity analysis on the amount of revenue from construction of specialised equipment recognised by assessing the impact of reasonable possible changes to these estimates. We found the disclosure on the sensitivity analysis in Note 3.1(b) to be appropriate.</p> <p>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.</p>

Statutory Report

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

Reference
CA 201(4)
CA 207

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 (32)

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 SFRS(I)s, 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.

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

Reference
CA 201(4)
CA 207

SSA 700 (37-40)

Auditor's Responsibilities for the Audit of the Financial Statements

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.

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

Reference
CA 201(4)
CA 207

SSA 700 (37-40)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 2019

Primary Statements

Consolidated Statement of Comprehensive Income

Balance Sheet – Group

Balance Sheet – Company

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2018

	Note	2018 ³ \$'000	2017 ³ \$'000	SFRS(I) 1-1 (10(b), 10A) SGX 1207 (5(a))
Continuing operations⁴				
Sales	4	203,458	210,244	SFRS(I) 1-1 (82(a))
Cost of sales	5	(73,311)	(77,493)	SFRS(I) 1-1 (103)
Gross profit		130,147	132,751	SFRS(I) 1-1 (103)
Other income				
- Interest	7	2,144	1,180	
- Others	7	3,623	2,718	
Other gains and losses				
- Impairment loss on financial assets		(266)	(74)	SFRS(I) 1-1 (82(ba))
- Others	8	(30)	(2,483)	
Expenses				
- Distribution and marketing	5	(48,271)	(51,040)	SFRS(I) 1-1 (103)
- Administrative	5	(27,837)	(29,105)	SFRS(I) 1-1 (103)
- Finance	9	(7,213)	(7,073)	SFRS(I) 1-1 (82(b))
Share of profit/(loss) of associated companies and joint venture ⁵	25, 26	340	(174)	SFRS(I) 1-1 (82(c))
Profit before income tax		52,637	46,700	
Income tax expense	10(a)	(14,817)	(14,887)	SFRS(I) 1-1 (82(d))
Profit from continuing operations⁴		37,820	31,813	
Discontinued operations⁴				SFRS(I) 1-1 (82(ea))
Profit from discontinued operations	11	-	100	SFRS(I) 5 (33(a))
Total profit⁴		37,820	31,913	

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 2018

	Note	2018 ³ \$'000	2017 ³ \$'000	
Other comprehensive income⁷:				
Items that may be reclassified subsequently to profit or loss:				SFRS(I) 1-1 (82A(a)(ii))
Financial assets, at FVOCI/available-for-sale				
- Fair value (losses)/gains – debt instruments ¹¹		(112)	400	
- Fair value gains – equity investments		-	182	
- Reclassification ⁸		8	(164)	SFRS(I) 1-1 (92)
Cash flow hedges				
- Fair value (losses)/gains		(500)	342	
- Reclassification ⁸		523	(279)	SFRS(I) 1-1 (92)
Share of other comprehensive income of associated companies	25	35	27	SFRS(I) 1-1 (82A(b)(ii))
Currency translation differences arising from consolidation ¹³				
- Gains		600	688	
- Reclassification ⁸		19	(100)	SFRS(I) 1-1 (92)
		<u>573</u>	<u>1,096</u>	
Items that will not be reclassified subsequently to profit or loss:				SFRS(I) 1-1 (82A(a)(i))
Revaluation gains on property, plant and equipment ^{9, 10}		457	207	
Financial assets, at FVOCI				
- Fair value losses – equity investments ¹²		(1,086)	-	
Currency translation differences arising from consolidation ¹³				
- Gains		408	552	
Other comprehensive income, net of tax⁷	10(c)	<u>352</u>	<u>1,855</u>	SFRS(I) 1-1 (81A(b))
Total comprehensive income		<u>38,172</u>	<u>33,768</u>	SFRS(I) 1-1 (81A(c))
Profit attributable to:				
Equity holders of the Company		34,416	29,364	SFRS(I) 1-1 (81B(a))
Non-controlling interests		3,404	2,549	
		<u>37,820</u>	<u>31,913</u>	
Profit attributable to equity holders of the Company relates to:				
Profit from continuing operations		34,416	29,294	SFRS(I) 5 (33(d))
Profit from discontinued operations		-	70	
		<u>34,416</u>	<u>29,364</u>	

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 2018

	Note	2018 ³ \$'000	2017 ³ \$'000	
Total comprehensive income attributable to:				
Equity holders of the Company		34,355	30,662	SFRS(I) 1-1 (81B(b))
Non-controlling interests		3,817	3,106	
		38,172	33,768	
Earnings per share ("EPS")⁶ for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				
Basic EPS				
From continuing operations	12(a)	1.43	1.30	SFRS(I) 1-33 (66)
From discontinued operations	12(a)	-	*	SFRS(I) 1-33 (68)
Diluted EPS				
From continuing operations	12(b)	1.29	1.15	SFRS(I) 1-33 (66)
From discontinued operations	12(b)	-	*	SFRS(I) 1-33 (68)

* 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 2018

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'. 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. SFRS(I) 1-1 paragraphs 82 and 82A prescribes the list of line items that are required to be presented in the Statement of Comprehensive Income.

SFRS(I) 1-1
(10)
CA 201 (5)
SGX 1207 (5)

SFRS(I) 1-1
(82),(82A)

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 SFRS(I) 10), 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.

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 2.5.

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.

SFRS(I) 1-1
(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).

SFRS(I) 1-1
(104)

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.

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2018

Guidance notes**Consolidated statement of comprehensive income (continued)****Financial years/periods of different length**

- 3 Where the current reporting period and the comparative reporting period are of unequal periods, 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.

SFRS(I) 1-1
(36)**Continuing/Discontinued operations**

- 4 The single amount disclosed in the statement of comprehensive income relating to discontinued operations 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. 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'.

SFRS(I) 5 (33)

SFRS(I) 5 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 SFRS(I) 5 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 SFRS(I) 1-28 *Investments in Associates and Joint Ventures*.

SFRS(I) 1-1
(82(c))**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).

SFRS(I) 1-33
(69)**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.

SFRS(I) 1-1
(91)

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2018

Guidance notes

Consolidated statement of comprehensive income (continued)

Reclassification adjustments

8 Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. Examples of reclassification adjustments are described in paragraphs 93 and 95 of SFRS(I) 1-1. Reclassification adjustments may be presented in the Statement of Comprehensive Income or in the notes. An entity presenting reclassification adjustments in the notes presents items of other comprehensive income after any related reclassification adjustments. In this case, PwC Holdings Ltd has elected to present reclassification adjustments in the Statement of Comprehensive Income.

SFRS(I) 1-1
(93)
SFRS(I) 1-1
(95)
SFRS(I) 1-1
(96)

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

SFRS(I) 1-1
(96)

10 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. Re-measurements of net defined benefit liability (asset) recognised in other comprehensive income may also be transferred within equity.

SFRS(I) 1-16
(41)
SFRS(I) 1-38
(87)
SFRS(I) 1-19
(122)

Items that may and may not be reclassified subsequently to profit or loss

11 For debt instruments which are classified as financial assets, at FVOCI, subsequent fair value changes are recognised in other comprehensive income, except for interest income, impairment and foreign exchange gains and losses which are recognised in the profit or loss. Fair value changes on such debt instruments which were previously recognised in other comprehensive income will be subsequently reclassified to profit or loss when the instrument is derecognised.

SFRS(I) 9
(B5.7.1A)

12 In contrast, for equity investments classified as financial assets, at FVOCI, subsequent fair value changes are recognised in other comprehensive income and will not be reclassified to profit or loss upon disposal. Instead, the entity may transfer the cumulative fair value gain or loss within equity upon disposal.

SFRS(I) 9
(B5.7.1)

Consolidated Statement of Comprehensive Income^{1, 2}

For the financial year ended 31 December 2018

Guidance notes

Consolidated statement of comprehensive income (continued)

Items that may and may not be reclassified subsequently to profit or loss (continued)

- 13 Currency translation differences arising from a foreign operation with a functional currency that is different from the presentation currency are recognised in other comprehensive income and accumulated in currency translation reserve. Such currency translation differences attributable to non-controlling interests will not be subsequently reclassified to profit or loss. In contrast, currency translation differences relating to equity holders of the parent are reclassified to profit or loss on disposal of the foreign operations.

SFRS(I) 1-21 (39)
SFRS(I) 1-21 (48B)
SFRS(I) 1-21 (48)

Additional disclosures

- 14 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.

SFRS(I) 1-1 (85)

Disclosure initiative

- 15 SFRS(I) 1-1 requires entities 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 SFRS(I), 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 SFRS(I) 1-1. Management has to consider the understandability and comparability of financial statements when determining the order of notes.

SFRS(I) 1-1 (30A, 55A, 85A, 85B)

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

Balance Sheet – Group

As at 31 December 2018

	Note	31 December 2018 \$'000	2017 \$'000	1 January 2017 ^{1,2} \$'000	SFRS(I) 1-1 (54,77) SGX 1207 (5)(a) SGX 1207 (5)(b)
ASSETS					
Current assets					
Cash and cash equivalents	13	37,098	22,010	36,212	SFRS(I) 1-1 (60,66) SFRS(I) 1-1 (54)(i)
Financial assets, at FVPL	14	11,300	10,785	8,326	SFRS(I) 1-1 (54)(d))
Derivative financial instruments	15	1,854	1,069	452	SFRS(I) 1-1 (54)(d))
Trade and other receivables	20	17,317	18,126	15,211	SFRS(I) 1-1 (54)(h)
Inventories	21	32,461	24,258	17,094	SFRS(I) 1-1 (54)(g)
Contract assets ³	4(b)	2,471	2,026	1,685	
Other current assets	4(c)	619	329	291	
		103,120	78,603	79,271	SFRS(I) 1-1 (55)
Assets of disposal group classified as held-for-sale	11	-	3,333	-	SFRS(I) 1-1 (54)(j))
		103,120	81,936	79,271	
Non-current assets					
Financial assets, at FVPL	14	2,300	-	-	SFRS(I) 1-1 (60,66) SFRS(I) 1-1 (54)(d))
Derivative financial instruments	15	308	395	112	SFRS(I) 1-1 (54)(d))
Financial assets, available-for-sale	16	-	17,248	12,937	SFRS(I) 1-1 (54)(d))
Financial assets, at FVOCI	17	13,452	-	-	SFRS(I) 1-1 (54)(d))
Other investments at amortised cost	18	2,403	-	-	SFRS(I) 1-1 (54)(d))
Financial assets, held-to-maturity	19	-	2,122	1,593	SFRS(I) 1-1 (54)(d))
Trade and other receivables	22	1,840	3,322	1,990	SFRS(I) 1-1 (54)(h))
Investments in associated companies	25	7,606	7,008	6,404	SFRS(I) 1-1 (54)(e))
Investment in a joint venture	26	1,457	1,200	2,165	SFRS(I) 1-1 (54)(e))
Investment properties	28	5,970	5,550	5,455	SFRS(I) 1-1 (54)(b))
Property, plant and equipment	29	143,556	153,611	97,890	SFRS(I) 1-1 (54)(a))
Intangible assets	30	26,187	26,730	21,600	SFRS(I) 1-1 (54)(c))
Deferred income tax assets	37	3,306	3,319	3,228	SFRS(I) 1-1 (54)(o))
		208,385	220,505	153,374	
Total assets		311,505	302,441	232,645	

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

Balance Sheet – Group

As at 31 December 2018

	Note	31 December 2018 \$'000	2017 \$'000	1 January 2017 ^{1,2} \$'000	
LIABILITIES					
Current liabilities					
Trade and other payables	31	15,543	16,625	10,963	SFRS(I) 1-1 (60,69)
Contract liabilities ³	4(b)	548	621	322	SFRS(I) 1-1 (54(k))
Current income tax liabilities	10(b)	1,700	2,942	3,833	SFRS(I) 1-1 (54(n))
Derivative financial instruments	15	1,376	440	240	SFRS(I) 1-1 (54(m))
Borrowings	32	9,155	9,524	15,670	SFRS(I) 1-1 (54(m))
Provisions	36	1,523	1,359	1,645	SFRS(I) 1-1 (54(l))
		29,845	31,511	32,673	
Liabilities directly associated with disposal group classified as held-for-sale	11	-	220	-	SFRS(I) 1-1 (54(p))
		29,845	31,731	32,673	
Non-current liabilities					
Trade and other payables	31	350	350	-	SFRS(I) 1-1 (60,69)
Derivative financial instruments	15	-	135	44	SFRS(I) 1-1 (54(k))
Borrowings	32	101,223	118,300	89,214	SFRS(I) 1-1 (54(m))
Deferred income tax liabilities	37	12,360	12,066	8,841	SFRS(I) 1-1 (54(o))
Provisions	36	1,573	1,655	1,585	SFRS(I) 1-1 (54(l))
		115,506	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	38	41,495	41,495	32,024	SFRS(I) 1-1 (54(r))
Treasury shares	38	(2,022)	(1,418)	(900)	SFRS(I) 1-1 (54(r))
Other reserves	39	6,539	7,258	4,043	SFRS(I) 1-1 (54(r))
Retained profits	40	109,608	82,617	63,355	SFRS(I) 1-1 (54(r))
		155,620	129,952	98,522	SFRS(I) 1-1 (54(r))
Non-controlling interests	27	10,534	8,252	1,766	SFRS(I) 1-1 (54(q))
Total equity		166,154	138,204	100,288	

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

Balance Sheet – Company

As at 31 December 2018

	Note	31 December 2018 \$'000	2017 \$'000	1 January 2017 ^{1,2} \$'000	SFRS(I) 1-1 (54,77) SGX 1207 (5)(a) SGX 1207 (5)(b)
ASSETS					
Current assets					
					SFRS(I) 1-1 (60,66)
Cash and cash equivalents	13	17,278	16,252	2,977	SFRS(I) 1-1 (54(i))
Derivative financial instruments	15	211	232	78	SFRS(I) 1-1 (54(d))
Trade and other receivables	20	5,824	7,612	2,166	SFRS(I) 1-1 (54(h))
Inventories	21	3,305	2,200	335	SFRS(I) 1-1 (54(g))
		26,618	26,296	5,556	
Non-current asset classified as held-for-sale	11	-	1,000	-	SFRS(I) 1-1 (54(j))
		26,618	27,296	5,556	
Non-current assets					
Derivative financial instruments	15	-	34	6	SFRS(I) 1-1 (54(d))
Financial assets, available-for-sale	16	-	1,500	1,218	SFRS(I) 1-1 (54(d))
Financial assets, at FVOCI	17	1,600	-	-	SFRS(I) 1-1 (54(d))
Trade and other receivables	22	3,147	3,136	3,200	SFRS(I) 1-1 (54(h))
Investments in associated companies	25	1,000	1,000	1,000	SFRS(I) 1-1 (54(e))
Investment in a joint venture	26	880	880	880	SFRS(I) 1-1 (54(e))
Investments in subsidiaries	27	94,160	95,160	96,460	SFRS(I) 1-1 (55)
Property, plant and equipment	29	843	855	400	SFRS(I) 1-1 (54(a))
Intangible assets	30	1,542	1,200	1,100	SFRS(I) 1-1 (54(c))
		103,172	103,765	104,264	
Total assets		129,790	131,061	109,820	

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

Balance Sheet – Company

As at 31 December 2018

	Note	31 December 2018 \$'000	2017 \$'000	1 January 2017 ^{1,2} \$'000	
LIABILITIES					
Current liabilities					
Trade and other payables	31	848	707	549	SFRS(I) 1-1 (60,69)
Current income tax liabilities	10(b)	261	235	325	SFRS(I) 1-1 (54(k))
Derivative financial instruments	15	-	35	45	SFRS(I) 1-1 (54(n))
Borrowings	32	1,927	3,500	10,200	SFRS(I) 1-1 (54(m))
Provisions	36	50	100	210	SFRS(I) 1-1 (54(l))
		3,086	4,577	11,329	
Non-current liabilities					
Derivative financial instruments	15	-	12	2	SFRS(I) 1-1 (60,69)
Borrowings	32	78,499	78,267	61,751	SFRS(I) 1-1 (54(m))
Provisions	36	150	200	95	SFRS(I) 1-1 (54(l))
Deferred income tax liabilities	37	3,140	2,779	2,051	SFRS(I) 1-1 (54(o))
		81,789	81,258	63,899	
Total liabilities		84,875	85,835	75,228	
NET ASSETS		44,915	45,226	34,592	
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	38	41,495	41,495	32,024	SFRS(I) 1-1 (54(r))
Treasury shares	38	(2,022)	(1,418)	(900)	SFRS(I) 1-1 (54(r))
Other reserves	39	3,917	3,811	2,022	SFRS(I) 1-1 (54(r))
Retained profits	40	1,525	1,338	1,446	SFRS(I) 1-1 (54(q))
Total equity		44,915	45,226	34,592	

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

Balance Sheet – Company

As at 31 December 2018

Guidance notes

Statement of financial position/balance sheet

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.

SFRS(I) 1 (21)

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

SFRS(I) 1-1
(40A)

- (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 SFRS(I) 1-1.

3 Contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the balance sheet as long as the entity provides sufficient information so users of the financial statements can distinguish them from other items.

SFRS(I) 15
(109)

Consolidated Statement of Changes in Equity^{1, 2}

As at 31 December 2018

2018	Note	Attributable to equity holders of the Company												Reference
		Share capital	Treasury shares	Share option reserve ³	Capital reserve ³	Fair value reserve ³	Hedging reserve ³	Currency translation reserve ³	Equity component of convertible bonds	Asset revaluation reserve ³	Retained profits	Total	Non-controlling interests	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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 SFRS(I) 9	2.2 (b)	-	-	-	-	(645)	-	-	-	-	400	(245)	-	(245)
Balance 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	39(b) (iii)	-	-	-	-	(257)	-	-	-	-	257	-	-	-
Purchase of treasury shares	38	-	(2,389)	-	-	-	-	-	-	-	-	(2,389)	-	(2,389)
Employee share option scheme		-	-	-	-	-	-	-	-	-	-	-	-	-
Value of employee services	39(b) (i)	-	-	715	-	-	-	-	-	-	-	715	-	715
Treasury shares re-issued	38(a), 39(b) (ii)	-	1,785	(841)	370	-	-	-	-	-	-	1,314	-	1,314

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Consolidated Statement of Changes in Equity^{1, 2}

As at 31 December 2018

Reference

Attributable to equity holders of the Company													
Equity component of													
	Share capital	Treasury shares	Share option reserve ³	Capital reserve ³	Fair value reserve ³	Hedging reserve ³	Currency translation reserve ³	convertible bonds	Asset revaluation reserve ³	Retained profits	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018													
Disposal of controlling interest in subsidiary		-	-	-	-	-	-	-	-	-	-	(75)	(75)
Dividend paid	41, 27	-	-	-	-	-	-	-	-	(8,082)	(8,082)	(1,460)	(9,542)
													SFRS(I) 1-1 (106) (d)(iii)
Total transactions with owners, recognised directly in equity		-	(604)	(126)	370	(257)	-	-	-	(7,825)	(8,442)	(1,535)	(9,977)
													SFRS(I) 1-1 (106) (d)(iii)
Balance 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

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

Consolidated Statement of Changes in Equity^{1, 2}

As at 31 December 2018

2018	Note	Attributable to equity holders of the Company												Reference	
		Equity component of convertible bonds													
		Share capital	Treasury shares	Share option reserve ³	Capital reserve ³	Fair value reserve ³	Hedging reserve ³	Currency translation reserve ³	Asset revaluation reserve ³	Retained profits	Total	Non-controlling interests	Total equity		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance as at 1 January 2017		32,024	(900)	1,892	-	127	24	-	-	2,000	63,355	98,522	1,766	100,288	SFRS(I) 1-1 (106)(d)
Profit for the year		-	-	-	-	-	-	-	-	-	29,364	29,364	2,549	31,913	SFRS(I) 1-1 (106)(d)(i)
Other Comprehensive income for the year		-	-	-	-	445	63	588	-	202	-	1,298	557	1,855	SFRS(I) 1-1 (106)(d)(ii)
Total comprehensive income for the year		-	-	-	-	445	63	588	-	202	29,364	30,662	3,106	33,768	SFRS(I) 1-1 (106A)
Purchase of treasury shares	38	-	(2,072)	-	-	-	-	-	-	-	-	(2,072)	-	(2,072)	SFRS(I) 1-32 (33)
Employee share option scheme															
- Value of employee services	39(b)(i)	-	-	690	-	-	-	-	-	-	-	690	-	690	SFRS(I) 2 (7)
- Treasury shares re-issued	38(a), 39(b)(ii)	-	1,554	(946)	488	-	-	-	-	-	-	1,096	-	1,096	SFRS(I) 1-32 (33)
Issue of new shares	38	9,884	-	-	-	-	-	-	-	-	-	9,884	-	9,884	
Share issue expenses	38	(413)	-	-	-	-	-	-	-	-	-	(413)	-	(413)	
Convertible bond															
- Equity component	39(b)(vi)	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685	SFRS(I) 1-32 (28)
Dividend paid	41, 27	-	-	-	-	-	-	-	-	-	(10,102)	(10,102)	(1,920)	(12,022)	

Consolidated Statement of Changes in Equity^{1, 2}

As at 31 December 2018

Reference

		Attributable to equity holders of the Company														
		Share capital	Treasury shares	Share option reserve ³	Capital reserve ³	Fair value reserve ³	Hedging reserve ³	Currency translation reserve ³	Equity component of convertible bonds	Asset revaluation reserve ³	Retained profits	Total	Non-controlling interests	Total equity		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	2018															

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

SFRS(I) 1-1
(106) (d)(iii)
SFRS(I) 1-1
(106) (d)(iii)SFRS(I) 1-1
(106) (d)(iii)
SFRS(I) 1-1
(106) (d)(iii)

Consolidated Statement of Changes in Equity^{1, 2}

For the financial year ended 31 December 2018

Guidance notes	
Consolidated Statement of Changes in Equity (“SoCE”)	
Presentation of each component of equity in the SoCE	
1	SFRS(I) 1-1 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. Components of equity include, e.g., each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits.
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.
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.

SFRS(I) 1-1
(106(d)),(108)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000	
Cash flows from operating activities¹				SFRS(I) 1-7 (1) SGX 1207 (5(c))
Total profit		37,820	31,913	SFRS(I) 1-7 (10,18(b))
Adjustments for:				SFRS(I) 1-7 (20(b),(c))
- Income tax expense		14,817	14,924	
- Employee share option expense		715	690	
- Amortisation and depreciation		13,704	18,650	
- Impairment loss on goodwill		1,081	4,650	
- Net gain on disposal of property, plant and equipment		-	(17)	
- Impairment loss on financial assets		31	575	
- Net gains on disposal of financial assets, at available-for-sale		-	(200)	
- Fair value loss/(gain) on derivatives		1,020	(424)	
- Fair value gain on financial assets, at FVPL not held for trading		(1,190)	-	
- Loss on disposal of a subsidiary		-	2,045	
- Net fair value (gains)/losses on investment properties		(174)	123	
- Interest income ³		(2,144)	(1,180)	SFRS(I) 1-7 (31-34)
- Dividend income ³		(3,102)	(2,230)	SFRS(I) 1-7 (31-34)
- Finance expenses ³		9,800	9,710	SFRS(I) 1-7 (31-34)
- Share of (profit)/loss of associated companies and joint venture		(340)	174	
- Unrealised currency translation losses ^{7,8}		1,527	1,076	SFRS(I) 1-7 (25-28)
		73,565	80,479	
Change in working capital, net of effects from acquisition and disposal of subsidiaries:				SFRS(I) 1-7 (20)(a)
- Inventories		(7,711)	(7,887)	
- Trade and other receivables		1,063	(6,986)	
- Contract assets and liabilities		(518)	(42)	
- Other current assets		(290)	(38)	
- Financial assets, at FVPL		(515)	(2,459)	
- Trade and other payables		(1,687)	(8,081)	
- Provisions		82	84	
Cash generated from operations		63,989	55,070	
Interest received ³		48	35	SFRS(I) 1-7 (31)
Interest paid ³		(5,087)	(5,789)	SFRS(I) 1-7 (31)
Income tax paid ⁴		(16,059)	(15,504)	SFRS(I) 1-7 (35),(36)
Net cash provided by operating activities		42,891	33,812	

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000	SFRS(I) 1-7 (1) SFRS(I) 1-7 (21)
Cash flows from investing activities				
Acquisition of a subsidiary, net of cash acquired	47	-	(13,400)	SFRS(I) 1-7 (39,42)
Additions to property, plant and equipment ⁵		(2,576)	(9,932)	SFRS(I) 1-7 (16)(a),(43)
Additions to investment property		(246)	(288)	SFRS(I) 1-7 (16)(a)
Additions to intangible assets		(1,409)	(2,730)	SFRS(I) 1-7 (16)(a)
Purchases of financial assets, at FVOCI/available-for-sale		(168)	(3,956)	SFRS(I) 1-7 (16)(c)
Purchases of financial assets, held-to-maturity		-	(472)	SFRS(I) 1-7 (16)(c)
Disposal of a subsidiary, net of cash disposed of	13	2,757	179	SFRS(I) 1-7 (39,42)
Disposal of property, plant and equipment		-	4,974	SFRS(I) 1-7 (16)(b)
Disposal of investment property		-	70	SFRS(I) 1-7 (16)(b)
Disposal of financial assets, at FVOCI/available-for-sale		1,113	300	SFRS(I) 1-7 (16)(d)
Loans to an associated company		(212)	(1,428)	SFRS(I) 1-7 (16)(e)
Repayment of loans by an associated company		1,440	36	SFRS(I) 1-7 (16)(f)
Dividends received ³		3,102	2,230	SFRS(I) 1-7 (31)
Interest received ³		1,742	2,290	SFRS(I) 1-7 (31)
Net cash provided by/(used in) investing activities		5,543	(22,127)	

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000	
Cash flows from financing activities				SFRS(I) 1-7 (21)
Additional bank deposits pledged		(250)	-	
Proceeds from issuance of ordinary shares		-	9,884	SFRS(I) 1-7 (17)(a)
Proceeds from re-issuance of treasury shares		1,229	982	SFRS(I) 1-7 (17)(b)
Share issue expense ⁹		-	(413)	SFRS(I) 1-7 (17)(b)
Proceeds from issuance of convertible bond		-	50,000	SFRS(I) 1-7 (17)(a)(c)
Proceeds from borrowings		9,300	8,500	SFRS(I) 1-7 (17)(c)
Purchase of treasury shares		(2,389)	(2,072)	SFRS(I) 1-7 (17)(b)
Repayment of borrowings		(27,691)	(71,073)	SFRS(I) 1-7 (17)(d)
Repayment of lease liabilities		(164)	(151)	SFRS(I) 1-7 (17)(e)
Interest paid ³		(2,991)	(3,180)	SFRS(I) 1-7 (17)(31)
Dividends paid to redeemable preference shareholders ³		(1,950)	(1,950)	
Dividends paid to equity holders of the Company		(8,082)	(10,102)	SFRS(I) 1-7 (17)(31)
Dividends paid to non-controlling interests		(1,460)	(1,920)	SFRS(I) 1-7 (17)(31)
Net cash used in financing activities		(34,448)	(21,495)	
Net increase/(decrease) in cash and cash equivalents		13,986	(9,810)	
Cash and cash equivalents				
Beginning of financial year		19,160	29,548	SFRS(I) 1-7 (45)
Effects of currency translation on cash and cash equivalents ⁸		(458)	(578)	SFRS(I) 1-7 (28)
End of financial year	13	32,688	19,160	SFRS(I) 1-7 (45)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

Reconciliation of liabilities arising from financing activities¹²

SFRS(I) 1-7
(44A)

	1 January 2018 \$'000	Proceeds from borrowings \$'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)	2,732	-	48,499
Bank borrowings	45,982	9,300	(33,269)	4,509	535	27,057
Lease liabilities	925	-	(164)	101	-	862

	1 January 2017 \$'000	Proceeds from borrowings \$'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	(2,500)	-	(2,106)	2,873	-	48,267
Bank borrowings	67,970	8,500	(77,542)	41,359	-	4,922	773	45,982
Lease liabilities	450	-	(151)	559	-	67	-	925

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:

SFRS(I) 1-7
(18(a))

	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Cash receipts from customers	259,089	205,483
Cash paid to suppliers and employees	(195,100)	(150,413)
Cash generated from operations	63,989	55,070
Interest received	48	35
Interest paid	(5,087)	(5,789)
Income taxes paid	(16,059)	(15,504)
Net cash provided by operating activities	42,891	33,812

SFRS(I) 1-7
(19)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

Guidance notes

Consolidated statement of cash flows (continued)

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).

SFRS(I) 5
(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 and dividends received and paid shall each be disclosed separately, and classified consistently from period to period. 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.

SFRS(I) 1-7
(31-34)

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.

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.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

Guidance notes

Consolidated statement of cash flows (continued)

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 does 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.

SFRS(I) 1-7
(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 SFRS(I) 1-7, which are reported on a net basis.

SFRS(I) 1-7
(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.

SFRS(I) 1-7
(43)

Classification of borrowing cost 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 2018

Guidance notes

Consolidated statement of cash flows (continued)

Net debt reconciliation

- 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.

SFRS(I) 1-7
(44C)

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.

Significant Accounting Policies

Notes to the Financial Statements

For the financial year ended 31 December 2018

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

SFRS(I) 1-1
(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 logistic services.

SFRS(I) 1-1
(138)(b)

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:

SFRS(I) 1-1
(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 directors’ statement, auditors’ report and financial statements should be based on the new name, followed by the words “Formerly known as [old name].”

2. Significant accounting policies^{1,2,3}

SFRS(I) 1-1
(112)(a)

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International)⁴ (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

SFRS(I) 1 (3)
SGX 1207
(5(d))
SFRS(I) 1-1
117(a)

The preparation of financial statements in conformity with SFRS(I) 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.

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Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Significant accounting policies (continued)

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.

SFRS(I) 1-1
(119)

Accounting policies shall be disclosed for all material components. The accounting policies illustrated in this publication must be tailored if they are adopted by other reporting entities to suit the particular circumstances and needs of readers of those financial statements.

- 2 Disclosure of accounting policies is particularly useful to users when there are alternatives allowed in Standards and Interpretations.

SFRS(I) 1-1
(119)

Example include measurement bases used for classes of property, plant and equipment (SFRS(I) 1-16).

- 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 material if they can, individually or collectively, influence the economic decisions of users 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.

SFRS(I) 1-1
(121)
SFRS(I) 1-1
(17)

Explicit and unreserved statement of compliance with SFRS(I)

- 4 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).

SFRS(I) 1 (3)

SFRS(I) comprise Standards and Interpretations that are equivalent to the following pronouncements issued by the International Accounting Standards Board (IASB):

- (a) International Financial Reporting Standards ("IFRS");
- (b) International Accounting Standards;
- (c) IFRIC Interpretations; and
- (d) SIC Interpretations.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Significant accounting policies (continued)

As SFRS(I) is identical to IFRS, an entity that is in compliance with SFRS(I) through the application of SFRS(I) 1 *First-time Adoption of SFRS(I)* ("SFRS(I) 1") can elect to assert dual compliance with both SFRS(I) and IFRS. For example: "These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS")."

The 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 with debt or equity instruments traded 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 the Monetary Authority of Singapore ("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) 1.

Going concern assumption

- 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.

SFRS(I) 1-1
(25,26)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Significant accounting policies (continued)

- 6 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.

SFRS(I) 1-10
(14)

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"*.

SFRS(I) 1-1
(25,26)

- 7 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"*.

SFRS(I) 1-1
(25,26)

2.2 Adoption of SFRS(I)¹

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").

SFRS(I) 1 (23)

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

SFRS(I) 1 (9)

Under SFRS(I) 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 SFRS(I) 1.

SFRS(I) 1 (7)

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

SFRS(I) 1 (6)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes		
Explanation of transition to SFRS(I)		
1	SFRS(I) 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.	SFRS(I) 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.	SFRS(I) 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.	SFRS(I) 1 (26)
Retrospective application of all accounting policies		
4	SFRS(I) 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 SFRS(I).	SFRS(I) 1 (7) SFRS(I) 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.	SFRS(I) 1 (8)
Review accounting policy choices		
6	A first-time adopter does not apply the requirements under SFRS(I) 1-8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> 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.	SFRS(I) 1 (27)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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 SFRS(I) 1-8, 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 SFRS(I) 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) 1-34 *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.

SFRS(I) 1
(27A)

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.

Interim SFRS(I) financial statements

- 9 Where an entity prepares interim financial reports in accordance with SFRS(I) 1-34 for part of the period covered by its first SFRS(I) financial statements, the entity is required to include for each interim financial report:
- (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.

SFRS(I) 1 (32)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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) 1-34 for part of the period covered by its first SFRS(I) financial statements.

SFRS(I) 1
(32(b))

Presentation and disclosure requirements

- 11 SFRS(I) 1 does not provide exemptions from the presentation and disclosure requirements in other SFRS(I).

SFRS(I) 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:
- 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.

SFRS(I) 1 (22)

Tax impact on retrospective adjustments

- 13 The application of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 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.

Optional exemptions under SFRS(I) 1

- 14 The exemptions illustrated in this publication are selected exemptions for which PwC Holdings Ltd has elected. Other available exemptions under SFRS(I) 1 which have not been illustrated are as follows:
- Share-based payment transactions
 - Insurance contracts
 - Deemed cost on investments in subsidiaries, joint ventures and associates
 - Assets and liabilities of subsidiaries, associates and joint ventures
 - Compound financial instruments
 - Designation of previously recognised financial instruments
 - Fair value measurement of financial assets or financial liabilities at initial recognition

SFRS(I) 1
(Appendix D)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I)¹ (continued)

Guidance notes

Optional exemptions under SFRS(I) 1 (continued)

- Decommissioning liabilities included in the cost of property, plant and equipment
- Financial assets or intangible assets accounted for in accordance with SFRS(I) INT 12 *Service Concession Arrangements*
- Extinguishing financial liabilities with equity instruments
- Severe hyperinflation
- Joint arrangements
- Stripping costs in the production phase of a surface mine
- Designation of contracts to buy or sell a non-financial item
- Foreign currency transactions and advance consideration

The optional exemptions under SFRS(I) 1 shall not be applied by analogy to other items.

Optional exemptions applied

- 15 SFRS(I) 1 does not explicitly require first-time adopters to disclose optional exemptions elected on transition to SFRS(I). However, we believe it is relevant to disclose the optional exemptions elected by the first-time adopter when SFRS(I) 1 is applied, especially if not applying the optional exemption may result in expected changes in the accounting treatment applied.

(a) Optional exemptions applied

SFRS(I) 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):

SFRS(I) 1 (7)

(i) Business combinations¹

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification^{2,3} as in its previous SFRS financial statements has been adopted.

SFRS(I) 1 (C1)
SFRS(I) 1
(C4(a))

The Group has not applied SFRS(I) 1-21 *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 21⁴.

SFRS(I) 1
(C2, C3)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

Guidance notes	
Business combinations	
16 SFRS 103 <i>Business Combinations</i> 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 SFRS(I) 3 retrospectively to past business combinations (i.e., business combinations that occurred before the date of transition to SFRS(I)).	
17 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 SFRS(I) 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 SFRS(I) 10 <i>Consolidated Financial Statements</i> from the same date.	SFRS(I) 1 (C1)
18 The classification of acquisition could include reverse acquisitions by the legal acquiree, uniting of interests, in addition to acquisitions by the legal acquirer.	SFRS(I) 1 (C4)
Translation of goodwill and fair value adjustments arising on acquisitions of foreign operations	
19 SFRS(I) 1 provides optional exemptions for first-time adopters to elect not to apply SFRS(I) 1-21 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 SFRS(I) 1-21 retrospectively to fair value adjustments and goodwill arising in all business combinations or those business combinations that it elects to restate to comply with SFRS(I) 3 (see guidance note 2 above).	SFRS(I) 1 (C2) SFRS(I) 1 (C3)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(ii) Deemed cost¹

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.

SFRS(I) 1
(D5, D7)

Guidance notes

Deemed cost

1 SFRS(I) 1 provides an optional exemption which allows entities to use a value that is not depreciated cost in accordance with SFRS(I) 1-16 *Property, Plant and Equipment*, SFRS(I) 1-40 *Investment Property* and SFRS(I) 1-38 *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 SFRS(I) 1-40) and intangible assets (only for those intangible assets that meet the criteria for recognition and revaluation under SFRS(I) 1-38) respectively.

SFRS(I) 1
(D5 – D8B)

2 Three possible values may be used as the basis of deemed cost if the optional exemption is elected:

SFRS(I) 1
(D5 – D8B)

- the fair value of the property, plant and equipment, investment property or intangible asset at the date of transition to SFRS(I);
- 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
- 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.

SFRS(I) 1 (D6)

SFRS(I) 1 (D6)

SFRS(I) 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.

SFRS(I) 1 (D7)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(iii) Cumulative translation differences¹

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.

SFRS(I) 1
(D13)

Guidance notes

Cumulative translation differences

- 1 SFRS(I) 1 provides an optional exemption which relieves entities from complying with certain requirements under SFRS(I) 1-21, 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.
- 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.

SFRS(I) 1
(D13)

SFRS(I) 1
(D13)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(iv) Leases¹

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

SFRS(I) 1
(D9A)

Guidance notes

Leases

- 1 SFRS(I) 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 SFRS(I) 1-17 Leases and SFRS(I) INT 4 need not reassess that determination when it adopts SFRS(I).
- 2 As SFRS 17 Leases and INT FRS 104 *Determining whether an Arrangement contains a Lease* contain identical guidance as SFRS(I) 1-17 and SFRS(I) INT 4, entities transitioning from SFRS to SFRS(I) may elect this exemption to not reassess arrangements under SFRS(I) INT 4 on the date of transition.

SFRS(I) 1 (D9)

SFRS(I) 1
(D9A)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(v) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

SFRS(I) 1
(D23)

Guidance notes

Borrowing costs

- 3 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.
- 4 The effective date and transitional provisions under SFRS 23 are not applicable to a first-time adopter as SFRS(I) 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 SFRS(I) 1 which provides relief from retrospective application.
- 5 SFRS(I) 1 contains a specific optional exemption which allows a first-time adopter to apply SFRS(I) 1-23 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).

SFRS 23 (29)

SFRS(I) 1 (9)

SFRS(I) 1
(D23)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied (continued)

(vi) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 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 SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

SFRS(I) 1
(E1, E2)

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(vii) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

SFRS(I) 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;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- 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.

SFRS(I) 15
(C5(b))

SFRS(I) 15
(C5(c))

SFRS(I) 15
(C5(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I)

SFRS(I) 1
(24(a))

As at 1 January 2017	Note	Reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	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
Trade and other receivables	B4	16,399	-	(1,188)	15,211
Inventories		17,094	-	-	17,094
Construction contract work-in-progress	B4	147	-	(147)	-
Contract assets	B3, B4	-	-	1,685	1,685
Other current assets	B1, B2	-	-	291	291
		78,630	-	641	79,271
Non-current assets					
Derivative financial instruments		112	-	-	112
Financial assets, available-for-sale		12,937	-	-	12,937
Financial assets, 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	A1	19,600	2,000	-	21,600
Deferred income tax assets		3,228	-	-	3,228
		151,374	2,000	-	153,374
Total assets		230,004	2,000	641	232,645
LIABILITIES					
Current liabilities					
Trade and other payables	B1, B4	10,556	-	407	10,963
Contract liabilities	B4	-	-	322	322
Current income tax liabilities		3,833	-	-	3,833
Derivative financial instruments		240	-	-	240
Borrowings		15,670	-	-	15,670
Provisions	B1, B4	2,295	-	(650)	1,645
		32,594	-	79	32,673

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I) (continued)

SFRS(I) 1
(24(a))

As at 1 January 2017	Note	Reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	Reported under SFRS(I) \$'000
Non-current liabilities					
Derivative financial instruments		44	-	-	44
Borrowings		89,214	-	-	89,214
Deferred income tax liabilities	A1, B2, B3	8,406	340	95	8,841
Provisions		1,585	-	-	1,585
		99,249	340	95	99,684
Total liabilities		131,843	340	174	132,357
NET ASSETS		98,161	1,660	467	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	A2, B2	6,419	(2,391)	15	4,043
Retained profits	A1, A2, B2, B3	58,852	4,051	452	63,355
		96,395	1,660	467	98,522
Non-controlling interests		1,766	-	-	1,766
Total equity		98,161	1,660	467	100,288

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I) (continued) SFRS(I) 1 (24(a))

	Note	As at 31 Dec 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	As at 31 Dec 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 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
Trade and other receivables	B4	19,510	-	(1,384)	18,126	(224)	17,902
Inventories		24,258	-	-	24,258	-	24,258
Construction contract work-in-progress	B4	262	-	(262)	-	-	-
Contract assets	B3,B4	-	-	2,026	2,026	(24)	2,002
Other current assets	B1,B2	-	-	329	329	-	329
		77,894	-	709	78,603	862	79,465
Assets of disposal group classified as held-for-sale		3,333	-	-	3,333	-	3,333
		81,227	-	709	81,936	862	82,798

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I) (continued) SFRS(I) 1
(24(a))

Note	As at 31 Dec 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	As at 31 Dec 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 9 [^] \$'000	As at 1 Jan 2018 reported under SFRS(I) \$'000
Non-current assets						
Derivative financial instruments	395	-	-	395	-	395
Financial assets, available-for-sale	17,248	-	-	17,248	(17,248)	-
Financial assets, at FVOCI	-	-	-	-	15,850	15,850
Other investments at amortised costs	-	-	-	-	2,403	2,403
Financial assets, held-to-maturity	2,122	-	-	2,122	(2,122)	-
Trade and other receivables	3,322	-	-	3,322	-	3,322
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 A1	24,930	1,800	-	26,730	-	26,730
Deferred income tax assets	3,319	-	-	3,319	15	3,334
	<u>218,705</u>	<u>1,800</u>	<u>-</u>	<u>220,505</u>	<u>(1,102)</u>	<u>219,403</u>
Total assets	<u>299,932</u>	<u>1,800</u>	<u>709</u>	<u>302,441</u>	<u>(240)</u>	<u>302,201</u>

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I) (continued)

SFRS(I) 1
(24(a))

	Note	As at 31 Dec 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	As at 31 Dec 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 9 [^] \$'000	As at 1 Jan 2018 reported under SFRS(I) \$'000
LIABILITIES							
Current liabilities							
Trade and other payables	B1, B4	16,441	-	184	16,625	-	16,625
Contract liabilities	B4	-	-	621	621	-	621
Current income tax liabilities		2,942	-	-	2,942	-	2,942
Derivative financial instruments		440	-	-	440	-	440
Borrowings		9,524	-	-	9,524	-	9,524
Provisions	B1, B4	2,126	-	(767)	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

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (b) Reconciliation of the Group's equity¹ reported in accordance with SFRS to SFRS(I) (continued) SFRS(I) 1
(24(a))

Note	As at 31 Dec 2017 reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	As at 31 Dec 2017 reported under SFRS(I) \$'000	Effects of applying SFRS(I) 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	A1, B2,B3 11,646	306	114	12,066	-	12,066
Provisions	1,655	-	-	1,655	-	1,655
	132,086	306	114	132,506	-	132,506
Total liabilities	163,779	306	152	164,237	-	164,237
NET ASSETS	136,153	1,494	557	138,204	(240)	137,964
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	A2,B2 9,628	(2,391)	21	7,258	(645)	6,613
Retained profits	A1,A2 B2,B3 78,196	3,885	536	82,617	405	83,022
	127,901	1,494	557	129,952	(240)	129,712
Non-controlling interests	8,252	-	-	8,252	-	8,252
Total equity	136,153	1,494	557	138,204	(240)	137,964

[^] The explanatory notes on the effects of applying the SFRS(I) 9 is detailed in Note 2.2(c).

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

SFRS(I) 1
(24(b))

For the financial year ended 31 December 2017	Note	Reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	Reported under SFRS(I) \$'000
Continuing operations					
Sales	B3	210,214	-	30	210,244
Cost of sales	A1, B2	(77,366)	(200)	73	(77,493)
Gross profit		132,848	(200)	103	132,751
Other income					
- Interest		1,180	-	-	1,180
- Others		2,718	-	-	2,718
Other gains and losses					
- Impairment loss on financial assets		(74)	-	-	(74)
- Others	A2	(1,383)	(1,100)	-	(2,483)
Expenses					
- Distribution and marketing		(51,040)	-	-	(51,040)
- Administrative		(29,105)	-	-	(29,105)
- Finance		(7,073)	-	-	(7,073)
Share of loss of associated companies and joint venture		(174)	-	-	(174)
Profit before income tax		47,897	(1,300)	103	46,700
Income tax expense	A1, B2, B3	(14,902)	34	(19)	(14,887)
Profit from continuing operations		32,995	(1,266)	84	31,813
Discontinued operations					
Profit from discontinued operations		100	-	-	100
Total profit		33,095	(1,266)	84	31,913

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I)¹ (continued)

- (c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I) (continued)

SFRS(I) 1
(24(b))

For the financial year ended 31 December 2017	Note	Reported under SFRS \$'000	Effects of applying SFRS(I) 1 ² \$'000	Effects of applying SFRS(I) 15 ² \$'000	Reported under SFRS(I) \$'000
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Financial assets, available-for-sale					
- Fair value gains – debt instruments		400	-	-	400
- Fair value gains – equity investments		182	-	-	182
- 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	B2	682	-	6	688
- Reclassification	A2	(1,200)	1,100	-	(100)
		(10)	1,100	6	1,096
Items that will not be reclassified subsequently to profit or loss:					
Revaluation gains on property, plant and equipment		207	-	-	207
Currency translation differences arising from consolidation					
- Gains		552	-	-	552
Other comprehensive income, net of tax		749	1,100	6	1,855
Total comprehensive income		33,844	(166)	90	33,768

Notes to the Financial Statements

For the financial year ended 31 December 2018

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).

SFRS(I) 1 (25)

Guidance notes

Reconciliations of equity and total comprehensive income

- 1 SFRS(I) 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. The above illustration is adapted from the example provided under Illustrative Example 11 under the Guidance for Implementing SFRS(I) 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) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

SFRS(I) 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

SFRS(I) 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.

SFRS(I) 1 (30)

The fair value was derived using the market approach. Market prices of comparable licenses were adjusted for differences in key attributes such as periods of contractual rights. The fair value is in Level 2 of the fair value hierarchy.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

A1. Fair value as deemed costs on licences (continued)

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 (31 December 2017: \$1,800,000 and \$306,000 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

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. For the year ended 31 December 2017, loss on disposal of subsidiary increased by \$1,100,000 as a result of the reduction in the cumulative translation reserve attributable to the subsidiary recognised as at 1 January 2017.

SFRS(I) 1
(D13)

B. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 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) 15 at 1 January 2018.

SFRS(I) 1 (7)

SFRS(I) 1
(D34)

The adoption of SFRS(I) 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) 15 (continued)

B1. Accounting for sales with a right of return (continued)

The accounting for such sales with a right of return under the SFRS(I) 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 rights to the returned goods at 31 December 2017 was \$110,000 and \$38,000 (1 January 2017: \$179,000 and \$79,000) respectively.

SFRS(I) 15
(B21)

SFRS(I) 15
(B25)

To reflect this change, the Group reclassified \$72,000 from "provisions" to \$110,000 of "other payables" and \$38,000 of "other current assets"¹ as at 31 December 2017 (1 January 2017: \$100,000 from "provisions" to \$179,000 of "other payables" and \$79,000 of "other current assets").

Guidance notes

Asset recognised arising from rights to recover products from customers

- 1 SFRS(I) 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.

B2. Accounting for costs to fulfil a contract

As at 31 December 2017, cumulative costs relating to the setup of an IT platform relating to a long-term specialised equipment construction contract 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 SFRS(I) 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they are capitalised as costs to fulfil a contract and included within other current assets.

SFRS(I) 15
(95)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) 15 (continued)

B2. Accounting for costs to fulfil a contract (continued)

Accordingly, the following adjustments were effected:

	Increase/(decrease)	
	As at 31	As at 1
	December 2017	January 2017
Balance sheet	\$'000	\$'000
Retained profits	221	161
Foreign currency translation reserve	21	15
Other current 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) 15 and concluded that there are two distinct performance obligations which are satisfied at different timings. This resulted in a \$30,000 increase in 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) 15. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) 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 on adopting SFRS(I) 15:

- (i) Contract assets relating to specialised equipment construction contracts were previously presented “as amounts due from customers arising from construction contracts” and “construction contract work-in-progress” of \$1,384,000 and \$262,000 (1 January 2017: \$1,188,000 and \$147,000) under SFRS.
- (ii) Other payables relating to expected volume discounts of \$695,000 (1 January 2017: \$550,000) were previously presented as “provisions” under SFRS.
- (iii) Contract liabilities in relation to specialised equipment construction contracts were previously presented as “advances received from customers arising from construction contracts” and “amounts due to customers arising from construction contracts” of \$541,000 and \$80,000 (1 January 2017: \$262,000 and \$60,000) under SFRS.

C. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(vi), the Group has elected to apply the short-term exemption to adopt SFRS(I) 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.

SFRS(I) 1 (E1)

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

SFRS(I) 1 (E2)

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.12.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 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 SFRS(I) 9. Material reclassifications resulting from management's assessment are disclosed below.

SFRS(I) 7
(42I)(a),(b),
(42O), (42L)

Note	Financial Assets				FVOCI \$'000	Deferred tax assets \$'000	Fair Value Reserves \$'000	Retained Profits \$'000
	FVPL \$'000	AFS \$'000	HTM \$'000	Amortised cost* \$'000				
Balance as at 31 December 2017 – before adoption of SFRS(I) 9	10,785	17,248	2,122	21,048	-	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	-	-	-
Allowance for expected credit loss impairment of financial assets (vi)	-	-	-	(255)	-	-	-	(255)
Relating tax impact on the above	-	-	-	-	-	10	-	10
Balance as at 1 January 2018 – after adoption of SFRS(I) 9	11,895	-	-	23,203	15,850	3,329	(73)	83,017

* Includes financial assets measured at amortised costs except for cash and cash equivalents

** Excludes derivative financial instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 9 (continued)

C1. Classification and measurement of financial assets (continued)

SFRS(I) 7
(42J)(a)

(i) *Reclassification of financial assets from available-for-sale to FVPL*

Investments in certain preference shares amounting to \$1,110,000 were reclassified from the "available-for-sale" category to "FVPL" category. They are non-equity instruments that do not meet the criteria to be classified as amortised cost in accordance with SFRS(I) 9, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of \$50,000 were transferred from the fair value reserve to retained earnings on 1 January 2018. 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.

(ii) *Reclassification from available-for-sale to amortised cost*

SFRS(I) 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. Related fair value gains of \$20,000 were transferred from the fair value reserve to retained earnings on 1 January 2018.

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.

SFRS(I) 7
(42N)(a),(b)

The fair value of these listed corporate bonds is \$302,000 as at 31 December 2018. A fair value gain of \$14,000 would have otherwise been recognised in other comprehensive income for the financial year ended 31 December 2018 and accumulated in the fair value reserve as at 31 December 2018, if the listed corporate bonds had not been reclassified to "amortised cost".

SFRS(I) 7
(42M)(a),(b)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 9 (continued)

C1. Classification and measurement of financial assets (continued)

(iii) *Equity investments reclassified from available-for-sale 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. 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 retained profits was reclassified to fair value reserves on the same date. Other income and income tax expense for the financial year ended 31 December 2018 was \$257,000 and \$35,000 lower respectively as there is no longer any reclassification of accumulated fair value gains from reserves to profit or loss on the disposal of these investments.

SFRS(I) 7
(42J)(a)

(iv) *Reclassification from held-to-maturity to amortised cost*

Unlisted debt securities amounting to \$2,122,000 previously classified as "held-to maturity" were reclassified to "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 \$7,000 in the provision for impairment of these assets was recognised on 1 January 2018.

SFRS(I) 7
(42J)(a)

(v) *Available-for-sale debt instruments reclassified as FVOCI*

Unlisted bonds amounting to \$4,237,000 as at 1 January 2018 previously classified as "available for sale" were reclassified as "FVOCI". 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.

SFRS(I) 7
(42J)(a)

(vi) *Impairment of financial assets*

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- lease receivables recognised under SFRS(I) 1-17;

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 9 (continued)

(vi) Impairment of financial assets (continued)

- debt instruments measured at FVOCI 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 SFRS(I) 9 is as disclosed in Note 2.12 and Note 44(b).

- (e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet 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) 9, as follows:

SFRS(I) 1
(24(a))

A. Classification and measurement of financial assets

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) 9. Material reclassifications resulting from management's assessment are as follows:

SFRS(I) 7
(42I(a),(b)),
(42L), (42O)

Note	Financial Assets			Deferred tax asset	Retained Profits
	AFS \$'000	Amortised cost* \$'000	FVOCI \$'000		
Balance as at 31 December 2017 – before adoption of SFRS(I) 9	1,500	10,698	-	-	1,338
Reclassify non-trading equities from AFS to FVOCI	(i)	(1,500)	1,500	-	-
Provision for impairment:					
- Trade and other receivables	(ii)	-	(211)	-	(211)
Relating tax impact on the above		-	-	39	(39)
Balance as at 1 January 2018 – after adoption of SFRS(I) 9	-	10,487	1,500	39	1,088

* Includes financial assets measured at amortised costs except for cash and cash equivalents.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.2 Adoption of SFRS(I) (continued)

- (e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I) (continued)

SFRS(I) 1
(24(a))

- (i) *Equity investments reclassified from available-for-sale to FVOCI*

SFRS(I) 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 FVOCI" on 1 January 2018.

- (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) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- debt instruments measured at FVOCI and amortised cost;
- loans to related parties and other receivables at amortised cost; and
- issued financial guarantees for bank borrowings of subsidiaries.

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 SFRS(I) 9 is as disclosed in Note 2.12 and Note 44(b).

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.3 Revenue

(a) *Wholesale of furniture and electronic equipment*

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.

SFRS(I) 15
(119(a), (c))
SFRS(I) 15
(125)

Furniture is often sold with retrospective 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 refund 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.

SFRS(I) 15
(126(a), (c))

SFRS(I) 15
(119(b))

SFRS(I) 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.

SFRS(I) 15
(117)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.3 Revenue (continued)

(b) Retail of household furniture

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.

SFRS(I) 15
(119(a),(c))
SFRS(I) 15
(125)

Payment of the transaction price is due immediately when the customer purchases the furniture. However, the customer has a right to return the goods to the Group within 28 days of delivery to the customer. Therefore, a 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. The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material, because the customer usually returns the product in a saleable condition at the store.

SFRS(I) 15
(119(b), (d))

SFRS(I) 15
(126(d))

The Group does not operate any customer loyalty programme¹.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Revenue

- 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 based on the discount granted when the points are redeemed and on the likelihood of redemption. Likelihood of redemption is estimated using past experience and redemption forecasts. 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."

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.3 Revenue (continued)

(c) *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.

SFRS(I) 15
(119(a),(c))

SFRS(I) 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.

SFRS(I) 15
(119(b))
SFRS(I) 15
(117)

(d) *Construction of specialised equipment*

The construction division manufactures and produces 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.

SFRS(I) 15
(119(a),(c))
SFRS(I) 15
(123)

The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group 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 and instead are expensed as incurred.

SFRS(I) 15
(123)

SFRS(I) 15
(124)

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.

SFRS(I) 15
(125)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.3 Revenue (continued)

(d) Construction of specialised equipment (continued)

The period between the transfer of the promised goods and payment by the customer may exceed one year. 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. As a consequence, the Group does not adjust any of the transaction prices for the time value of money².

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.

SFRS(I) 15
(117)

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.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs 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.

SFRS(I) 15
(95)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(e) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method

SFRS(I) 15 (5)
SFRS(I) 9
(5.4.1)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.3 Revenue (continued)

(f) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

SFRS(I) 9
(5.7.1A)

(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 term¹.

SFRS(I) 1-17
(50)

Guidance notes

Rental income

- 1 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.

Significant financing component

- 2 In this illustration, the Group does not have any significant financing component in its contracts with customers. For entities with significant financing component in its contracts with customers, the following disclosure can be considered:

SFRS(I) 15
(60-65)

“An element of significant financing is deemed present for the Group’s construction of specialised equipment. In determining the transaction price, the Group adjusts the promised consideration for the effects of the significant financing component using a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.”

- 3 Entities electing the practical expedient on the accounting for significant financing component (where the period between the transfer of control of good or service and payment date is one year or less) may consider the following disclosure:

“The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.”

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Consideration payable to customers

- 4 In this illustration, the Group provides volume discounts, which are payments to customers where the payments are not for distinct goods or services from the customer.

SFRS(I) 15
(70-72)

If the payment is for distinct goods or services received from the customer, the Group accounts for any excess of the consideration payable to the customer over the fair value of the distinct goods or services as a reduction of the transaction price. If the fair value of the goods or services received from the customer cannot be reliably estimated, the Group accounts for all of the consideration payable to the customer as a reduction of the transaction price.

Contract modifications

- 5 In this illustration, the Group does not have any significant contract modifications. Entities with contract modifications should account for contract modifications as follows:

SFRS(I) 15
(18-21)

- Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts;
- Contract modifications that add distinct goods or services but not at their standalone selling prices are accounted for as a continuation of the existing contract. The Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations.
- Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification."

2.4 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.

SFRS(I) 1-20
(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 income¹.

SFRS(I) 1-20
(12)

Government grants relating to assets are deducted against the carrying amount of the assets².

SFRS(I) 1-20
(24)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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.
- 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.

SFRS(I) 1-20
(29)

SFRS(I) 1-20
(24)

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

2.5 Group accounting¹

(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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

SFRS(I) 10
(5-7)

SFRS(I) 10
(20)
SFRS(I) 10
(25)

In preparing the consolidated financial statements², transactions, 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.

SFRS(I) 10
(B86(c))

SFRS(I) 10
(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.

SFRS(I) 10
(B94)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.5 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. SFRS(I) 3 (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. SFRS(I) 3 (37)
SFRS(I) 3 (39)

Acquisition-related costs are expensed as incurred. SFRS(I) 3 (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. SFRS(I) 3 (18, 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. SFRS(I) 3 (19)

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. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill⁴. SFRS(I) 3 (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. SFRS(I) 10 (B98)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.5 Group accounting (continued)

(a) *Subsidiaries* (continued)

(iii) *Disposals* (continued)

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.

SFRS(I) 10
(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 Company¹.

DV

Guidance notes

Group accounting – (a) Subsidiaries

Exemption from preparing consolidated financial statements

- 1 When a parent is exempted under paragraph 4(a) of SFRS(I) 10 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:

SFRS(I) 10
(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 that comply with SFRS(I)s or IFRS]. 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.”

SFRS(I) 1-27
(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.

SFRS(I) 1-27
(16(b, c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Group accounting – (a) Subsidiaries (continued)

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 SFRS(I) 1-27) prepares, in accordance with paragraph 8A of SFRS(I) 1-27 Separate Financial Statements as its only financial statements, the following disclosure should be considered:

SFRS(I) 10
(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 SFRS(I) 10 Consolidated Financial Statements. Accordingly, the Company has measured its investment in subsidiaries at fair value through profit or loss in accordance with SFRS(I) 9 Financial Instruments.”

SFRS(I) 1-27
(16A)

The investment entity that is a parent shall also present the disclosures relating to investment entities required by SFRS(I) 12 *Disclosure of Interests in Other Entities*.

SFRS(I) 12
(9A – B),
(19A-G)

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.

SFRS(I) 10
(B92, B93)

SFRS(I) 12
(11)

A similar requirement applies to the financial statements of associated companies and joint ventures used for the purpose of equity accounting.

SFRS(I) 12
(22(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Group accounting – (a) Subsidiaries (continued)

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):

SFRS(I) 3 (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.

SFRS(I) 3 (36)

For further information, please refer to Application Guidance B64(n) of SFRS(I) 3.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.5 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.

SFRS(I) 10
(23)
SFRS(I) 10
(B96)

(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%

SFRS(I) 1-28
(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.

SFRS(I) 11
(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.

SFRS(I) 1-28
(16)

(i) *Acquisition*

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 investments⁴.

SFRS(I) 1-27
(10(a))

SFRS(I) 1-28
(32(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.5 Group accounting (continued)

(c) *Associated companies and joint ventures⁵ (continued)*

(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. 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 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. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

SFRS(I) 1-28
(10)

SFRS(I) 1-28
(38,39)

SFRS(I) 1-28
(28)

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.

SFRS(I) 1-28
(29)

SFRS(I) 1-28
(35,36)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.5 Group accounting (continued)

(c) Associated companies and joint ventures⁵ (continued)

(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 measured 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 loss³.

SFRS(I) 1-28
(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

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.

SFRS(I) 1-28
(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 SFRS(I) 10 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries.

SFRS(I) 1-28
(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 SFRS(I) 9. 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.

SFRS(I) 1-28
(18,19)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

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

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.

SFRS(I) 1-28
(22(c), 23)

Bargain purchase

- 4 On acquisition 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.

SFRS(I) 1-28
(32(b))

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.

SFRS(I) 11
(15)

The Group recognises, in relation to its interest in the joint operation:

- *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.*

SFRS(I) 11
(20)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

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

Joint operations (continued)

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.

SFRS(I) 11
(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.

SFRS(I) 11
(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.

SFRS(I) 11
(21)

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

DV

2.6 Property, plant and equipment

(a) Measurement¹

(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.

SFRS(I) 1-16
(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.

SFRS(I) 1-16
(34)

SFRS(I) 1-16
(35(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.6 Property, plant and equipment (continued)

(a) *Measurement^f* (continued)

(i) *Land and buildings* (continued)

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.

SFRS(I) 1-16
(39)
SFRS(I) 1-21
(30)
SFRS(I) 1-16
(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.

SFRS(I) 1-16
(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 attributable⁵ 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 2.8 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.

SFRS(I) 1-16
(16,17)

SFRS(I) 1-23
(10,11)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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 2.6(a)(ii)) or the revaluation model (as illustrated in Note 2.6(a)(i)).

SFRS(I) 1-16
(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.

SFRS(I) 1-16
(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 2.

SFRS(I) 1-16
(16(c))

Computer software licence and development costs

- 3 Computer software licence and development costs shall be accounted for as intangible assets using SFRS(I) 1-38 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 SFRS(I) 1-16.

SFRS(I) 1-38
(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.

SFRS(I) 1-16
(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.

SFRS(I) 1-16
(16(b), 17, 19,
21, 22)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.6 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 as follows:

SFRS(I) 1-16
(50, 73(b),
73(c))

	<u>Useful lives</u>
Leasehold land ²	99 years
Buildings	25 – 50 years
Motor vehicles	4 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.

SFRS(I) 1-16
(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.

SFRS(I) 1-16
(12), (13)

(d) Disposal

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 losses”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

SFRS(I) 1-16
(67), (68), (71)

SFRS(I) 1-16
(41)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Property, plant and equipment (“PPE”) – (b) Depreciation

Component approach to depreciation

- 6 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.

SFRS(I) 1-16
(7), (13), (14),
(43)

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

- 7 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.

SFRS(I) 1-16
(6), (56), (57)

SFRS(I) 1-17
(27)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.7 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.

SFRS(I) 3 (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.

SFRS(I) 1-28
(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.

(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 10 to 15 years, which is the shorter of their estimated useful lives and periods of contractual rights.

SFRS(I) 1-38
(74)
SFRS(I) 1-38
(118)(a), (b)
SFRS(I) 1-38
(94),(97)

(c) Acquired computer software licences¹

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.

SFRS(I) 1-38
(24)

SFRS(I) 1-38
(27,28)

SFRS(I) 1-38
(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.

SFRS(I) 1-38
(74),
(118)(a),(b)
SFRS(I) 1-38
(97)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.7 Intangible assets (continued)

(c) *Acquired computer software licences*¹ (continued)

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.

SFRS(I) 1-38
(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):

SFRS(I) 1-38
(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.”

2.8 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.

SFRS(I) 1-23
(8, 12, 14)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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.

SFRS(I) 1-23
(14)

2.9 Investment properties

Investment properties include those portions¹ of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases 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.

SFRS(I) 1-40
(5), (6), (10)
SFRS(I) 1-40
(75)(b)
SFRS(I) 1-40
(8)

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

SFRS(I) 1-40
(20), (30), (35)
(75)(e)

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. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

SFRS(I) 1-40
(17)

SFRS(I) 1-40
(18), (66)

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

SFRS(I) 1-40
(66)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment properties

Classification as investment property

- 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.

SFRS(I) 1-40
(75)(c)
SFRS(I) 1-1
(122)
SFRS(I) 1-40
(11)

Property interests

- 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.

SFRS(I) 1-40
(6), (25), (75b)

Cost model

- 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:

SFRS(I) 1-40
(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”

SFRS(I) 1-40
(56)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment properties (continued)

Cost model (continued)

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:

SFRS(I) 1-40
(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.

Determination of fair value

- 4 Under SFRS(I) 13, 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.

SFRS(I) 1-40
(5)
SFRS(I) 13
(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 SFRS(I) 1-40 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.

SFRS(I) 1-27
(10(a))
SFRS(I) 1-27
(16), (17)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investments in subsidiaries, associated companies and joint ventures

Investments accounted for in accordance with SFRS(I) 9 and SFRS(I) 1-28

- | | | |
|---|--|-----------------------|
| 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 SFRS(I) 9; or (c) equity method as described in SFRS(I) 1-28. | SFRS(I) 1-27
(10) |
| 2 | If an entity elects, in accordance with paragraph 18 of SFRS(I) 1-28, to measure its investments in associated companies and joint ventures at fair value through profit or loss in accordance with SFRS(I) 9, it shall also account for those investments in the same way in its separate financial statements. | SFRS(I) 1-27
(11) |
| 3 | If a parent is required, in accordance with paragraph 31 of SFRS(I) 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with SFRS(I) 9, it shall also account for its investment in a subsidiary in the same way in its separate financial statements. | SFRS(I) 1-27
(11A) |

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: | SFRS(I) 1-36
(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.

SFRS(I) 1-36
(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.

SFRS(I) 1-36
(80)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.11 Impairment of non-financial assets (continued)

(a) Goodwill (continued)

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.

SFRS(I) 1-36
(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.

SFRS(I) 1-36
(104)

An impairment loss on goodwill is recognised as an expense and is not reversed¹ in a subsequent period.

SFRS(I) 1-36
(60), (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.

SFRS(I) 1-36
(9), (10)(b)
SFRS(I) 1-28
(42)

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.

SFRS(I) 1-36
(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.

SFRS(I) 1-36
(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, 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.

SFRS(I) 1-36
(60)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.11 Impairment of non-financial assets (continued)

(b) *Intangible assets*

Property, plant and equipment

Investments in subsidiaries, associated companies and joint ventures

(continued)

An impairment loss for an asset other than goodwill is reversed 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.

SFRS(I) 1-36
(114)

SFRS(I) 1-36
(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, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

SFRS(I) 1-36
(119)

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.

SFRS(I) INT10
(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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(a) Classification (continued)

(iii) Financial assets, held-to-maturity

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.

(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.

(b) 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(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 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.

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.

Interest and dividend income 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(e) Impairment (continued)

(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.

(ii) *Financial assets, available-for-sale*

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

The accounting for financial assets from 1 January 2018 are as follows:

SFRS(I) 7 (21)

(f) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

SFRS(I) 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.

SFRS(I) 9
(4.1.2),
(4.1.2.A),
(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.

SFRS(I) 9
(4.3.2)

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

SFRS(I) 9
(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.

SFRS(I) 9
(5.1.1)

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

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:

SFRS(I) 9
(5.2.1),
(4.1.1)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(f) Classification and measurement (continued)

At subsequent measurement (continued)

(i) Debt instruments (continued)

- 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 instrument 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 interest income using the effective interest rate method.
- 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 and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- 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 is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

SFRS(I) 9
(4.1.2)

SFRS(I) 9
(4.1.2A)

SFRS(I) 9
(4.1.4)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(f) *Classification and measurement* (continued)

At subsequent measurement (continued)

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments 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 and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

SFRS(I) 9
(4.1.4),
(5.7.5),
(5.7.6)

SFRS(I) 7
B5(e)

(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. Note 44 details how the Group determines whether there has been a significant increase in credit risk.

SFRS(I) 9
(5.5.17),
(5.2.2)

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

SFRS(I) 9
(5.5.15)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.12 Financial assets (continued)

(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.

SFRS(I) 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.

SFRS(I) 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.

SFRS(I) 9
(3.2.6)

2.13 Derivatives financial instruments and hedging activities

SFRS(I) 7
(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.

SFRS(I) 9
(4.1.4), (5.1.1),
(5.2.3)

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.13 Derivatives 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.

SFRS(I) 9
(6.4.1(a), (b))

The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 15. 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.

SFRS(I) 1-1
(66),(69)

The following hedges in-placed as at 31 December 2017 qualified respectively as fair value, cash flow, and net investment hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

(a) Fair value hedge

The firm commitment of contracts entered into with various customers denominated in foreign currencies are designated as the hedged item. The Group uses foreign currency forwards to hedge its exposure to foreign currency risk arising from these contracts. 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 in profit or loss and presented separately in "other gains and losses".

SFRS(I) 9
(6.5.8)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.13 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.

SFRS(I) 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 hedging 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.

(ii) Currency forwards

The Group has entered into currency forwards¹ 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:

SFRS(I) 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 and 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).
- 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).

SFRS(I) 9
(6.5.11(d)(i))

SFRS(I) 9
(6.5.11(c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.13 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 SFRS (I) 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. This transition requirement is not applicable for a first-time adopter.

SFRS(I) 9
6.2.4

(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.

SFRS(I) 9
(6.5.13),
(6.5.14)

2.14 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.

SFRS(I)
1-32 (42)

2.15 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:

SFRS(I) 9
(4.2.1(c)),
(5.1.1)

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.15 Financial guarantees (continued)

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

SFRS(I) 9
App A

Financial guarantees versus insurance contracts

- 2 Financial guarantees shall be accounted for under SFRS(I) 9, unless the issuer has previously asserted explicitly that it regards them as insurance contracts and has accounted for them as insurance contracts, in which case the issuer may then elect to apply either SFRS(I) 9 or SFRS(I) 4 for these contracts. The issuer shall make the election contract by contract, but once the election is made, it is irrevocable.

SFRS(I) 4
(4)(d)
SFRS(I) 9
(2.1(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 SFRS(I) 1-24 shall also be made.
- 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.

SFRS(I) 1-24
(21)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.16 Borrowings

SFRS(I) 7 (21)

Borrowings are presented as current liabilities¹ 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 liabilities².

SFRS(I) 1-1
(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.

(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.

SFRS(I) 1-32
(18)(a), (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.

SFRS(I) 1-32
(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.

SFRS(I) 1-32
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.

SFRS(I) 1-32
(32)

SFRS(I) 1-32
AG32

Notes to the Financial Statements

For the financial year ended 31 December 2018

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. SFRS(I) 1-1 (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. SFRS(I) 1-1 (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. SFRS(I) 9 (3.3.3)

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 SFRS(I) 1-32 to determine whether they shall be classified as a liabilities or equity. SFRS(I) 1-32 (15),(16), (18)(a)

Facility fees

- 5 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. SFRS(I) 9 (B5.4.2)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.17 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.

SFRS(I) 1-1
(66, 69)

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

SFRS(I) 9
(5.1.1)

2.18 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.

SFRS(I) 1-17
(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.

SFRS(I) 1-17
(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.

SFRS(I) 1-17
(25)

(ii) *Lessee – Finance leases*

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.

SFRS(I) 1-17
(4)

SFRS(I) 1-17
(33)

Contingent rents² are recognised as an expense in profit or loss when incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.18 Leases (continued)

(b) When the Group is the lessor³:

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.

SFRS(I) 1-17
(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.

SFRS(I) 1-17
(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.

SFRS(I) 1-17
(40)

SFRS(I) 1-17
(39)

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.

SFRS(I) 1-17
(36)

(ii) Lessor – Operating leases

Leases 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.

SFRS(I) 1-17
(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.

SFRS(I) 1-17
(52)

Contingent rents² are recognised as income in profit or loss when earned.

Notes to the Financial Statements

For the financial year ended 31 December 2018

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:

SFRS(I) 1-17
(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.”

SFRS(I) 1-17
(24)

Lessee – Operating leases

SFRS(I) 1-17 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.

SFRS(I) 1-17
(31)(c,e)

SFRS(I) 1-17
(47)(e), (56)(e)

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.”

SFRS(I) 1-17
(4)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.19 Inventories¹

Inventories are carried at the lower of cost 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)⁵. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. 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.

SFRS(I) 1-2
(9),(25),(36(a))
(10)

SFRS(I) 1-23
(6),(7)
SFRS(I) 9
(6.5.11)(d)(i)
SFRS(I) 1-2 (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:

SFRS(I) 1-2
(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.
- 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.
- 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.

SFRS(I) 1-2
(10-18)

SFRS(I) 1-2
(11)

SFRS(I) 1-2
(15,16)

Please refer to paragraph 16 of SFRS(I) 1-2 for examples of costs excluded from the cost of inventories.

- 5 Where applicable, costs of inventories may include borrowing costs if inventories are assessed to be qualifying assets.

SFRS(I) 1-23
(7)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.20 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.

SFRS(I) 1-12
(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.

SFRS(I) 1-12
(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.

SFRS(I) 1-12
(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.

SFRS(I) 1-12
(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
- (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.

SFRS(I) 1-12
(47)

SFRS(I) 1-12
(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.

SFRS(I) 1-12
(58),(61A),(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.

SFRS(I) 1-12
(34)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.21 Provisions¹

Provisions for warranty, 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.

SFRS(I) 1-37
(14),(23)

SFRS(I) 1-37
(72),(63)

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

SFRS(I) 1-37
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.

SFRS(I) 1-37
(45),(47)

SFRS(I) 1-37
(60)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

SFRS(I) 1-37
(59)

Guidance notes

Provisions

Onerous contracts

1 If the entity has any onerous contract, the following disclosure is suggested:

SFRS(I) 1-37
(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.”

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.22 Employee compensation¹

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. SFRS(I) 1-19
(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. SFRS(I) 1-19
(8)

(b) *Share-based compensation*^{2,3,4}

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase 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. 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. SFRS(I) 2
(2)(a)

SFRS(I) 2 (7,8)

SFRS(I) 2 (16)

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 in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period. SFRS(I) 2 (19)

SFRS(I) 2 (20)

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 employees⁵. SFRS(I) 1-19
(159)

SFRS(I) 1-19
(165)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.22 Employee compensation (continued)

(c) Termination benefits⁵

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 SFRS(I) 1-37 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.

SFRS(I) 1-19
(169)(b)

Guidance notes

Employee compensation

Defined benefit plan

- 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 3 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:

“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.”

SFRS(I) 2 (30)

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. SFRS(I) 2 is applicable in such cases.

SFRS(I) 2 (3A)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Employee compensation (continued)

Share-based compensation – Modification

- 4 If there is any modification of the share option plan, the following disclosure is suggested:

“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.”

SFRS(I) 2 (27)

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.

SFRS(I) 2 (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.

SFRS(I) 1-19 (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 SFRS(1) 1-19.

SFRS(I) 1-19 (153)

The measurement of these benefits follows that of post-employment defined benefits except that remeasurements are not recognised in other comprehensive income.

Profit sharing and bonus plans

- 8 If such benefits are material, the following disclosure is suggested: “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.”

SFRS(I) 1-19 (154)

SFRS(I) 1-19 (19)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Employee compensation (continued)

- 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.

SFRS(I) 1-19
(20)

Short-term compensated absences

- 10 If such benefits are material, the following disclosure is suggested:

“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.”

SFRS(I) 1-19
(16)

2.23 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”). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

SFRS(I) 1-21
(8)
SFRS(I) 1-1
(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.
- 2 When the financial statements are presented in a currency different from the company’s functional currency, the following are required to be disclosed:
 - (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.

SFRS(I) 1-21
(54)

SFRS(I) 1-21
(53)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.23 Currency translation (continued)

(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.

SFRS(I) 1-21
(21)

Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. 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.

SFRS(I) 1-21
(23)(a), (28)

SFRS(I) 1-21
(32)
SFRS(I) 1-39
(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.

SFRS(I) 1-21
(48)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other 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.

SFRS(I) 1-21
(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:

SFRS(I) 1-21
(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

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.23 Currency translation (continued)

(c) Translation of Group entities' financial statements (continued)

- (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 with loss of control of the foreign operation. SFRS(I) 1-21 (48)

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. SFRS(I) 1-21 (47)

2.24 Segment reporting

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. SFRS(I) 8 (5)(b)

2.25 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. SFRS(I) 1-7 (45)

2.26 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. SFRS(I) 1-32 (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. SFRS(I) 1-32 (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

Notes to the Financial Statements

For the financial year ended 31 December 2018

2.26 Share capital and treasury shares (continued)

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.

SFRS(I) 1-32
(33)

Guidance notes

Share capital and treasury shares

- 1 SFRS(I) 1-32 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.

SFRS(I) 1-32
(35)

2.27 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

SFRS(I) 10
(12)
SFRS(I) 1-32
(35)

2.28 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.

SFRS(I) 5
(6),(15)

SFRS(I) 5
(25),(20)

SFRS(I) 5
(22)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

SFRS(I) 5
(35)

- (a) represents a separate major line of business or geographical area of operations; or
- (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

Notes to the Financial Statements

For the financial year ended 31 December 2018

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.

SFRS(I) 1-1
(122), (125),
(126), (129)

3.1 Critical accounting estimates and assumptions

(a) 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. Discounts granted are allocated to both performance obligations based on their relative stand-alone selling prices.

SFRS(I) 15
(123), (126(c))

(b) Estimation of total contract costs

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 ("input method").

SFRS(I) 15
(123)

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 is recognised immediately.

Significant judgement is 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3.1 Critical accounting estimates and assumptions (continued)

(b) Estimation of total contract costs (continued)

As at 31 December 2018, \$2,000,000 of the Group's contract assets is subject to the estimation of progress towards completion using the input method. 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 and contract assets 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.

(c) Estimated impairment goodwill

The Group has recognised an impairment charge on its goodwill of \$1,081,000 during the financial year which resulted in the carrying amount of goodwill as at 31 December 2018 to reduce to \$10,377,000.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 30(a), the recoverable amounts of the cash-generating units ("CGUs") in which goodwill has been attributable to, are determined in using value-in-use ("VIU") calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amounts of 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 30(a).

For its goodwill attributable to China component CGU:

- 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 \$1,290,000;
- If the estimated weighted average growth rate used had been 1% lower than management's estimates (for example: 1.5% instead of 2.5%), the Group would have recognised a further impairment charge on goodwill of \$950,000; 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: 15% instead of 14%), the Group would have recognised a further impairment charge on goodwill of \$1,660,000.

Notes to the Financial Statements

For the financial year ended 31 December 2018

3.1 Critical accounting estimates and assumptions (continued)

(c) *Estimated impairment goodwill* (continued)

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.

(d) *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 the deductibility of certain 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 \$2,850,000.

3.2 Critical judgements in applying the entity's accounting policies

(a) *Critical judgements in recognising revenue – Wholesale of furniture*

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).

SFRS(I) 15
(123)

Notes to the Financial Statements

For the financial year ended 31 December 2018

3.2 Critical judgements in applying the entity's accounting policies (continued)

(a) *Critical judgements in recognising revenue – Wholesale of furniture (continued)*

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)).

(b) *Impairment of trade receivables and contract assets*

As at 31 December 2018, the Group's trade receivables and contract assets amounted to \$16,044,000 (Note 20) and \$2,471,000 respectively, arising from the Group's different revenue segments – furniture and electronic equipment wholesale, specialised equipment construction and logistics services.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. A loss allowance of \$735,000 for trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment are set out in Note 44(b)(i).

Notes to the Financial Statements

For the financial year ended 31 December 2018

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. SFRS(I) 1-1 (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. SFRS(I) 1-1 (129)
SFRS(I) 1-1 (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; SFRS(I) 12 (9)(a)
 - The entity has less than of the voting rights but has control (e.g. de facto control); SFRS(I) 12 (9)(b)
 - Whether the entity is an agent or a principal; SFRS(I) 12 (9)(c)
 - The entity does not have significant influence even though it holds 20% or more of the voting rights; SFRS(I) 12 (9)(d)
 - The entity holds less than 20% of the voting rights but has significant influence and; SFRS(I) 12 (9)(e)
 - Determination of the classification of joint arrangements as joint operations or joint ventures. SFRS(I) 12 (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. SFRS(I) 12 (7)
SFRS(I) 12 (8)
- 5 When a parent determines that it is an investment entity in accordance with paragraph 27 of SFRS(I) 10, 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 SFRS(I) 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity. SFRS(I) 12 (9A)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Critical accounting estimates, assumptions and judgements (continued)

- 6 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:
- (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 SFRS(I) 10; and
 - (c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. Revenue from contracts with customers^{1,8}

(a) Disaggregation of revenue from contracts with customers²⁻⁴

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. Revenue is attributed to countries by location of customers.

SFRS(I) 15
(113)
SFRS(I) 8
(33(a))

	<u>At a point in time</u> \$'000	<u>Over time</u> \$'000	<u>Total</u> \$'000
2018			
Component parts			
- Singapore	67,291	-	67,291
- People's Republic of China	42,449	-	42,449
- The Philippines	2,410	-	2,410
- Thailand	1,575	-	1,575
	<u>113,725</u>	<u>-</u>	<u>113,725</u>
Furniture			
- People's Republic of China	29,645	-	29,645
- The Philippines	25,613	-	25,613
	<u>55,258</u>	<u>-</u>	<u>55,258</u>
Construction			
- Singapore	11,417	17,598	29,015
	<u>11,417</u>	<u>17,598</u>	<u>29,015</u>
Logistic services			
- Singapore	3,250	2,210	5,460
	<u>3,250</u>	<u>2,210</u>	<u>5,460</u>
Total	183,650	19,808	203,458

SFRS(I) 15
(B87-89)

SFRS(I) 15
(114),(115)

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. Revenue from contracts with customers^{1,8} (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

	At a point in time \$'000	Over time \$'000	Total \$'000	SFRS(I) 15 (B87-89)
2017				
Component parts				SFRS(I) 15 (114),(115)
- Singapore	67,978	-	67,978	
- People's Republic of China	46,267	-	46,267	
- The Philippines	2,210	-	2,210	
- Thailand	1,054	-	1,054	
	117,509	-	117,509	
Furniture				
- People's Republic of China	33,475	-	33,475	
- The Philippines	21,817	-	21,817	
	55,292	-	55,292	
Construction				
- Singapore	9,487	20,304	29,791	
	9,487	20,304	29,791	
Logistic services				
- Singapore	5,135	2,517	7,652	
	5,135	2,517	7,652	
Total	187,423	22,821	210,244	

(b) Contract assets and liabilities

		31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	SFRS(I) 15 (116(a))
Note					
Contract assets					
- Specialised equipment construction contracts		2,500	2,026	1,685	
Less: Loss allowance	44(b)	(29)	-	-	
Total contract assets		2,471	2,026	1,685	
Contract liabilities					
- Specialised equipment construction contracts		548	621	322	
Total contract liabilities		548	621	322	

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. Revenue from contracts with customers^{1,8} (continued)

(b) Contract assets and liabilities (continued)

Contract assets relate to fixed price specialised equipment construction contracts. The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules. The Group recognised a loss allowance of \$24,000 for contract assets following the adoption of SFRS(I) 9 (Note 44(b)).

SFRS(I) 15
(118)
SFRS(I) 15
(113(b))

Contract liabilities for specialised equipment construction contracts has decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

SFRS(I) 15
(116(a))

(i) Revenue recognised in relation to contract liabilities

	2018 \$'000	2017 \$'000
<i>Revenue recognised in current period that was included in the contract liability balance at the beginning of the period</i>		
- Specialised equipment construction contracts	420	310
<i>Revenue recognised in current period from performance obligations satisfied in previous periods</i>		
- Component parts wholesale contracts	150	-

SFRS(I) 15
(116(b))

SFRS(I) 15
(116(c))

(ii) Unsatisfied performance obligations

	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			
- Specialised equipment construction contracts	8,881	-*	-*

SFRS(I) 15
(120(a))

* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed⁹.

SFRS(I) 15
(C5(d), C6)

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. Revenue from contracts with customers^{1,8} (continued)

(b) Contract assets and liabilities (continued)

Management expects that 60% of the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 may be recognised as revenue during the next reporting period (\$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 subject to significant risk of reversal^{6,10}.

SFRS(I) 15
(120(b))
SFRS(I) 15
(122)

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed⁵.

SFRS(I) 15
(121,122)

(c) Assets recognised from costs to fulfil contracts⁷

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 other current assets in the balance sheet.

	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Other current assets			
Asset recognised from costs incurred to fulfil a contract as at 31 December	521	291	212
Rights to returned goods (see Note 2.2(B1))	98	38	79
	619	329	291
Amortisation and impairment loss recognised as cost of sales during the period	121	101	

SFRS(I) 15
(128(a))

DV

SFRS(I) 15
(128(b))

Costs to fulfil contracts for the construction of specialised equipment related to costs incurred in developing an IT platform that is used to fulfil a specialised equipment construction contract. These costs are amortised to the profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

SFRS(I) 15
(120(b))
SFRS(I) 15
(122)

Due to an expected increase in costs on the contracts by 30% in the financial year ended 31 December 2018, the capitalised IT platform costs is not expected to be completely recovered through contract revenue. Accordingly, an impairment loss of \$77,000 was recognised.

SFRS(I) 1-36
(126(a))
SFRS(I) 15
(121,122)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Revenue from contracts with customers

Objective

- 1 Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgement made in applying SFRS(I) 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

SFRS(I) 15
(110)

Disaggregation of revenue

- 2 Entities must disaggregate revenue 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. It will depend on the specific circumstances of each entity as to how much detail is disclosed. The entity has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
- 3 Other categories that could be used as basis for disaggregation include:
 - (a) type of good or service (e.g. major product lines)
 - (b) geographical regions
 - (c) market or type of customer
 - (d) type of contract (e.g. fixed price vs time-and-materials contracts)
 - (e) contract duration (short-term vs long-term contracts), or
 - (f) sales channels (directly to customers vs wholesale).
- 4 When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, e.g., in earnings releases, annual reports or investors presentation and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

SFRS(I) 15
(114), (B87-89)

SFRS(I) 15
(115)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Revenue from contracts with customers (continued)

Practical expedients applied in disclosing transaction price allocated to unsatisfied performance obligations

- 5 SFRS(I) 15 provides a practical expedient for entities not to disclose information about its remaining unsatisfied performance obligations, 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 based on its right to invoice (subject to meeting conditions under paragraph B16 of SFRS(I) 15).

SFRS(I) 15
(121)

- 6 Entities are required to explain qualitatively whether they are applying the practical expedient in guidance note 5 above, and whether any consideration from contracts with customers is not included in the transaction price, and therefore, not included in the information disclosed about transaction price allocated to unsatisfied performance obligations. In the illustration above, the entity has explained that the transaction price does not include any estimated amounts of variable consideration that are subject to significant risk of reversal.

SFRS(I) 15
(122)

Presentation of capitalised contract costs and rights to returned goods

- 7 SFRS(I) 15 is silent about on the presentation of capitalised contract costs and rights to returned goods. Therefore, the entity needs to develop an appropriate accounting policy and apply it consistently. Where capitalised contract costs or rights to returned goods are material, the entity may present this balance as an additional line item in the statement of financial position, if such presentation is relevant to an understanding of the entity's financial position. In this illustration, capitalised contract costs and rights to returned goods are presented under 'Other current assets'.

SFRS(I) 1-1
(55)

Modified retrospective transition approach

- 8 Entities which are not adopting SFRS(I) are permitted to apply FRS 115 retrospectively with the cumulative effect of initially applying this standard recognised as an adjustment to the opening balance of retained profits (e.g., 1 January 2018). The entity shall provide the following additional disclosures if this transition approach is adopted.
- (a) the amount by which each financial statement line item is affected in the current reporting period by the application of this standard as compared to FRS 11, FRS 18 and related Interpretations that were in effect before the change; and
 - (b) an explanation of the reasons for significant changes identified in (a).

SFRS(I) 15
(C8)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Revenue from contracts with customers (continued)

Practical expedients on transition to SFRS(I) 15

- 9 SFRS(I) 15 provides entities with several practical expedients on transition to the new accounting standards under paragraphs C5 and C7A of SFRS(I) 15. Entities are required to disclose the practical expedients that have been used and to the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients. In this publication, it is presumed that the practical expedients on transition to SFRS(I) 15 have no impact on the Group's financial statements.

SFRS(I) 15
(C5, C6, C7A)

Constraining estimates of variable consideration

- 10 In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:
- (a) The amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence of the promised good or service.
 - (b) The uncertainty about the amount of consideration is not expected to be resolved for a long period of time.
 - (c) The entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value.
 - (d) The entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances.
 - (e) The contract has a large number and broad range of possible consideration amounts.

SFRS(I) 15
(57)

Notes to the Financial Statements

For the financial year ended 31 December 2018

5. Expenses by nature^{1,2,3}

		<u>Group</u>	
	2018	2017	
	\$'000	\$'000	
Purchases of inventories and construction materials	59,511	59,401	
Amortisation of intangible assets (Note 30(d))	954	975	SFRS(I) 1-38 (118(d))
Depreciation of property, plant and equipment (Note 29)	12,750	17,675	SFRS(I) 1-16 (73)(e)(vii)
Impairment loss on goodwill (Note 30(a))	1,081	4,650	SFRS(I) 1-36 (126)(a)
Employee compensation (Note 6)	42,903	40,060	SFRS(I) 1-1 (104)
Sub-contractor charges	12,610	12,327	
Advertising expense	10,004	9,771	
Rental expense on operating leases	10,673	10,588	SFRS(I) 1-17 (35(c))
Research expense	645	473	SFRS(I) 1-38 (126)
Transportation expense	4,713	7,763	
Reversal of inventory write-down	-	(200)	SFRS(I) 1-2 (36(f))
Other expenses	1,792	1,434	
Changes in inventories	(8,217)	(7,279)	
Total cost of sales, distribution and marketing costs and administrative expenses	149,419	157,638	

Included in the Group's rental expense on operating leases is contingent rent amounting to \$32,000 (2017: \$40,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics.

SFRS(I) 1-17 (35(c))

Guidance notes

Expenses by nature

- 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, while not required, is encouraged as it ensures that all significant/material expenses are disclosed. As an alternative, the reporting entity can present only selected significant/material expenses in this note.
- Where items of income and expense are material, the nature and amount of such items shall be disclosed separately, either in the statement of comprehensive income, the statement of profit or loss where applicable, or in the notes. Please refer to paragraph 98 of SFRS(I) 1-1 for items that would require separate disclosure.

SFRS(I) 1-1 (104)

SFRS(I) 1-1 (97, 98)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Expenses by nature (continued)

- 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 development (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.

6. Employee compensation

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
Wages and salaries	31,471	28,514
Employer's contribution to defined contribution plans ¹	10,417	9,246
Termination benefits	200	1,600
Other long-term benefits	100	270
Share option expense (Note 39(b)(i))	715	690
	42,903	40,320
Less: Amounts attributable to discontinued operations	-	(260)
Amounts attributable to continuing operations (Note 5)	42,903	40,060

SFRS(I) 1-19
(53)

SFRS(I) 1-19
(171), DV

SFRS(I) 2
(50,51(a))

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 3 for an illustrated disclosure.

Notes to the Financial Statements

For the financial year ended 31 December 2018

7. Other income¹

	<u>Group</u>		SFRS(I) 1-1 (97,98)
	2018	2017	
	\$'000	\$'000	
Interest income ²			
- Financial assets measured at amortised cost ³			SFRS(I) 7 (20)(b)
- Investments	126	130	
- Trade receivables	120	90	
- Bank deposits	1,663	830	
- Loan to an associated company	30	60	SFRS(I) 1-24 (18)
- Debt investments measured FVOCI/Financial assets, available-for-sale ³	205	70	SFRS(I) 7 (20)(b)
	2,144	1,180	
Dividend income ²	3,102	2,230	SFRS(I) 7 (11A)(d)
Rental income from investment properties (Note 28)	521	488	SFRS(I) 1-40 (75)(f) (i)
	3,623	2,718	
Total	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.

The Group's dividend income includes dividends recognised from investments in equity instruments designated at FVOCI of \$1,402,000. No dividend was recognised for investments in equity instruments designated at FVOCI derecognised during the financial year.

SFRS(I) 1-17
(56(b))
SFRS(I) 7
(11A)(d))

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).

Net presentation of interest income, expense and dividend income on financial assets at FVPL

- 2 This publication illustrates the disclosure where the entity has elected to present interest income, interest expense and dividend income on financial assets, at FVPL, as part of the net fair value gains or losses (Note 8).

As an alternative, an entity may present interest income, interest expense and dividend income arising from financial assets, at FVPL, separately. When this option is adopted, interest income and expense shall be computed using the effective interest method.

SFRS(I) 9
(5.7.1)
SFRS(I) 7
(20(a))

SFRS(I) 9
(5.7.10)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Net presentation of interest income, expense and dividend income on financial assets at FVPL (continued)

This choice is not applicable to financial assets measured at FVOCI. Interest income and expense calculated using the effective interest method and dividends are recognised in profit or loss, separately from the fair value gains or losses which are recognised in other comprehensive income.

Separate disclosure of interest revenue for financial assets at amortised cost/FVOCI

- 3 Entities must disclose the total interest revenue (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and debt instruments that are measured at FVOCI.

SFRS(I) 7
(20(b))

8. Other gains and losses – Others

	2018 \$'000	2017 \$'000	SFRS(I) 1-1 (97,98)
	<u>Group</u>		
Fair value gains/(losses) ¹			
- Financial assets, designated as FVPL at initial recognition (Note 14)	-	610	SFRS(I) 7 (20(a)(i))
- Financial assets, mandatorily measured at FVPL			SFRS(I) 7 (20(a)(i))
- Derivative financial instruments	(1,020)	424	
- Financial assets, at FVPL (Note 14)	515	(891)	
	(505)	143	
Financial assets, at FVOCI/available-for sale			
- Reclassification from other comprehensive income on disposal (Note 39(b)(iii))	-	200	SFRS(I) 7 (20(a)(viii))
- Impairment loss on financial assets, at available-for-sale (Note 16)	-	(575)	
	-	(375)	
Ineffectiveness and costs of hedging on fair value hedges ²	(1)	1	
Ineffectiveness and costs of hedging on cash flow hedges ²	(5)	(11)	
Currency exchange gains/(losses) – net ³	307	(90)	SFRS(I) 1-21 (52(a))
Gain on disposal of property, plant and equipment	-	17	
Net fair value gains/(losses) on investment properties (Note 28)	174	(123)	SFRS(I) 1-40 (76(d))
Loss on disposal of subsidiary	-	(2,045)	
Total	(30)	(2,483)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Other gains and losses – Others

Fair value gains or losses on financial assets, at FVPL

- 1 SFRS(I) 7 requires separate disclosure of net gain or net losses of financial assets, showing separately either in the statement of comprehensive income or in the notes:
 - (i) financial assets or financial liabilities measured at FVPL, 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 SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9 (eg financial liabilities that meet the definition of held for trading in SFRS(I) 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;
 - (ii) financial liabilities measured at amortised cost;
 - (iii) financial assets measured at amortised cost;
 - (iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SFRS(I) 9; and
 - (v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 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.

SFRS(I) 7
(20)(a)

Ineffectiveness on hedges

- 2 The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivative. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Other gains and losses – Others (continued)

Currency exchange differences

- 3 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

- 4 Consider the size, nature, incidence of the items aggregated and presented net in the Statement of Comprehensive Income 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.

SFRS(I) 1-1
(32,33)
SFRS(I) 1-1
(35)

9. Finance expenses

	Group	
	2018	2017
	\$'000	\$'000
Interest expense		
- Bank borrowings	4,509	4,922
- Convertible bonds (Note 33)	2,732	2,873
- Dividends on redeemable preference shares	1,950	1,950
- Finance lease liabilities	101	67
	9,292	9,812
Unwinding of discount on provision for legal claims (Note 36(c))	70	70
Cash flow hedges, reclassified from hedging reserve (Note 39(b)(iv))	508	(102)
Currency exchange gains – net	(2,515)	(2,578)
	7,355	7,202
Less: Amount capitalised in investment property and property, plant and equipment	(142)	(129)
Amount recognised in profit or loss	7,213	7,073

SFRS(I) 1-24
(18,19(a))

SFRS(I) 7
(20(b))
SFRS(I) 1-37
(84(e))

SFRS(I) 7
(24C(b)(iv))

SFRS(I) 1-21
(52(a))

SFRS(I) 1-23
(26(a))

Finance expenses on general financing were capitalised at a rate of 5.8% per annum (2017: 6.2% per annum).

SFRS(I) 1-23
(26(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

10. Income taxes

(a) Income tax expense

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
Tax expense attributable to profit is made up of:		SFRS(I) 1-12 (79)
- Profit for the financial year:		
From continuing operations		
Current income tax		
- Singapore	9,714	9,701
- Foreign	4,723	4,841
	14,437	14,542
Deferred income tax (Note 37)	360	345
	14,797	14,887
From discontinued operations		
Current income tax		
- Foreign (Note 11(a))	-	37
	14,797	14,924
- Under provision in prior financial years:		
From continuing operations		
Current income tax	20	-
	14,817	14,924
Tax expense is attributable to:		
- continuing operations	14,817	14,887
- discontinued operations (Note 11(a))	-	37
	14,817	14,924

SFRS(I) 1-12 (80(a))

SFRS(I) 1-12 (80(c))

SFRS(I) 1-12 (81)(h)

SFRS(I) 1-12 (80(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

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:

SFRS(I) 1-12
(81(c))

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
Profit before tax from		
- continuing operations	52,637	46,700
- discontinued operations (Note 11(a))	-	137
	52,637	46,837
Share of (profit)/losses of associated companies and joint venture, net of tax	(340)	174
Profit before tax and share of profit/loss of associated companies and joint ventures	52,297	47,011
Tax calculated at tax rate of 17% (2017: 17%) ^{1,2}	8,890	7,992
Effects of:		
- different tax rates in other countries	5,012	5,143
- tax incentives	-	(60)
- expenses not deductible for tax purposes	2,485	2,910
- income not subject to tax	(1,560)	(1,010)
- utilisation of previously unrecognised:		
- capital allowances	(30)	(26)
- tax losses	-	(25)
- under-provision of tax in prior financial years	20	-
Tax charge	14,817	14,924

SFRS(I) 1-12
(85)

SFRS(I) 1-12
(85)

SFRS(I) 1-12
(80(f))
SFRS(I) 1-12
(80(e))
SFRS(I) 1-12
(80(b))

(b) Movement in current income tax liabilities

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	2,942	3,833	235	325
Currency translation differences	360	51	-	-
Acquisition of subsidiary (Note 48(c))	-	100	-	-
Income tax paid	(16,059)	(15,504)	(289)	(399)
Tax expense	14,437	14,542	315	309
Disposal of subsidiary	-	(80)	-	-
Under-provision in prior financial years	20	-	-	-
End of financial year	1,700	2,942	261	235

Notes to the Financial Statements

For the financial year ended 31 December 2018

10. Income taxes (continued)

Included in the Company's current tax liabilities is consideration of \$128,500 (31 December 2017: \$132,000; 1 January 2017: \$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

- (c) The tax (charge)/credit relating to each component of other comprehensive income is as follows:

Group	2018			2017			SFRS(I) 1-12 (81(ab)) SFRS(I) 1-1 (90)
	Before Tax \$'000	Tax credit/ (charge) \$'000	After tax \$'000	Before Tax \$'000	Tax Charge \$'000	After tax \$'000	
Fair value (losses)/gains and reclassification (net of impairment adjustments) on financial assets, at FVOCI / available-for- sale	(1,451)	261	(1,190)	510	(92)	418	SFRS(I) 1-1 (90)
Fair value gains and reclassification adjustments on cash flow hedges	33	(10)	23	77	(14)	63	SFRS(I) 1-1 (90)
Currency translation differences arising from consolidation and disposal of subsidiary	1,027	-	1,027	1,140	-	1,140	SFRS(I) 1-1 (90)
Revaluation gains on property, plant and equipment	539	(82)	457	253	(46)	207	SFRS(I) 1-1 (90)
Share of other comprehensive income of associated companies	35	-	35	27	-	27	SFRS(I) 1-1 (90)
Other comprehensive income	183	169	352	2,007	(152)	1,855	

Notes to the Financial Statements

For the financial year ended 31 December 2018

10. Income taxes (continued)

(d) Income tax recognised directly in equity is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Equity component of convertible bonds (Note 39(b)(vi))	-	(421)
Excess tax on employee share option scheme (Note 39(b)(ii))	85	114
	85	(307)

SFRS(I) 1-12
(81(a))

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.

SFRS(I) 1-12
(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:

SFRS(I) 1-12
(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 2020. The tax expense of the Group and the Company for the financial year ended [31 December 2018] 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."

Notes to the Financial Statements

For the financial year ended 31 December 2018

11. Discontinued operations and disposal group classified as held for sale

On 31 May 2017, the Group's management and shareholders approved the sale of its 70%-owned subsidiary, PwC Glass Sdn Bhd, in Malaysia. The entire assets and liabilities related to PwC Glass Sdn Bhd was presented as a disposal group held-for-sale as at 31 December 2017, and the entire results from PwC Glass Sdn Bhd was presented separately on the statement of comprehensive income as "Discontinued operations" for the year ended 31 December 2017. The disposal group was previously presented under the "All other segments" reportable segment of the Group (Note 47). The disposal was completed on 2 January 2018. Please refer to Note 13 for the disclosure of cash flow impact to the Group on disposal. No gain or loss was recognised by the Group in 2018 on the disposal.

SFRS(I) 5
(41(a, b, c, d))

SFRS(I) 5
(41(d))

- (a) The results of the discontinued operations and the re-measurement of the disposal group are as follows²:

SFRS(I) 5
(33(b))

	<u>Group</u> For the financial year ended 31 December 2017 \$'000	
Revenue	1,200	SFRS(I) 5 (33(b)(i))
Expenses	(1,003)	SFRS(I) 5 (33(b)(i))
Profit before tax from discontinued operations	197	SFRS(I) 5 (33(b)(i))
Tax (Note 10(a))	(53)	SFRS(I) 5 (33(b)(ii))
Profit after tax from discontinued operations	144	SFRS(I) 5 (33(a)(i))
Pre-tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	(60)	SFRS(I) 5 (33(b)(iii))
Tax (Note 10(a))	16	SFRS(I) 5 (33(b)(iv))
Post-tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	(44)	SFRS(I) 5 (33(a)(ii))
Profit for the year from discontinued operations	100	

Notes to the Financial Statements

For the financial year ended 31 December 2018

11. Discontinued operations and disposal group classified as held for sale (continued)

- (b) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2017 was as follows:

SFRS(I) 5
(33(c))

	<u>Group</u> For the financial year ended 31 December 2017 \$'000
Operating cash inflows	300
Investing cash outflows	(103)
Financing cash outflows	(295)
Total cash outflows	<u>(98)</u>

- (c) Details of the assets of disposal group classified as held-for-sale were as follows:

SFRS(I) 5 (38)

	<u>Group</u> As at 31 December 2017 \$'000
Cash and cash equivalents	300
Property, plant and equipment (Note 29)	1,563
Trademark and licences (Note 30(b))	100
Inventory	1,370
	<u>3,333</u>

- (d) Details of the liabilities directly associated with disposal group classified as held-for-sale were as follows:

SFRS(I) 5 (38)

Trade and other payables	104
Other current liabilities	20
Provisions (Note 36(a))	96
	<u>220</u>

Notes to the Financial Statements

For the financial year ended 31 December 2018

11. Discontinued operations and disposal group classified as held for sale (continued)

	<u>Group</u>	
	As at	
	31 December 2017	
	\$'000	
(e) Cumulative income/(expense) recognised in other comprehensive income relating to disposal group classified as held-for-sale were as follows:		
Currency translation differences	19	SFRS(I) 5 (38)
	<u>Company</u>	
	As at	
	31 December 2017	
	\$'000	
(f) Details of assets in non-current asset classified as held-for-sale were as follows:		
Investment in subsidiary	1,000	SFRS(I) 5 (38)

In accordance with SFRS(I) 5, 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 measure, which was derived 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 was calculated based on the ratio of transaction price to annual revenue for the similar businesses and applying the average to PwC Glass Sdn Bhd.

SFRS(I)
13 (93(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Discontinued operations and disposal group classified as held-for-sale

- 1 An entity shall re-present the statement of comprehensive income and statement of cash flows for the discontinued operations for prior periods. In contrast, the balance sheet information for the prior year is not re-presented.

SFRS(I) 5 (34)
SFRS(I) 1-1
(38)

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 remeasurement 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.

SFRS(I) 1-12
(81)(d)

SFRS(I) 5
(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 SFRS(I) 5(11)).

SFRS(I) 5 (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 SFRS(I) 5 measurement requirements, which include:
 - (i) deferred tax assets (SFRS(I) 1-12 *Income Taxes*).
 - (ii) assets arising from employee benefits (SFRS(I) 1-19 *Employee Benefits*).
 - (iii) financial assets within the scope of SFRS(I) 9 *Financial Instruments*
 - (iv) non-current assets that are accounted for in accordance with the fair value model in SFRS(I) 1-40 *Investment Property*.
 - (v) non-current assets that are measured at fair value less costs to sell in accordance with SFRS(I) 1-41 *Agriculture*.
 - (vi) contractual rights under insurance contracts as defined in SFRS(I) 4 *Insurance Contracts*.

SFRS(I) 5
(5),(5B)

For example, disclosure requirements in SFRS(I) 13 are required for financial assets within the scope of SFRS(I) 9 and investment properties accounted for at fair value, even if they are classified as held-for-sale.

Notes to the Financial Statements

For the financial year ended 31 December 2018

12. Earnings per share

(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.

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>		
	2018	2017	2018	2017	2018	2017	
Net profit attributable to equity holders of the Company (\$'000)	34,416	29,294	-	70	34,416	29,364	SFRS(I) 1-33 (70(a))
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	24,050	22,454	24,050	22,454	24,050	22,454	SFRS(I) 1-33 (70(b))
Basic earnings per share (\$ per share)	1.43	1.30	-	*	1.43	1.31	

* Less than \$0.01

(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.

SFRS(I) 1-33 (33, 36)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

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:

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Net profit attributable to equity holders of the Company (\$'000)	34,416	29,294	-	70	34,416	29,364
						SFRS(I) 1-33 (70(a))
Add back:						
Interest expense on convertible bonds, net of tax (\$'000)	2,432	2,528	-	-	2,432	2,528
Net profit used to determine diluted earnings per share (\$'000)	36,848	31,822	-	70	36,848	31,892
						SFRS(I) 1-33 (70(a))
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	24,050	22,454	24,050	22,454	24,050	22,454
						SFRS(I) 1-33 (70(b))
Adjustments for ('000)						
- Convertible bonds	3,300	3,300	3,300	3,300	3,300	3,300
- Share options	1,218	1,858	1,218	1,858	1,218	1,858
	28,568	27,612	28,586	27,612	28,568	27,612
						SFRS(I) 1-33 (70(b))
Diluted earnings per share (\$ per share)	1.29	1.15	-	*	1.29	1.15

* Less than \$0.01

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Earnings per share (“EPS”)

Retrospective adjustment for changes in number of shares

- 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.

SFRS(I) 1-33
(64)

EPS based on alternative earnings

- 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 SFRS(I) 1-33. 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.

SFRS(I) 1-33
(73)

Potential dilutive instruments which were anti-dilutive during the period

- 3 An entity is required to disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) covered.

SFRS(I) 1-33
(70(c))

Share transactions after the end of the reporting period

- 4 An entity is required to provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of EPS.

SFRS(I) 1-33
(70(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

13. Cash and cash equivalents

	<u>Group</u>			<u>Company</u>			
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	
Cash at bank and on hand	25,135	12,480	30,798	10,173	7,607	243	SFRS(I) 1-7 (45)
Short-term bank deposits	11,963	9,530	5,414	7,105	8,645	2,734	SFRS(I) 1-7 (45)
	37,098	22,010	36,212	17,278	16,252	2,977	

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

SFRS(I) 1-7 (45)

	<u>Group</u>			
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	
Cash and bank balances (as above)	37,098	22,010	36,212	
Less: Bank deposits pledged ²	(450)	(200)	(200)	
Less: Bank overdrafts (Note 32)	(3,960)	(2,650)	(6,464)	SFRS(I) 1-7 (8)
Cash and cash equivalents per consolidated statement of cash flows	32,688	19,160	29,548	

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 32(a)).

Notes to the Financial Statements

For the financial year ended 31 December 2018

13. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries

Please refer to Note 48 for the effects of acquisitions of subsidiaries on the cash flows of the Group.

On 2 January 2018, the Group disposed of its 70%-owned subsidiary, PwC Glass Sdn Bhd. The effects of the disposal on the cash flows of the Group were:

	<u>Group</u> At 2 January 2018 \$'000	
Carrying amounts of assets and liabilities as at the date of disposal:		SFRS(I) 1-7 (40(d))
Cash and cash equivalents	300	
Property, plant and equipment (Note 29)	1,563	
Trademark and licences (Note 30(b))	100	
Inventory	1,370	
Total assets	3,333	
Trade and other payables	104	
Other current liabilities	20	
Provisions (Note 36(a))	96	
Total liabilities	220	
Net assets derecognised	3,113	
Less: Non-controlling interests	(75)	
Net assets disposed of	3,038	
Cash inflows arising from disposal:		
Net assets disposed of (as above)	3,038	
Reclassification of currency translation reserve (Note 39(b)(v))	19	SFRS(I) 5 (38)
Total assets	3,057	
Gain on disposal	-	
Cash proceeds on disposal	3,057	SFRS(I) 1-7 (40(a,b))
Less: Cash and cash equivalents in subsidiary disposed of	(300)	SFRS(I) 1-7 (40(c))
Net cash inflow on disposal	2,757	

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Cash and cash equivalents

Cash equivalents for the purpose of presenting statement of cash flows

- 1 Under SFRS(I) 1-7, cash equivalents are defined as “short-term, highly liquid investment 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 month or less from the date of “acquisition”.
- 2 The classification of the movement of cash subjected to restriction that does not meet the definition of cash and cash equivalents would depends on the nature of the item and the restriction in force. For example, where the cash deposit is placed as collateral for a performance bond, the movement in the cash deposit would form part of the operating cash flows. In this publication, this movement has been presented under “financing activities” in the statement of cash flows as the bank deposit was pledged in relation to the security granted for certain borrowings.

SFRS(I) 1-7
(7-9)

SFRS(I) 1-7
(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.

SFRS(I) 1-7
(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 \$[] (2017: \$[]) which are not freely remissible for use by the Group because of currency exchange restrictions.”

Notes to the Financial Statements

For the financial year ended 31 December 2018

14. Financial assets, at FVPL

SFRS(I) 7 (31, 34(c)), SFRS(I) 13 (93)

	<u>Group</u>		
	2018	2017	
	\$'000	\$'000	DV
Beginning of financial year	10,785	8,326	
Reclassified from financial assets, available-for-sale (Note 2.2)	1,110	-	
Additions	1,490	2,831	
Fair value gains/(losses) (Note 8)	515	(281)	
Disposals	(300)	(91)	
End of financial year	13,600	10,785	

	<u>Group</u>		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
<i>Current</i>			
Listed securities:			
- Equity securities – Singapore ¹	8,235	5,850	4,023
- Equity securities – US ¹	3,065	4,935	4,303
	11,300	10,785	8,326
<i>Non-current</i>			
Non-listed debt instruments:			
- Mandatorily redeemable preference shares ²	2,300	-	-
Total	13,600	10,785	8,326

SFRS(I) 7 (8(a)(ii))

The instruments are all mandatorily measured at fair value through profit or loss.

SFRS(I) 7 (20(a)(i))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial assets, at FVPL

1 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. 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.

SFRS(I) 7 (31)

2 The classification and measurement of all financial assets have to be re-assessed based on the new requirements of the SFRS(I) 9 at the 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 may 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, 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 Holdings Ltd and its subsidiaries undertook this analysis and concluded that the preference shares should be held at FVPL, 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).

SFRS(I) 9
(4.1.2(b)),
B4.1.7 –
B.4.1.26)

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.

SFRS(I) 1-1
(122)

3 The entity would need to disclose each of these following financial assets and the associated gains/losses separately. If an entity has financial assets measured at FVPL of which:

- Some were designated as such upon initial recognition;
- Some were designated as such in accordance with paragraph 6.7.1 of SFRS(I) 9; and
- Some were mandatorily measured at FVPL in accordance with the requirements of SFRS(I) 9.

SFRS(I) 7
(8(a), 20(a)(i))

All of PwC Holdings Ltd's financial assets are mandatorily measured at FVPL, hence, this disclosure does not apply.

4 If an entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost, the entity must provide additional disclosures as required under paragraph 9 of SFRS(I) 7.

SFRS(I) 7 (9)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial assets, at FVPL (continued)

- 5 If an entity has financial liabilities designated at FVPL, a number of additional disclosures apply as set out in paragraphs 8, 10, 10A, 11 and 20 of SFRS(I) 7. Some, but not all of these are illustrated as follows:

Financial liabilities designated at FVPL

The Group has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the Company. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

	2018	2017
	\$'000	\$'000
Carrying amount	104,715	88,863
Includes:		
- Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the FVOCI reserve	225	210
Amount the company is contractually obligated to pay to the holders of the convertible debentures at maturity	102,620	87,086
Difference between carrying amount and the amount the company is contractually obligated to pay to holders of the debentures at maturity	2,095	1,777

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.

SFRS(I) 7
(B5(a))
SFRS(I) 7
(21)
SFRS(I) 9
(4.3.5)

SFRS(I) 9
(5.7.7)

SFRS(I) 7
(10(a))

SFRS(I) 7
(10(b))

SFRS(I) 7
(11(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Derivative financial instruments

	← Group →			← Company →			DV
	Contract notional amount ⁵ \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
31 December 2018							
<i>Derivatives held for hedging:</i>							
Cash-flow hedges							
– Interest rate swaps	30,324	308	-	-	-	-	-
– Currency forwards	13,410	-	(766)	-	-	-	-
<i>Fair value hedge</i>							
- Currency forwards	2,400	1,854	-	2,100	211	-	-
<i>Derivatives not held for hedging:</i>							
– Currency forwards	1,908	-	(610)	-	-	-	-
Total		2,162	(1,376)		211	-	
- Current ^{2,3}		1,854	(1,376)		211	-	SFRS(I) 1-1 (66,69)
- Non-current ^{2,3}		308	-		-	-	SFRS(I) 1-1 (66,69)
Total		2,162	(1,376)		211	-	

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Derivative financial instruments (continued)

	Group			Company			DV
	Contract notional amount ⁵ \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
31 December 2017							
<i>Derivatives held for hedging:</i>							
<i>Cash-flow hedges</i>							
- Interest rate swaps	40,334	645	-	-	-	-	
- Currency forwards	52,120	50	(535)	-	-	-	
<i>Fair value hedge</i>							
- Currency forwards	3,200	359	(40)	2,220	266	(47)	
<i>Derivatives not held for hedging:</i>							
- Currency forwards	2,108	410	-	-	-	-	
Total		1,464	(575)		266	(47)	
- Current ^{2,3}		1,069	(440)		232	(35)	SFRS(I) 1-1 (66,69)
- Non-current ^{2,3}		395	(135)		34	(12)	SFRS(I) 1-1 (66,69)
Total		1,464	(575)		266	(47)	
1 January 2017							
<i>Derivatives held for hedging:</i>							
<i>Cash-flow hedges</i>							
- Interest rate swaps	53,839	245	-	-	-	-	
- Currency forwards	20,080	60	(255)	-	-	-	
<i>Fair value hedge</i>							
- Currency forwards	1,804	149	-	1,200	84	(47)	
<i>Derivatives not held for hedging:</i>							
- Currency forwards	1,023	110	(29)	-	-	-	
Total		564	(284)		84	(47)	
- Current ^{2,3}		452	(240)		78	(45)	SFRS(I) 1-1 (66,69)
- Non-current ^{2,3}		112	(44)		6	(2)	SFRS(I) 1-1 (66,69)
Total		564	(284)		84	(47)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

Reference

15. Derivative financial instruments (continued)

Hedging instruments used in Group's hedging strategy in 2018

	Contractual notional amount ² \$'000	Carrying Amount Assets/ (Liabilities) \$'000	Financial statement line item	Changes in fair value used for calculating hedge ineffectiveness	Hedging instrument \$'000	Hedged item \$'000	Hedge ineffectiveness recognised in P&L ³ \$'000	Weighted average hedged rate	Maturity date	
Group										
Fair value hedge										SFRS(I) 7 (23A, 23B, 24A, 24B(a)(iv), 24B(b)(i), 24C(a)(i), 24C(b)(ii))
Foreign exchange risk ¹										
- Forward contracts to hedge firm commitments	2,400	1,854	Derivative financial instruments		1,535	(1,534)	1	USD\$1:\$1.52 RMB4.83:\$1	January 2019 - March 2019	
Cash flow hedge										
Foreign exchange risk ¹										
- Forward contracts to hedge highly probable transactions	13,410	(766)	Derivative financial instruments		(276)	274	(2)	USD\$1:\$1.52 RMB4.83:\$1	January 2019 - March 2019	
Interest rate risk ¹										
- Interest rate swap to hedge floating rate borrowings	30,324	308	Derivative financial instruments		(337)	334	(3)	6.10%	2020	
Net investment hedge										
Foreign exchange risk ¹										
- Borrowings to hedge net investments in foreign operations	-	(3,010)	Borrowings		(363)	363	-	RMB4.83:\$1	2021	
Company										
Fair value hedge										
Foreign exchange risk ¹										SFRS(I) 7 (24C(a)(ii), 24C(b)(iii))
- Forward contracts to hedge firm commitments	2,100	211	Derivative financial instruments		(7)	7	-	USD\$1:\$1.52	January 2019 - March 2019	

* All hedge ineffectiveness and costs of hedging are recognised in profit and loss within "other gains/losses".

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. Derivative financial instruments (continued)

Effects of fair value hedges on hedged items in 2018 are as follows:

<u>Group</u>	<u>Carrying amount of assets/ (liabilities)</u> \$'000	<u>Financial statement line item that includes hedged item</u>	<u>Accumulated amount of fair value adjustments</u> \$'000
Fair value hedge			
Foreign exchange risk			
- <i>Forward contracts to hedge firm commitments</i>	340	Trade and other receivables	340
Company			
Fair value hedge			
- <i>Forward contracts to hedge firm commitments</i>	5	Trade and other receivables	(5)

SFRS(I) 7
(24B(a)(i),
(ii), (iii))

Guidance notes

Derivative financial instruments

Disclosure by risk category

- 1 SFRS(I) 7 requires an entity to provide hedge accounting disclosures by risk categories. An entity shall determine each risk category on the basis of risk exposures it decide to hedge, and for which hedge accounting is applied. Risk categories shall be determined consistently for all hedge accounting disclosures. SFRS(I) 7 does not prescribe on the level of disaggregation of hedge accounting disclosures required, however, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in SFRS(I) 7 and SFRS(I) 13 *Fair value measurement*.

SFRS(I) 7
(21C, 21D)

Classification as current or non-current

- 2 The classification of financial instruments as held for trading under SFRS(I) 9 does not mean that they must necessarily be presented as current in the balance sheet. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months.

SFRS(I) 1-1
(66, 69)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Derivative financial instruments (continued)

- 3 The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months.

Designation of hedging instruments

- 4 SFRS(I) 9 introduces the concept of 'costs of hedging'. SFRS(I) 9 permits three exceptions where certain components of the derivative instrument may be designated as the hedging instrument, as follows:
- (a) separating the forward element and spot element of a forward contract, and designating only the change in the spot element as hedging instrument;
 - (b) separating and excluding the foreign currency basis spread from the designated hedging instrument; and
 - (c) separating the intrinsic value and time value of an option contract, and designating only the change in intrinsic value of an option as the hedging instrument.

SFRS(I) 9
(6.2.4)

Where the above exceptions are applied, the changes in the fair value of the component of the derivative instrument not designated as a hedging instrument is recognised in OCI and deferred in a hedging reserve in equity. These exceptions are not illustrated for the purposes of this publication.

Disclosure of contractual notional amounts

- 5 SFRS(I) 7 requires the disclosure of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments. While not mandatory for non-hedging derivative financial instruments, these may be included to enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed to during and at the end of the financial period.

SFRS(I) 7
(24A(d))

SFRS(I) 7
(1(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

16. Financial assets, available for sale

	<u>Group</u>		<u>Company</u>		DV
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	17,248	12,937	1,500	1,218	
Reclassification at 1 January 2018*	(17,248)	-	(1,500)	-	
Currency translation differences	-	47	-	-	
Acquisition of subsidiary (Note 48)	-	473	-	-	
Additions	-	3,956	-	316	
Fair value gains recognised in other comprehensive income (Note 39(b)(iii))	-	710	-	(34)	
Impairment losses (Note 8)	-	(575)	-	-	
Disposals	-	(300)	-	-	
End of financial year	-	17,248	-	1,500	

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

	<u>Group</u>		<u>Company</u>	
	31	1 January	31	1 January
	December	2017	December	2017
	\$'000	\$'000	\$'000	\$'000
Listed equity securities:				
- Singapore Exchange	7,885	5,587	1,500	1,218
- New York Stock Exchange	3,728	2,086	-	-
	11,613	7,673	1,500	1,218
Listed debt securities:				
- Singapore Exchange	288	-	-	-
	288	-	-	-
Unlisted debt securities:				
- SGD corporate variable rate notes due 30 November 2020	4,237	4,174	-	-
- Mandatorily redeemable preference shares	1,110	1,090	-	-
	5,347	5,264	-	-
Total	17,248	12,937	1,500	1,218

Notes to the Financial Statements

For the financial year ended 31 December 2018

16. Financial assets, available for sale (continued)

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 at 4.5% (31 December 2017: 4.2%; 1 January 2017: 4.0%). The fair values are within Level 2 of the fair value hierarchy.

SFRS(I) 13
(93)

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.

17. Financial assets, at FVOCI

	<u>Group</u>		<u>Company</u>		DV
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	-	-	-	-	
Reclassification at 1 January 2018*	15,850	-	1,500	-	
Fair value losses (Note (a))	(1,459)	-	(66)	-	
Additions	174	-	166	-	
Disposals (Note (b))	(1,113)	-	-	-	
End of financial year	13,452	-	1,600	-	

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

	<u>Group</u>		<u>Company</u>		SFRS(I) 7 (11A(a), (c))
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
Non-current assets					
Listed equity securities:					
- ABC Limited	1,600	-	1,600	-	
- XYZ Limited	5,744	-	-	-	
- EFG Plc	2,014	-	-	-	
	9,358	-	1,600	-	
Unlisted debt securities:					
- SGD corporate variable rate notes due 30 November 2020	4,094	-	-	-	
	4,094	-	-	-	
Total	13,452	-	1,600	-	

Notes to the Financial Statements

For the financial year ended 31 December 2018

17. Financial assets, at FVOCI (continued)

- (a) Fair value losses include a loss allowance due to impairment of debt instruments, at FVOCI of \$8,000 (Note 44(b)).
- (b) During the financial year ended 31 December 2018, the Group disposed listed equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of \$1,113,000 at the date of disposal, and the cumulative gain on disposal amounted to \$257,000, net of tax. The cumulative gain on disposal was reclassified from fair value reserve to retained profits¹.

SFRS(I) 7
(11B)
SFRS(I) 7
(11A(e))

Guidance notes

Financial assets, at FVOCI

- 1 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 SFRS(I) 9, it shall disclose:
 - (a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.
 - (b) the reasons for using this presentation alternative.
 - (c) the fair value of each such investment at the end of the reporting period.
 - (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.
 - (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

Notes to the Financial Statements

For the financial year ended 31 December 2018

18. Other investments at amortised cost

	<u>Group</u>	DV
	2018	2017
	\$'000	\$'000
Beginning of financial year	-	-
Reclassification at 1 January 2018*	2,410	-
Accrued interest	23	-
Impairment:		
- At 1 January 2018*	(7)	-
- Recognised in profit and loss during the year	(23)	-
End of financial year	2,403	-

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

	Carrying amount	Fair Value	Market interest rate	SFRS(I) 7 (8(f))
	\$'000	\$'000		
<u>As at 31 December 2018</u>				
Listed SGD corporate 4.4% fixed rate notes due 27 August 2020	311	225	5.6%	
Unlisted SGD 5.5% fixed rate notes due 31 May 2021	1,650	1,510	6.4%	
Unlisted SGD floating rate notes due 28 June 2020	472	472	5.6%	
	2,433			
Less: Loss allowance	(30)			
	2,403			

The fair values are based on discounted cash flows using the above market interest rates for an equivalent bond at 31 December 2018. The fair values are within Level 2 of the fair value hierarchy.

SFRS(I) 13
(93)

Notes to the Financial Statements

For the financial year ended 31 December 2018

19. Financial assets, held to maturity

	Carrying amount \$'000	<u>Group</u> Fair value \$'000	Market interest rate
<u>As at 31 December 2017</u>			
Unlisted SGD 5.5% fixed rate notes due 31 May 2021	1,650	1,720	5.0%
Unlisted SGD floating rate notes due 28 June 2020	472	475	6.5%
	<u>2,122</u>		
<u>As at 1 January 2017</u>			
Unlisted SGD 5.5% fixed rate notes due 31 May 2021	1,593	1,612	5.2%
	<u>1,593</u>		

The fair values are based on discounted cash flows using the above market interest rates for equivalent bonds at 31 December 2017 and 1 January 2017.

The fair values are within Level 2 of the fair value hierarchy.

The above investments have been reclassified to 'Other investments at amortised cost' (Note 18) on adoption of SFRS(I) 9. See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

Notes to the Financial Statements

For the financial year ended 31 December 2018

20. Trade and other receivables – Current

SFRS(I) 1-
1(77,78(b))

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	1 January 2017 \$'000	
Finance lease receivables (Note 23)	200	156	218	-	-	-
Trade receivables						
- Associated companies	214	188	217	-	-	-
- Subsidiaries	-	-	-	700	1,200	600
- Non-related parties	16,565	17,300	14,819	5,319	6,412	1,531
	16,779	17,488	15,036	6,019	7,612	2,131
Less: Loss allowance	(735)	(509)	(470)	(266)	(100)	(50)
	16,044	16,979	14,566	5,753	7,512	2,081
Loan to an associated company	1,440	2,668	1,276	-	-	-
Less: Non-current portion (Note 22)	(1,047)	(2,322)	(1,240)	-	-	-
	393	346	36	-	-	-
Other receivables	49	40	40	18	20	15
Staff loans (Note 24)	70	60	25	35	30	20
Deposits	316	345	221	-	-	-
Prepayments	245	200	105	18	50	50
	17,317	18,126	15,211	5,824	7,612	2,166

SFRS(I) 1-1
(78(b))
SFRS(I) 1-24
(18(b))
SFRS(I) 1-24
(18(b))SFRS(I) 1-24
(18(b))

The loan to an associated company, PwC A Property (Hong Kong) Limited, is unsecured and repayable in full by 31 December 2021. Interest is fixed at 2.3% per annum.

SFRS(I) 1-24
(18)(b)
SFRS(I) 7 (31)

Notes to the Financial Statements

For the financial year ended 31 December 2018

21. Inventories¹

SFRS(I) 1-1
(78)(c)

	Group			Company			
	31 December	1 January		31 December	1 January		
	2018	2017	2017	2018	2017	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>At cost</u>							
Raw materials	11,619	7,622	7,612	-	-	-	SFRS(I) 1-2 (37)
Work-in-progress	3,012	1,810	1,796	-	-	-	SFRS(I) 1-2 (37)
Finished goods	17,830	14,826	7,686	3,305	2,200	335	SFRS(I) 1-2 (37)
	32,461	24,258	17,094	3,305	2,200	335	

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$35,329,000 (2017: \$37,842,000).

SFRS(I) 1-2
(36(d), 38, 39)

Inventories of \$1,200,000 (31 December 2017: \$1,000,000; 1 January 2017: \$700,000) of the Group and \$600,000 (31 December 2017: \$300,000; 1 January 2017: nil) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 32(a)).

SFRS(I) 1-2
(36(h))

During 2017, the Group reversed \$200,000 of a previous inventory write-down. 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". No inventory write down or reversal was recognised in 2018.

SFRS(I) 1-2
(36(f), (g))

Guidance notes

Inventories

- 1 Separate disclosure of finished goods at fair value less costs to sell is required where applicable (e.g., for commodity broker-traders who measure their inventories at fair value less costs to sell). When 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.

SFRS(I) 13 (5)
SFRS(I) 1-2
(3(b), 36(c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

22. Trade and other receivables – non-current

SFRS(I) 1-
1(77,78(b))

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Finance lease receivables (Note 23)	343	600	600	-	-	-
Loan to an associated company	1,047	2,322	1,240	-	-	-
Loans to subsidiaries	-	-	-	3,032	2,986	3,100
Staff loans (Note 24)	250	200	150	115	150	100
Indemnification asset [†] (Note 48(i))	200	200	-	-	-	-
	1,840	3,322	1,990	3,147	3,136	3,200

SFRS(I) 1-24
(18(b))

The loan to subsidiaries by the Company are unsecured, interest bearing at the three-month deposit rate plus 1.5% per annum and will be repayable on full on 31 December 2020.

SFRS(I) 1-24
(18(b)(i))
SFRS(I) 7 (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 value hierarchy.

SFRS(I) 7 (25)
SFRS(I) 13
(93(b,d),97)

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Fair value</u>						
Finance lease receivables	455	610	630	-	-	-
Loan to an associated company	1,250	2,400	1,200	-	-	-
Loans to subsidiaries	-	-	-	3,039	2,986	3,100
Staff loans	243	205	152	121	155	106

	<u>Group</u>			<u>Company</u>		
	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 %	2017 %	1 January 2017 %
<u>Market borrowing rate</u>						
Finance lease receivables	7.2	7.1	6.8	-	-	-
Loan to an associated company	7.5	7.3	7.3	-	-	-
Loans to subsidiaries	-	-	-	6.5	6.5	6.3
Staff loans	7.6	7.5	7.4	7.5	7.4	7.2

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For the financial year ended 31 December 2018

Guidance notes

Subsequent measurement of indemnification assets

- 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 limitation on its amount. An indemnification asset is not subsequently measured at its fair value but is assessed for its collectability.

23. Finance lease receivables

The Group leases equipment to non-related parties under finance leases.

The various agreements terminate between 2018 and 2023, and the non-related parties have options to extend the leases at market rates.

	<u>Group</u>		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Gross receivables due:			
- Not later than one year	252	236	316
- Later than one year but within five years	450	700	600
- Later than five years	-	146	147
	702	1,082	1,063
Less: Unearned finance income	(159)	(326)	(245)
Net investment in finance leases	543	756	818

SFRS(I) 1-17
(47(a)(i))

SFRS(I) 1-17
(47(a)(ii))

SFRS(I) 1-17
(47(a)(ii))

SFRS(I) 1-17
(47(b))

SFRS(I) 1-17
(47(a))

The net investment in finance leases is analysed as follows:

	<u>Group</u>		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Not later than one year (Note 20)	200	156	218
Later than one year but within five years (Note 22)	343	600	600
	543	756	818

Notes to the Financial Statements

For the financial year ended 31 December 2018

24. Staff loans

DV

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	1 January 2017 \$'000	2017 \$'000
Receivables due						
- Not later than one year (Note 20)	70	60	25	35	30	20
- Later than one year but within five years (Note 22)	250	200	150	115	150	100
	320	260	175	150	180	120

Staff loans included \$15,000 (31 December 2017: \$35,000; 1 January 2017: \$55,000) made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable in full on 31 December 2019.

SFRS(I) 1-24
(18)

25. Investments in associated companies

<u>Company</u>	2018 \$'000	2017 \$'000	DV
<i>Equity investments at cost</i>			
Beginning and end of financial year	1,000	1,000	

Set out below are the associated companies which are material to the Group.

<u>Name of entity</u>	<u>Place of business / country of incorporation</u>	<u>% of ownership Interest</u>		
		31 December 2018	2017	1 January 2017
PwC A Property (Hong Kong) Limited	Hong Kong	35	35	35
PwC A Furniture Sdn Bhd	Malaysia	25	25	25

SFRS(I) 12
(21)(a)(i), (iii),
(iv)

Notes

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. Investments in associated companies (continued)

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.

SFRS(I) 12
(21(a)(ii))

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.

SFRS(I) 12
(21(a)(ii))

As at 31 December 2018, 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 \$1,486,000 (31 December 2017: \$1,440,000; 1 January 2017: \$1,250,000). The fair value is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was \$710,000 (31 December 2017: \$776,000; 1 January 2017: \$2,604,000).

SFRS(I) 12
(21(b)(iii))

There are no contingent liabilities relating to the Group's interest in the associated companies².

SFRS(I) 12
(23(b))

Summarised financial information for associated companies³

Summarised balance sheet

SFRS(I) 12
(21(b)(ii))

	PwC A Property (Hong Kong) Limited			PwC A Furniture Sdn Bhd			
	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Current assets	3,210	3,603	3,439	21,357	19,152	18,018	SFRS(I) 12 (B12(b)(i))
Current liabilities	(3,401)	(3,905)	(4,193)	(14,320)	(14,392)	(22,305)	SFRS(I) 12 (B12(b)(iii))
Non-current assets	5,890	6,479	10,164	25,206	24,411	26,196	SFRS(I) 12 (B12(b)(ii))
Non-current liabilities	(5,385)	(5,674)	(3,684)	(13,211)	(11,971)	(12,389)	SFRS(I) 12 (B12(b)(iv))

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. 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		
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	
Revenue	3,112	11,023	21,363	32,658	SFRS(I) 12 (B12(b)(v))
(Loss)/Profit from continuing operations	(169)	(5,090)	2,317	8,619	SFRS(I) 12 (B12(b)(vi))
Post-tax (loss)/profit from continuing operations	(169)	(5,090)	2,106	7,887	DV
Post-tax profit from discontinued operations ⁴	-	-	-	-	SFRS(I) 12 (B12(b)(vii))
Other comprehensive gain	-	-	140	108	SFRS(I) 12 (B12(b)(viii))
Total comprehensive (loss)/income	(169)	(5,090)	2,246	7,995	SFRS(I) 12 (B12(b)(ix))
Dividends received from associated company ⁴	-	-	-	-	SFRS(I) 12 (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.

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:

	As at 31 December		
	2018 \$'000	2017 \$'000	
(Loss)/Profit from continuing operations	(416)	10	SFRS(I) 12 (B16(a))
Post-tax profit from discontinued operations ⁴	-	-	SFRS(I) 12 (B16(b))
Other comprehensive income	-	2	SFRS(I) 12 (B16(c))
Total comprehensive (loss)/income	(416)	12	SFRS(I) 12 (B16(d))

Notes to the Financial Statements

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25. Investments in associated companies (continued)

Reconciliation of summarised financial information

SFRS(I) 12
(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			PwC A Furniture Sdn Bhd			Total		
			1			1			
	31 December	January	January	31 December	January	January	31 December	1 January	
	2018	2017	2017	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets	314	503	5,726	19,032	17,200	9,520	19,346	17,703	15,246
Group's equity interest	35%	35%	35%	25%	25%	25%	-	-	-
Group's share of net asset	110	176	2,004	4,758	4,300	2,380	4,868	4,476	4,384
Goodwill	600	600	600	420	420	420	1,020	1,020	1,020
Carrying value	710	776	2,604	5,178	4,720	2,800	5,888	5,496	5,404
Add: Carrying value of individually immaterial associated companies, in aggregate ³							1,718	1,512	1,000
Carrying value of Group's interest in associated companies							7,606	7,008	6,404

SFRS(I) 12
(B16)

Notes to the Financial Statements

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Guidance notes

Investments in associated companies

Cumulative preference shares issued by associated companies

- 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 dividend have been declared.

SFRS(I) 1-28
(37)

Risks associated with an entity's interest in associated companies

- 2 In accordance with SFRS(I) 1-37 *Provision, Contingent Liabilities and Contingent Asset*, unless the probability of loss is remote, contingent liabilities incurred relating to its interest 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.

SFRS(I) 12
(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.
- 4 Some of the line items have nil balances but have been included for illustrative purpose.

SFRS(I) 12
(21(b)(ii),
21(c))
SFRS(I) 12
(B16)

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 restriction (e.g. 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.
- 6 When the financial statements of an associated company used in applying the equity method are as of 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.
- 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.

SFRS(I) 12
(22(a))

SFRS(I) 12
(22(b))

SFRS(I) 12
(22(c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes	
Investments in associated companies (continued)	
Nature, extent and financial effects of an entity's interests in associated companies (continued)	
8	<p>The interest in an associate is the carrying amount of the investment in the associate together with any long-term interest that, in substance, forms part of the investor's net investment in the associate. Effective for annual reporting periods beginning on or after 1 January 2019, SFRS(I) 1-28 has been amended to clarify that an entity also applies SFRS(I) 9 impairment requirements to other financial instruments, including any long-term interest forming part of the investor's net interest in an associate to which equity accounting is not applied.</p>
Entities classified as held for sale	
9	<p>The disclosure requirements of SFRS(I) 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of SFRS(I) 12.</p>

SFRS(I) 1-28
(38)

SFRS(I) 12
(5A, B17)

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. Investment in a joint venture

	2018	2017	DV
<u>Company</u>	\$'000	\$'000	
<i>Equity investments at cost</i>			
Beginning and end of financial year	880	880	

Set out below is the joint venture of the Group as at 31 December 2018, which is material to the Group.

SFRS(I) 12
(21)(b)(iii)

<u>Name of entity</u>	<u>Place of business/ country of incorporation</u>	<u>% of ownership Interest</u>			SFRS(I) 12 (21)(a)(i), (iii), (iv)
		31 December 2018	2017	1 January 2017	
PwC JV Logistics (PRC) Co. Ltd	China	60	60	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.

SFRS(I) 12
(21)(a)(ii))

The Group has \$150,000 (2017: \$100,000) of commitments² to provide funding if called, relating to its joint venture. There are no contingent liabilities² relating to the Group's interest in the joint venture. PwC JV Logistics (PRC) Co. Ltd has 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.

SFRS(I) 12
(23)

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. Investment in a joint venture (continued)

Summarised financial information for joint venture³

Set out below is the summarised financial information for PwC JV Logistics (PRC) Co. Ltd. SFRS(I) 12
(21(a)(ii))

Summarised balance sheet

	PwC JV Logistics (PRC) Co. Ltd			
	31 December		1 January	
	2018	2017	2017	
	\$'000	\$'000	\$'000	
Current assets	6,711	8,548	5,556	SFRS(I) 12 (B12(b)(i))
Includes:				SFRS(I) 12 (B13(a))
- Cash and cash equivalents ⁴	1,002	1,180	780	
Current liabilities	(10,428)	(10,879)	(7,273)	SFRS(I) 12 (B12(b)(iii))
Includes:				SFRS(I) 12 (B13(b))
- Financial liabilities (excluding trade payables) ⁴	(9,340)	(9,989)	(6,547)	
Non-current assets	13,221	11,016	10,896	SFRS(I) 12 (B12(b)(ii))
Non-current liabilities	(7,409)	(7,018)	(5,904)	SFRS(I) 12 (B12(b)(iv))
Includes:				SFRS(I) 12 (B13(c))
- Financial liabilities (excluding trade payables) ⁴	(6,520)	(6,442)	(5,508)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. Investment in a joint venture (continued)

Summarised statement of comprehensive income

PwC JV Logistics (PRC) Co. Ltd			
For the year ended			
31 December			
	2018	2017	
	\$'000	\$'000	
Revenue	10,228	7,873	SFRS(I) 12 (B12(b)(v))
Interest income ⁴	320	206	SFRS(I) 12 (B13(e))
Expenses			
Includes:			
- Depreciation and amortisation ⁴	(1,420)	(1,455)	SFRS(I) 12 (B13(d))
- Interest expense ⁴	(3,108)	(3,620)	SFRS(I) 12 (B13(f))
Profit/(Loss) from continuing operations	393	(1,610)	SFRS(I) 12 (B12(b)(vi))
Income tax expense ^{4, 5}	-	-	SFRS(I) 12 (B13(g))
Post-tax profit/(loss) from continuing operations	393	(1,610)	DV
Post-tax profit from discontinued operations⁵	-	-	SFRS(I) 12 (B12(b)(vii))
Other comprehensive income⁵	-	-	SFRS(I) 12 (B12(b)(viii))
Total comprehensive (loss)/income	393	(1,610)	SFRS(I) 12 (B12(b)(ix))
Dividends received from joint venture⁵	-	-	SFRS(I) 12 (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.

SFRS(I) 12
(B14(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. Investment in a joint venture (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint venture, is as follows SFRS(I) 12 (B14(b))

	PwC JV Logistics (PRC) Co. Ltd		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Net Assets	2,095	1,667	3,275
Group's equity interest	60%	60%	60%
Group's share of net assets	1,257	1,000	1,965
Goodwill	200	200	200
Carrying value	1,457	1,200	2,165

Guidance notes

Investment in a joint venture

Cumulative preference shares issued by joint ventures

- 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.

SFRS(I) 1-28 (37)

Risks associated with an entity's interests in joint ventures

- 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 SFRS(I) 12(B18–B20).

SFRS(I) 12 (23)(a)

In accordance with SFRS(I) 1-37 *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.

SFRS(I) 12 (23)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment in a joint venture (continued)

Summarised financial information of joint ventures

- 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.
- 4 There are more disclosure requirements in relation to summarised financial information of joint ventures than those for interests in associates. The following line items, while not required to be disclosed for associated companies, are required for joint ventures:
 - (a) cash and cash equivalents included in paragraph B12(b)(i).
 - (b) current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iii).
 - (c) non-current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iv).
 - (d) depreciation and amortisation.
 - (e) interest income.
 - (f) interest expense.
 - (g) Income tax expense or income.
- 5 Some of the line items have nil balances but have been included for illustrative purposes.

SFRS(I) 12
(21)(b)(ii)

SFRS(I) 12
(21)(c)
SFRS(I) 12
(B16)

SFRS(I) 12
(B13)

Nature, extent and financial effects of an entity's interests in joint ventures

- 6 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.

SFRS(I) 12
(22(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes	
Investment in a joint venture (continued)	SFRS(I) 12 (22(b))
Nature, extent and financial effects of an entity's interests in joint ventures (continued)	
7 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.	
8 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.	SFRS(I) 12 (22(c))
Interest in a joint venture	SFRS(I) 1-28 (38)
9 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. Effective for annual reporting periods beginning on or after 1 January 2019, SFRS(I) 1-28 has been amended to clarify that an entity also applies SFRS(I) 9 impairment requirements to other financial instruments, including any long-term interest forming part of the investor's net interest in a joint venture to which equity accounting is not applied.	
Entities classified as held for sale	SFRS(I) 12 (5A, B17)
10 The disclosure requirement of SFRS(I) 12 also apply to interest in entities that are classified as held for sale, except for the summarised information in paragraph B10 to B16 of SFRS(I) 12.	

Notes to the Financial Statements

For the financial year ended 31 December 2018

27. Investments in subsidiaries

	<u>Company</u>	
	2018	2017
<i>Equity investments at cost</i>	\$'000	\$'000
Beginning of financial year	95,160	96,460
Additions	-	100
Disposal	(1,000)	(1,400)
End of financial year	94,160	95,160

The Group has the following subsidiaries as at 31 December 2018 and 2017 and 1 January 2017:

<u>Name</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent</u> %	<u>Proportion of ordinary shares held by the Group</u> %	<u>Proportion of ordinary shares held by non-controlling interests</u> %	<u>Proportion of preference shares held by the Group</u> %	SFRS(I) 12 (10(a), 12(a-d))
PwC Construction Pte Ltd	Construction of specialised equipment	Singapore	100	100	-	-	
PwC Property (Singapore) Pte Ltd	Investment holding	Singapore	100	100	-	100	
PwC Furniture (PRC) Co., Ltd	Sale of furniture	People's Republic of China	85	85	15	-	
PwC Components (Singapore) Pte Ltd	Manufacture of component parts	Singapore	45	45	55	-	
PwC Components (PRC) Co., Ltd	Manufacture of component parts	People's Republic of China	80	80	20	-	
PwC Furniture (Philippines) Pte Ltd	Sale of furniture	Philippines	70	70	30	-	

In addition, the Group acquired the following subsidiary during 2017:

<u>Name</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent</u>			<u>Proportion of ordinary shares held by the Group</u>			<u>Proportion of ordinary shares held by non-controlling interests</u>		
			31 December 2018	1 January 2017		31 December 2018	1 January 2017		31 December 2018	1 January 2017	
			%	%	%	%	%	%	%	%	%
PwC Components (China) Co. Ltd	Manufacture of component parts	People's Republic of China	70	70	-	70	70	-	30	30	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

27. Investments in subsidiaries (continued)

The Group disposed its 70%-owned subsidiary, PwC Glass Sdn Bhd, during the 2018 (Note 13).

Significant restrictions¹

SFRS(I) 12
(13)

Cash and short-term deposits of \$1,043,000 (31 December 2017: \$1,934,000; 1 January 2017: \$2,011,000) 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.

	31 December 2018	2017	1 January 2017	
<i>Carrying value of non-controlling interests</i>	\$'000	\$'000	\$'000	SFRS(I) 12 (12)(f)
PwC Components (Singapore) Pte Ltd	3,650	2,466	1,359	
PwC Components (China) Co. Ltd	6,351	5,327	-	
Other subsidiaries with immaterial non-controlling interest	533	459	407	
Total	10,534	8,252	1,766	

Summarised financial information of subsidiaries with material non-controlling interests²

SFRS(I) 12
(12)(g),
B10(b), B11)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet

	PwC Components (Singapore) Pte Ltd			PwC Components (China) Co. Ltd			
	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	SFRS(I) 12 (B10(b))
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Current							
Assets	6,440	5,890	4,828	16,887	16,935	14,742	
Liabilities	(2,998)	(3,009)	(2,457)	(5,890)	(4,514)	(3,686)	
Total current net assets	3,442	2,881	2,371	10,997	12,421	11,056	
Non-current							
Assets	3,411	3,672	2,357	9,980	10,008	8,536	
Liabilities	(2,337)	(2,565)	(1,161)	(4,431)	(3,848)	(1,742)	
Total non-current net assets	1,074	1,107	1,196	5,549	6,160	6,794	
Net assets	4,516	3,988	3,567	16,546	18,581	17,850	

Notes to the Financial Statements

For the financial year ended 31 December 2018

27. Investments in subsidiaries (continued)*Summarised income statements*SFRS(I) 12
(B10(b))

	PwC Components (Singapore) Pte Ltd		PwC Components (China) Co. Ltd	
	For year ended 31 December		For year ended 31 December	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Revenue	12,554	19,602	25,330	29,403
Profit before income tax	2,117	4,218	4,322	6,350
Income tax expense	(644)	(1,692)	(1,030)	(2,838)
Post-tax profit from continuing operations	1,473	2,526	3,292	3,512
Post-tax profit from discontinued operations⁴	-	-	-	-
Other comprehensive income	389	369	655	554
Total comprehensive income	1,862	2,895	3,947	4,066
Total comprehensive income allocated to non-controlling interests	1,024	1,592	1,184	1,220
Dividends paid to non-controlling interests	1,260	1,770	200	150

SFRS(I) 12
(B10(a))*Summarised cash flows*SFRS(I) 12
(B10(b))

	PwC Components (Singapore) Pte Ltd		PwC Components (China) Co. Ltd	
	For year ended 31 December		For year ended 31 December	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net cash generated from operating activities	3,813	3,913	2,634	2,310
Net cash used in investing activities	(855)	(986)	(1,100)	(939)
Net cash used in financing activities	(2,651)	(2,517)	(234)	(527)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment 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.

SFRS(I) 12
(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.

SFRS(I) 12
(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.

SFRS(I) 12
(12g), 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.

SFRS(I) 12
(18)

An illustration is as follows:

(a) *Acquisition of additional interest in a subsidiary*

On 21 April 2018, the Company acquired the remaining 5% of the issued shares of XYZ group for a purchase consideration of \$1,000,000. 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 \$400,000. The Group derecognised non-controlling interests of \$400,000 and recorded a decrease in equity attributable to owners of the parent of \$600,000. 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:

	2018
	\$'000
Carrying amount of non-controlling interest acquired	400
Consideration paid to non-controlling interest	(1,000)
Excess of consideration paid recognised in parent's equity	<u>(600)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment in subsidiaries (continued)

Transactions with non-controlling interests (continued)

(b) Disposal of interest in a subsidiary without loss of control

On 5 September 2018, 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 interest of \$1,000,000 and an increase in equity attributable to owner 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:

	2018 \$'000
Carrying amount of interests in subsidiary disposed of	(1,000)
Consideration received from non-controlling interests	1,100
Excess of consideration received recognized in parent's equity	100

(c) Effects of transactions with non-controlling interests on the equity attributable to owner of the parent for the year ended 31 December 2018

	Attributable to equity holders of the Company		Non-controlling interests		Total equity
	Other reserves	Total			
2018	\$'000	\$'000	\$'000	\$'000	
Acquisition of additional interest in a subsidiary	(600)	(600)	(400)		(1,000)
Disposal of interests in a subsidiary without loss of control	100	100	1,000		1,100

Refer to Consolidated Statement of Changes in Equity for other equity item

4 Some of the line have nil balances but have been included for illustrative purpose.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment in subsidiaries (continued)

Nature of risks associated with an entity's interests in consolidated and unconsolidated structured entities

- 5 An entity is required to disclose information that enable users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities and unconsolidated structured entities (see paragraphs 14 to 17 and 24 to 31 of SFRS(I) 12).

SFRS(I) 12
(14-17, 24-31)

Interests in unconsolidated subsidiaries (investment entities)

- 6 An investment entity that, in accordance with SFRS(I) 10, 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 SFRS(I) 12 (19B)(a-c) and SFRS(I) 12 (19D-G). If investment entity is the parent of another investment entity, the parent shall also provide the disclosure in SFRS(I) 12 (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.

SFRS(I) 12
(19A-G)

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Investment properties

Group	Completed investment properties ² \$'000	Investment property under construction ² \$'000	Total \$'000	SFRS(I) 1-40 (76)
2018				
Beginning of financial year	5,550	-	5,550	
Additions (Note (a))	-	46	246	SFRS(I) 1-40 (76(a))
Net fair value gain recognised in profit or loss (Note 8)	174	-	174	SFRS(I) 1-40 (76(d))
End of financial year	5,924	46	5,970	
2017				
Beginning of financial year	5,455	-	5,455	
Additions (Note (a))	288	-	288	SFRS(I) 1-40 (76(a))
Disposals	(70)	-	(70)	SFRS(I) 1-40 (76(c))
Net fair value loss recognised in profit or loss (Note 8)	(123)	-	(123)	SFRS(I) 1-40 (76(d))
End of financial year	5,550	-	5,550	

- (a) Included in additions are acquisition of an investment property of \$200,000 (2017: nil) and capitalised expenditure of \$46,000 (2017: \$288,000). SFRS(I) 1-40 (76(a))

Investment properties are leased to non-related parties under operating leases (Note 43(c)). SFRS(I) 1-17 (56)(c)

All investment properties are mortgaged to secure bank loans (Note 32(a)). SFRS(I) 1-40 (75(g))

The following amounts are recognised in profit and loss: SFRS(I) 1-40 (75(f))

	Group		
	2018 \$'000	2017 \$'000	
Rental income (Note 7)	521	488	SFRS(I) 1-40 (75(f)(i))
Direct operating expenses arising from:			
- Investment properties that generate rental income	(33)	(30)	SFRS(I) 1-40 (75(f)(ii))
- Investment properties that do not generate rental income	(48)	(40)	SFRS(I) 1-40 (75(f)(iii))

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Investment properties (continued)

At the balance sheet date, the details of the Group's investment properties are as follows³:

SGX 1207
(11)(b)

<u>Location</u>	<u>Description/existing use</u>	<u>Tenure</u>
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
Marine One, 7 Straits Road, Singapore	18-storey office building	99-year lease from 1 January 2018
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

Fair value hierarchy – Recurring fair value measurements

SFRS(I) 13
(93(a),(b))

Description	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	\$'000	\$'000	\$'000
31 December 2018			
- Office buildings – Singapore	-	-	4,650
- Office units – Hong Kong	-	1,320	-
31 December 2017			
- Office buildings – Singapore	-	-	4,300
- Office units – Hong Kong	-	1,250	-
1 January 2017			
- Office buildings – Singapore	-	-	4,210
- Office units – Hong Kong	-	1,245	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Investment properties (continued)

Valuation techniques and inputs used to derive Level 2 fair values

Level 2 fair values of the Group's properties were derived using the sales comparison approach. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the selling price per square metre.

SFRS(I) 13
(93(d))

There were no changes in valuation techniques during the year.

SFRS(I) 13
(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. There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2018 and 2017⁶.

SFRS(I) 13
(93(c), 95)
SFRS(I) 13
(93(e)(iv))

Reconciliation of movements in Level 3 fair value measurement

SFRS(I) 13
(93)(e)

	Office buildings – <u>Singapore</u> \$'000	
31 December 2018		
Beginning of financial year	4,300	
Transfers to/(from) Level 3 ⁶	-	SFRS(I) 13 (93(e)(iv))
Additions	246	SFRS(I) 13 (93(e)(iii))
Gains recognised in profit and loss, under "Other gains and losses"	104	SFRS(I) 13 (93(e)(i))
End of financial year	<u>4,650</u>	
Change in unrealised gains for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	<u>104</u>	SFRS(I) 13 (93(f))
31 December 2017		
Beginning of financial year	4,210	
Transfers to/(from) Level 3 ⁶	-	SFRS(I) 13 (93(e)(iv))
Additions	100	SFRS(I) 13 (93(e)(iii))
Losses recognised in profit and loss, under "Other gains and losses"	(10)	SFRS(I) 13 (93(e)(i))
End of financial year	<u>4,300</u>	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	<u>(10)</u>	SFRS(I) 13 (93(f))

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

SFRS(I) 13
(93(d),(h)(i))

SFRS(I) 13
(99)

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:

<u>Description</u>	<u>Fair value at 31 December 2018 (\$'000)</u>	<u>Valuation technique⁵</u>	<u>Unobservable inputs^(a)</u>	<u>Range of unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Office buildings – Singapore	4,650 (31 December 2017: 4,300; 1 January 2017: 4,210)	Discounted cash flows	Discount rate	6.2% – 7.5% (31 December 2017: 6.5% – 7.8%; 1 January 2017: 6% – 7.2%)	The higher the discount rate, the lower the valuation.
			Terminal capitalisation rate	6.5% – 9.6% (31 December 2017: 6.8% – 10.1%; 1 January 2017: 6.2% – 9.3%)	The higher the terminal capitalisation rate, the lower the valuation.
			Average rental (per square foot per month)	\$8 – \$13 (31 December 2017: \$7.5 – \$12; 1 January 2017: \$6.2 – \$11)	The higher the average rental, the higher the valuation.
			Length of lease (years)	92 (31 December 2017: 85; 1 January 2017: 86)	The longer the length of lease in place, the higher the valuation.
			Age of building (years)	13 – 31 (31 December 2017: 12 – 30; 1 January 2017: 11 – 29)	The higher the age of the building, the lower the valuation.

^(a) There were no significant inter-relationship between unobservable inputs.

Notes to the Financial Statements

For the financial year ended 31 December 2018

28. Investment properties (continued)

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 2018 and 2017, the fair values of the properties have been determined by ABC Property Surveyors Limited.

SFRS(I) 13
(93(g))
SFRS(I) 13
(IE65)
SFRS(I) 13
(93(ii))
SFRS(I) 1-40
(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.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation reports;
- assesses property valuation movements compared to the prior year valuation reports; 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 valuation team presents a report that explains the reasons for the fair value movements.

Notes to the Financial Statements

For the financial year ended 31 December 2018

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.

SFRS(I) 1-40
(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.

SFRS(I) 1-40
(76)
SFRS(I) 13
(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 may 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)

Quantitative sensitivity analysis of inputs used in Level 3 fair value measurements

- 4 SFRS(I) 13 does not explicitly require a quantitative sensitivity analysis; however, such a sensitivity analysis may be necessary in order to satisfy the requirement of paragraph 129 of SFRS(I) 1-1 in relation to sources of estimation uncertainty.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Investment properties (continued)

Description of valuation techniques

- 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 the present value. There are other valuation techniques commonly used for valuing properties that fall under an income approach methodology, sale 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.

SFRS (I) 13
(62)

Transfers between Levels of fair value measurement

- 6 Property assets are often unique and not traded on a regular basis. 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. 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 in this table for illustrative purposes only, even though the balance is nil.

SFRS(I) 13
(93(c), (e))
SFRS(I) 13
(B35(g))

Investment properties not measured at fair value but for which fair value is disclosed

- 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, paragraph 97 of SFRS(I) 13 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 input used in the techniques.

SFRS(I) 13
(97)

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Property, plant and equipment

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
2018								
Beginning of financial year								
Cost	-	-	-	102,884	3,743	360	106,987	SFRS(I) 1-16 (73(a))
Valuation	8,450	22,854	59,022	-	-	-	90,326	SFRS(I) 1-16 (73(a))
	8,450	22,854	59,022	102,884	3,743	360	197,313	SFRS(I) 1-16 (73(d))
Currency translation differences	-	(12)	140	899	90	-	1,117	SFRS(I) 1-16 (73(e)(viii))
Additions	-	-	2,492	131	108	280	3,011	SFRS(I) 1-16 (73(e)(i), 74(b))
Disposals	-	-	-	-	(553)	-	(553)	SFRS(I) 1-16 (73(e)(ii))
Revaluation surplus (Note 39(b)(vii))	165	144	230	-	-	-	539	SFRS(I) 1-16 (73(e)(iv))
Revaluation adjustments ²	-	(231)	(1,663)	-	-	-	(1,894)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	8,615	22,755	60,221	103,914	3,388	640	199,533	SFRS(I) 1-16 (73(d))
Representing:								SFRS(I) 1-16 (73(a))
Cost	-	-	-	103,914	3,388	640	107,942	
Valuation	8,615	22,755	60,221	-	-	-	91,591	
	8,615	22,755	60,221	103,914	3,388	640	199,533	SFRS(I) 1-16 (73(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
2018 (continued)								
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	-	-	-	41,671	2,031	-	43,702	SFRS(I) 1-16 (73(d))
Currency translation differences	-	(293)	211	1,955	99	-	1,972	SFRS(I) 1-16 (73(e)(viii))
Depreciation charge								SFRS(I) 1-16 (73(e)(vii))
- Continuing operations (Note 5)	-	524	1,452	10,231	543	-	12,750	
Disposals ¹	-	-	-	-	(553)	-	(553)	SFRS(I) 1-16 (73(e)(ii))
Revaluation adjustments ²	-	(231)	(1,663)	-	-	-	(1,894)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	-	-	-	53,857	2,120	-	55,977	SFRS(I) 1-16 (73(d))
Net book value								
End of financial year	8,615	22,755	60,221	50,057	1,268	640	143,556	

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-1 (78(a))
2017								
Beginning of financial year								
Cost	-	-	-	84,703	2,700	-	87,403	SFRS(I) 1-16 (73(a))
Valuation	8,400	8,061	21,453	-	-	-	37,914	SFRS(I) 1-16 (73(a))
	8,400	8,061	21,453	84,703	2,700	-	125,317	SFRS(I) 1-16 (73(d))
Currency translation differences	-	314	(808)	4,509	103	-	4,118	SFRS(I) 1-16 (73(e)(viii))
Acquisition of subsidiary ^{1,5} (Note 48(c))	-	12,012	37,060	18,199	513	-	67,784	SFRS(I) 1-16 (73(e)(iii))
Additions	-	3,423	3,703	2,202	427	360	10,115	SFRS(I) 1-16 (73(e)(i), 74(b))
Reclassified to disposal group (Note 11(c))	-	-	-	(1,842)	-	-	(1,842)	SFRS(I) 1-16 (73(e)(ii))
Disposals ¹	-	(594)	(1,526)	(4,887)	-	-	(7,007)	SFRS(I) 1-16 (73(e)(ii))
Revaluation surplus (Note 39(b)(vii))	50	93	110	-	-	-	253	SFRS(I) 1-16 (73(e)(iv))
Revaluation adjustments	-	(455)	(970)	-	-	-	(1,425)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	8,450	22,854	59,022	102,884	3,743	360	197,313	SFRS(I) 1-16 (73(d))
Representing:								SFRS(I) 1-16 (73(a))
Cost	-	-	-	102,884	3,743	360	106,987	
Valuation	8,450	22,854	59,022	-	-	-	90,326	
	8,450	22,854	59,022	102,884	3,743	360	197,313	SFRS(I) 1-16 (73(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
2017 (continued)								
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	-	-	-	26,177	1,250	-	27,427	SFRS(I) 1-16 (73)(d)
Currency translation differences	-	-	-	808	87	-	895	SFRS(I) 1-16 (73)(e)(viii))
Depreciation charge								SFRS(I) 1-16 (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)	SFRS(I) 1-16 (73)(e)(ii))
Disposals ¹	-	(34)	(86)	(550)	-	-	(670)	SFRS(I) 1-16 (73)(e)(iii))
Revaluation adjustments ²	-	(455)	(970)	-	-	-	(1,425)	SFRS(I) 1-16 (73)(e)(iv))
End of financial year	-	-	-	41,671	2,031	-	43,702	SFRS(I) 1-16 (73)(d))
Net book value								
End of financial year	8,450	22,854	59,022	61,213	1,712	360	153,611	

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. Property, plant and equipment (continued)

	<u>Plant and Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>	
	\$'000	\$'000	\$'000	
<u>Company</u>				
2018				
<i>Cost</i>				SFRS(I) 1-16 (73)(a)
Beginning of financial year	705	230	935	SFRS(I) 1-16 (73)(d))
Additions	50	-	50	SFRS(I) 1-16 (73)(e)(i))
End of financial year	755	230	985	SFRS(I) 1-16 (73)(d))
<i>Accumulated depreciation</i>				
Beginning of financial year	56	24	80	SFRS(I) 1-16 (73)(d))
Depreciation charge	43	19	62	SFRS(I) 1-16 (73)(e)(vii))
End of financial year	99	43	142	SFRS(I) 1-16 (73)(d))
Net book value				
End of financial year	656	187	843	
2017				
<i>Cost</i>				SFRS(I) 1-16 (73)(a)
Beginning of financial year	432	50	482	SFRS(I) 1-16 (73)(d))
Additions	328	180	508	SFRS(I) 1-16 (73)(e)(i))
Disposals	(55)	-	(55)	SFRS(I) 1-16 (73)(d))
End of financial year	705	230	935	SFRS(I) 1-16 (73)(a)
<i>Accumulated depreciation</i>				
Beginning of financial year	62	20	82	SFRS(I) 1-16 (73)(d))
Depreciation charge	14	4	18	SFRS(I) 1-16 (73)(e)(vii))
Disposals	(20)	-	(20)	SFRS(I) 1-16 (73)(d))
End of financial year	56	24	80	SFRS(I) 1-16 (73)(d))
Net book value				
End of financial year	649	206	855	

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. 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 \$nil (31 December 2017: \$400,000; 1 January 2017: \$nil) and \$50,000 (31 December 2017: \$150,000; 1 January 2017: \$nil) respectively.

SFRS(I) 1-7
(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases³ are \$670,500 (31 December 2017: \$745,000; 1 January 2017: \$450,000) and \$110,000 (31 December 2017: \$130,000; 1 January 2017: \$nil) respectively at the balance sheet date.

SFRS(I) 1-17
(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 28⁴.

SFRS(I) 1-16
(77(a), (b))
SGX 1207 (11)
SFRS(I) 13
(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:

SFRS(I) 1-16
(77(e))

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
Freehold land	7,910	8,010
Leasehold land	19,653	20,610
Buildings	50,821	51,609

- (d) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of \$47,500,000 and \$483,000 respectively (31 December 2017: \$52,835,000 and \$537,000; 1 January 2017: \$75,530,000 and \$390,000) (Note 32(a)).

SFRS(I) 1-16
(74(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

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. In contrast, acquisitions of PPE through business combinations must be separately disclosed in the PPE reconciliation table.

SFRS(I) 1-16
(73(e)(iii))

Revaluation

- 2 When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be:
 - (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.

SFRS(I) 1-16
(35)

Method (b) is illustrated in this publication.

Leased assets

- 3 Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease. Please refer to Note 29(a) for the amount of additions acquired under finance leases. These are non-cash transactions and should not be included in the investing activities.

SFRS(I) 1-17
(31(a))
SFRS(I) 1-7
(43)

Fair value hierarchy disclosures

- 4 Please refer to guidance notes under Note 28.

Acquisition of subsidiary

- 5 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 the 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

- 6 Please refer to guidance notes under Note 30.

Notes to the Financial Statements

For the financial year ended 31 December 2018

30. Intangible assets

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<u>Composition:</u>						
Goodwill (Note (a))	10,377	11,468	12,000	-	-	-
Trademark and licences (Note (b))	14,861	14,448	9,000	1,100	1,000	1,000
Computer software licences (Note (c))	949	814	600	442	200	100
	26,187	26,730	21,600	1,542	1,200	1,100

(a) Goodwill

	<u>Group</u>		SFRS(I) 3 (B67(d))
	2018 \$'000	2017 \$'000	
Cost			
Beginning of financial year	16,138	12,000	SFRS(I) 3 (B67(d)(i))
Acquisition of subsidiary (Note 48(c))	-	4,259	SFRS(I) 3 (B67(d)(ii))
Disposal of subsidiary	-	(100)	SFRS(I) 3 (B67(d)(iv))
Currency translation differences	(26)	(21)	SFRS(I) 3 (B67(d)(vi))
End of financial year	16,112	16,138	SFRS(I) 3 (B67(d)(viii))
Accumulated impairment			
Beginning of financial year	4,670	-	SFRS(I) 3 (B67(d)(i))
Currency translation differences	(16)	20	SFRS(I) 3 (B67(d)(vi))
Impairment charge (Note 5)	1,081	4,650	SFRS(I) 3 (B67(d)(v))
End of financial year	5,735	4,670	SFRS(I) 3 (B67(d)(viii))
Net book value	10,377	11,468	

Notes to the Financial Statements

For the financial year ended 31 December 2018

30. 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:

SFRS(I) 1-36
(134)(a)

<u>Group</u>	<u>Component parts</u>		<u>Furniture</u>		<u>Total</u>	
	31 December		31 December		31 December	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	3,970	3,970	120	120	4,090	4,090
People's Republic of China	3,281	4,372	2,030	2,030	5,321	6,402
The Philippines	270	270	87	87	347	357
Others	539	539	80	80	619	619
	8,060	9,151	2,317	2,317	10,377	11,468

The recoverable amount of a CGU was determined based on value-in-use⁴. 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.

SFRS(I) 1-36
(134)(c), (d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

30. Intangible assets (continued)

(a) Goodwill (continued)

Key assumptions used for value-in-use calculations:

	Component parts				Furniture			
	Singapore	People's Republic of China	The Philippines	Others	Singapore	People's Republic of China	The Philippines	Others
31 December 2018								
Gross margin ¹	48.0%	51.0%	55.0%	56.0%	32.0%	33.0%	36.0%	35.0%
Growth rate ²	2.0%	1.5%	7.0%	1.9%	1.8%	2.5%	2.3%	1.4%
Discount rate ³	7.4%	13.5%	14.0%	13.2%	7.5%	13.5%	13.8%	13.5%
31 December 2017								
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

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.

SFRS(I) 1-36
(134)(d)(ii)

SFRS(I) 1-36
(55)

An impairment charge of \$1,081,000 (2017: \$4,650,000) is included within "Administrative expenses" in the statement of comprehensive income. The impairment charge in the year has arisen from the component parts CGU in People's Republic of China following a decision to reduce the manufacturing output as a result of declining customer demand³. The Group has also reassessed the useful lives of its property, plant and equipment related to the same business segment and determined that no change in the useful lives was required.

SFRS(I) 1-36
(126(a))

SFRS(I) 1-36
(130)

The impairment test carried out as at 31 December 2018 for the component parts CGU in Singapore, which includes 38% 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 amount².

SFRS(I) 1-36
(134)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2018

30. Intangible assets (continued)

(b) Trademark and licences

	<u>Group</u>		<u>Company</u>		SFRS(I) 1-38 (118(e))
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	
<i>Cost</i>					
Beginning of financial year	16,028	7,700	1,660	1,560	SFRS(I) 1-38 (118(c))
Effect of adoption of SFRS(I)*	-	2,000	-	-	SFRS(I) 1-38 (118(e)(viii))
Acquisition of subsidiary (Note 48(c))	-	4,000	-	-	SFRS(I) 1-38 (118(e)(i))
Additions	1,205	2,447	240	100	SFRS(I) 1-38 (118(e)(i))
Reclassified to disposal group (Note 11(c))	-	(125)	-	-	SFRS(I) 1-38 (118(e)(iii))
Currency translation differences	10	6	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	17,243	16,028	1,900	1,660	SFRS(I) 1-38 (118(c))
<i>Accumulated amortisation</i>					
Beginning of financial year	1,580	700	660	560	SFRS(I) 1-38 (118(c))
Amortisation charge					SFRS(I) 1-38 (118(e)(vi))
- Continuing operations	812	855	140	100	
- Discontinued operations	-	25	-	-	
Reclassified to disposal group (Note 11(c))	-	(25)	-	-	
Currency translation differences	(10)	25	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	2,382	1,580	800	660	SFRS(I) 1-38 (118(c))
Net book value	14,861	14,448	1,100	1,000	

* See Note 2.2. for details of adjustments as at 1 January 2017 on adoption of SFRS(I).

Notes to the Financial Statements

For the financial year ended 31 December 2018

30. Intangible assets (continued)

(c) Computer software licences

	Group		Company		
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					
Beginning of financial year	1,649	1,300	240	120	SFRS(I) 1-38 (118(c))
Additions	287	366	280	120	SFRS(I) 1-38 (118(e)(i))
Currency translation differences	(21)	(17)	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	1,915	1,649	520	240	SFRS(I) 1-38 (118(c))
<i>Accumulated amortisation</i>					
Beginning of financial year	835	700	40	20	SFRS(I) 1-38 (118(c))
Amortisation charge	142	120	38	20	SFRS(I) 1-38 (118(e)(vi))
Currency translation differences	(11)	15	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	966	835	78	40	SFRS(I) 1-38 (118(c))
Net book value	949	814	442	200	

- (d) Amortisation expense included in the statement of comprehensive income is analysed as follows¹: SFRS(I) 1-38 (118(d))

	Group	
	2018	2017
	\$'000	\$'000
Cost of sales	812	855
Administrative expenses	142	120
Total (Note 5)	954	975

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Intangible assets

Line items on the statement of comprehensive income in which amortisation expenses are included

- 1 These disclosures are required only for entities that present expenses by function on the face of the statement of comprehensive income.

SFRS(I) 1-36
(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:

SFRS(I) 1-36
(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 SFRS(I) 1-36.

SFRS(I) 1-36
(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 and related fair value information under SFRS(I) 13 is required.

SFRS(I) 1-36
(130(f))

Intangible assets with indefinite useful lives

- 5 If an entity has an intangible asset assessed as having an indefinite useful life, the entity shall disclose the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. This has not been illustrated in this publication, but a disclosure example is provided as follows:

SFRS(I) 38
(122(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Intangible assets (continued)

Intangible assets with indefinite useful lives

The Group's trademark used to identify and distinguish the Group's specialised product has a carrying amount of \$2,345,000 (2017: \$2,345,000). The trademark has a remaining legal life of five years but is renewable every ten years at insignificant cost. The Group intends to renew the trademark continuously and evidence supports its ability to do so, based on its past experience. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the Group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment on an annual basis.

Intangible assets measured under the revaluation model

- 6 For intangible assets accounted for at revalued amounts, additional disclosures under paragraph 124 of SFRS(I) 38 are required.

SFRS(I) 38
(124)

Notes to the Financial Statements

For the financial year ended 31 December 2018

31. Trade and other payables

SFRS(I) 1-1
(77)

	<u>Group</u>			<u>Company</u>			
	31 December 2018 \$'000	1 January 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	1 January 2017 \$'000	1 January 2017 \$'000	
<i>Current</i>							
<i>Trade payables to:</i>							
- non-related parties	1,128	958	528	97	86	140	
- associated companies	2,095	2,202	1,095	141	40	200	SFRS(I) 1-24 (19(d))
- subsidiaries	-	-	-	162	20	14	SFRS(I) 1-24 (19(c))
- other related parties	8,124	9,690	7,021	-	-	-	SFRS(I) 1-24 (19(g))
Refund liabilities	135	110	179	-	-	-	
Accruals for volume discounts	1,844	695	550	-	-	-	
Financial guarantees	-	-	-	120	160	-	
Accruals for operating expenses	2,217	2,970	1,590	328	401	195	
	15,543	16,625	10,963	848	707	549	
<i>Non-current</i>							
Contingent consideration payable (Note 48(e))	350	350	-	-	-	-	
Total trade and other payables	15,893	16,975	10,963	848	707	549	

Notes to the Financial Statements

For the financial year ended 31 December 2018

32. Borrowings

	<u>Group</u>			<u>Company</u>			SFRS(I) 1-1 (77)
	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>							SFRS(I) 1-1 (60,69)
Bank overdrafts (Note 13)	3,960	2,650	6,464	1,927	2,650	3,200	
Bank borrowings	5,077	6,754	9,131	-	850	7,000	
Finance lease liabilities (Note 35)	118	120	75	-	-	-	
	<u>9,155</u>	<u>9,524</u>	<u>15,670</u>	<u>1,927</u>	<u>3,500</u>	<u>10,200</u>	
<i>Non-current</i>							SFRS(I) 1-1 (60,69)
Bank borrowings	21,980	39,228	58,839	-	-	31,751	
Convertible bonds (Note 33)	48,499	48,267	-	48,499	48,267	-	
Redeemable preference shares (Note 34)	30,000	30,000	30,000	30,000	30,000	30,000	
Finance lease liabilities (Note 35)	744	805	375	-	-	-	
	<u>101,223</u>	<u>118,300</u>	<u>89,214</u>	<u>78,499</u>	<u>78,267</u>	<u>61,751</u>	
Total borrowings	<u>110,378</u>	<u>127,824</u>	<u>104,884</u>	<u>80,426</u>	<u>81,767</u>	<u>71,951</u>	

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 follows:

	<u>Group</u>			<u>Company</u>			SFRS(I) 7 (22A(c), 34(a))
	31 December 2018	2017	1 January 2017	31 December 2018	2017	1 January 2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
6 months or less	4,019	2,710	6,501	1,927	3,500	3,200	
6 – 12 months	5,136	6,814	9,169	-	-	7,000	
1 – 5 years	100,997	87,995	59,104	78,499	48,267	31,751	
Over 5 years	226	30,305	30,110	-	30,000	30,000	
	<u>110,378</u>	<u>127,824</u>	<u>104,884</u>	<u>80,426</u>	<u>81,767</u>	<u>71,951</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2018

32. Borrowings (continued)

(a) Security granted

SFRS(I) 7 (14)

Total borrowings include secured liabilities of \$31,879,000 (2017: \$49,557,000, 1 January 2017: \$74,884,000) and \$1,927,000 (2017: \$3,500,000, 1 January 2017: \$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 21) of the Company and certain subsidiaries. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 13), certain trade receivables (Note 20), investment properties (Note 28) and certain land and buildings of the Group (Note 29(d)). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment, and motor vehicles (Note 29(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.

(b) Fair value of non-current borrowings

SFRS(I) 7 (25)

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Bank borrowings	24,500	41,193	57,135	-	-	29,987
Convertible Bonds	46,012	45,857	-	46,012	45,857	-
Redeemable preference shares	31,258	30,931	31,314	31,258	30,391	31,314
Finance lease Liabilities	600	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:

SFRS(I) 13
(93(d), 97)

	<u>Group</u>			<u>Company</u>		
	31 December 2018 %	2017 %	1 January 2017 %	31 December 2018 %	2017 %	1 January 2017 %
Bank borrowings	5.5%	5.8%	6.3%	-	-	6.3%
Convertible bonds	5.8%	6.0%	-	5.8%	6.0%	-
Redeemable preference shares	5.8%	6.0%	5.8%	5.8%	6.0%	5.8%
Finance lease liabilities	5.8%	6.0%	6.1%	-	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

32. Borrowings (continued)

(c) Undrawn borrowing facilities

DV, SFRS(I)
1-7 (50(a))

	Group			Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expiring within one year	21,400	24,900	16,600	7,500	9,010	9,060
Expiring beyond one year	10,500	14,000	8,400	4,200	6,000	5,220
	31,900	38,900	25,000	11,700	15,010	14,280

The facilities expiring within one year from the balance sheet date are subject to annual review at various dates during 2019. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Guidance notes

Borrowings

Defaults and breaches on borrowings

- 1 SFRS(I) 7 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 4 includes an illustration.

SFRS(I) 7
(18, 19)

Roll-over and refinancing

- 2 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 arrangement for refinancing), the potential to refinance is not considered and the borrowing is classified as current.

SFRS(I) 1-1
(73, 74)

33. 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 option of the holder at the rate of 33 shares per \$500 nominal value of the bonds.

SFRS(I) 7 (17)
SFRS(I) 1-1
(79(a)(vii))

Notes to the Financial Statements

For the financial year ended 31 December 2018

33. Convertible bonds (continued)

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 39(b)(vi)), net of deferred income taxes.

SFRS(I) 1-32
(28)
SFRS(I) 1-32
(31)

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

DV (disclosed
in Note
2.15(c))
DV

	31 December 2018	2017	1 January 2017
<u>Group and Company</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Face value of convertible bonds at issuance	50,000	50,000	-
Equity conversion component on initial recognition (Note 39(b)(vi))	(2,106)	(2,106)	-
Liability component on initial recognition	47,894	47,894	-
Accumulated amortisation of interest expense (Note 9)	5,605	2,873	-
Accumulated payments of interest	(5,000)	(2,500)	-
Liability component at end of financial year (Note 32)	48,499	48,267	-

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).

SFRS(I) 1-12
(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.

SFRS(I) 1-32
(AG32)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

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:
- 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.

SFRS(I) 1-32
(AG33)

34. Redeemable preference shares

On 4 January 2012, 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 2023 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 32).

SFRS(I) 1-1
(79(a)(v))
SFRS(I) 1-32
(18(a))

35. 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.

SFRS(I) 1-17
(31(e))

	<u>Group</u>		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Minimum lease payments due			
- Not later than one year	162	164	84
- Between one and five years	610	615	319
- Later than five years	420	517	227
	1,192	1,296	630
Less: Future finance charges	(330)	(371)	(180)
Present value of finance lease liabilities	862	925	450

SFRS(I) 1-17
(31(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

35. Finance lease liabilities (continued)

The present values of finance lease liabilities are analysed as follows:

SFRS(I) 1-17
(31(b))

	<u>Group</u>			
	31 December	1 January		
	2018	2017	2017	
	\$'000	\$'000	\$'000	
Not later than one year (Note 32)	118	120	75	SFRS(I) 1-17 (31(b)(i))
Later than one year (Note 32)				
- Between one and five years	518	500	265	
- Later than five years	226	305	110	SFRS(I) 1-17 (31(b)(ii))
	744	805	375	SFRS(I) 1-17 (31(b)(iii))
Total	862	925	450	

36. Provisions

SFRS(I) 1-1
(78(d))

	<u>Group</u>			<u>Company</u>			
	31 December	1 January		31 December	1 January		
	2018	2017	2017	2018	2017	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>							SFRS(I) 1-1 (61,69)
Warranty (Note (a))	1,523	259	1,645	50	100	210	
Restructuring (Note (b))	-	1,100	-	-	-	-	
	1,523	1,359	1,645	50	100	210	
<i>Non-current</i>							SFRS(I) 1-1 (61,69)
Legal claims (Note (c))	1,573	1,655	1,585	150	200	95	
Total	3,096	3,014	3,230	200	300	305	

(a) Warranty

SFRS(I) 1-37
(85(a))

The Group and the Company offer 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. Provisions (continued)

SFRS(I) 1-1
(78(d))

(a) Warranty (continued)

	<u>Group</u>		<u>Company</u>		
	2018	2017 ¹	2018	2017 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	259	1,645	100	210	SFRS(I) 1-37 (84(a))
Currency translation differences	(5)	15	-	-	
Provision made	1,519	303	120	70	SFRS(I) 1-37 (84(b))
Provision utilised	(250)	(1,608)	(170)	(180)	SFRS(I) 1-37 (84(c))
Reclassified to disposal group (Note 11(d))	-	(96)	-	-	
End of financial year	1,523	259	50	100	SFRS(I) 1-37 (84(a))

(b) Restructuring

In 2017, a restructuring cost of \$1,100,000 was recognised. The restructuring of the furniture segment resulted 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 was 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.

SFRS(I) 1-37
(85(a))
SFRS(I) 1-37
(84(b))

In conjunction with the restructuring exercise, a goodwill impairment charge of \$4,650,000 was recognised (Note 30(a)) for the financial year ended 31 December 2017.

SFRS(I)
1-36 (130(a))

The provision for restructuring was fully utilised in 2018. There was no restructuring cost recognised for the financial year ended 31 December 2018.

SFRS(I) 1-37
(84(a))

(c) Legal claims

Other than as disclosed in Note 48, 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 2020. 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 2018. 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.

SFRS(I) 1-37
(85(a))
SFRS(I) 1-37
(92)

Notes to the Financial Statements

For the financial year ended 31 December 2018

36. Provisions (continued)

SFRS(I) 1-1
(78(d))

(c) Legal claims (continued)

	<u>Group</u>		<u>Company</u>		
	2018	2017 ¹	2018	2017 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,655	1,585	200	95	SFRS(I) 1-37 (84(a))
Currency translation difference	(90)	(100)	-	-	
Acquisition of subsidiary (Note 48)	-	300	-	-	SFRS(I) 1-37 (84(b))
Provision made	488	100	-	85	SFRS(I) 1-37 (84)(b)
Provision utilised	(550)	(300)	(70)	-	SFRS(I) 1-37 (84(c))
Amortisation of discount (Note 9)	70	70	20	20	SFRS(I) 1-37 (84(e))
End of financial year	<u>1,573</u>	<u>1,655</u>	<u>150</u>	<u>200</u>	SFRS(I) 1-37 (84(a))

Guidance notes

Provisions

- Comparative information is encouraged, but not required for the movement of each class of provision. SFRS(I) 1-37
(84)
- 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 SFRS(I) 1-34 requirements. SFRS(I) 1-34
(26)
- 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. SFRS(I) 1-37
(45)
SFRS(I) 1-37
(47)

Notes to the Financial Statements

For the financial year ended 31 December 2018

37. 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.

SFRS(I) 1-12
(74)

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

DV

	Group			Company		
	31 December	1 January	1 January	31 December	1 January	1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	3,306	3,319	3,228	-	-	-
Deferred tax liabilities	(12,360)	(12,066)	(8,841)	(3,140)	(2,779)	(2,051)
Net deferred tax liabilities	(9,054)	(8,747)	(5,613)	(3,140)	(2,779)	(2,051)

The movement in the net deferred income tax account is as follows:

DV

	Group		Company	
	2018	2017 ¹	2018	2017 ¹
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	8,747	5,613	2,779	2,051
Adoption of SFRS(I) 9 (Note 2.2C)	10	-	-	-
Currency translation differences	191	614	-	-
Acquisition of subsidiary (Note 48(c))	-	3,753	-	-
Disposal of subsidiary	-	(2,037)	-	-
Tax charged/(credited) to				
- profit or loss (Note 10(a))	360	345	358	323
- other comprehensive income (Note 10 (c))	(169)	152	3	4
- equity (Note 10(d))	(85)	307	-	401
End of financial year	9,054	8,747	3,140	2,779

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 deferred income tax assets balance include an amount of \$213,000 (2017: \$108,000, 1 January 2017: \$86,000) which relates to carried forward tax losses of PwC Furniture (PRC) Co., Ltd. The subsidiary has incurred the losses over the last two financial years due to one-off restructuring costs arising from the Group's restructuring of its furniture segment, which are not expected to recur in the future. The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income of the subsidiary based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2020 onwards. The tax losses will expire in 2022¹.

SFRS(I) 1-12
(82)

Notes to the Financial Statements

For the financial year ended 31 December 2018

37. Deferred income taxes (continued)

The Group has unrecognised tax losses of \$5,000,000 (2017: \$5,244,000, 1 January 2017: \$5,544,000) and capital allowances of \$400,000 (2017: \$544,000, 1 January 2017: \$632,000) 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 the amount of \$213,000 relating to PwC Furniture (PRC) Co., Ltd above, which will expire in 2022. The capital allowances will expire between 2019 and 2020.

SFRS(I) 1-12
(81(e))

Deferred income tax liabilities of \$170,000 (2017: \$127,500, 1 January 2017: \$115,000) 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 (2017: \$1,500,000, 1 January 2017: \$1,250,000) at the balance sheet date².

SFRS(I) 1-12
(81)(f))

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

SFRS(I)
1-12 (81(g))

Group

Deferred income tax liabilities

	Accelerated tax depreciation	Fair value gains-net	Convertible bonds	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Beginning of financial year	6,711	3,931	442	2,257	13,341
Currency translation differences	174	54	-	128	356
Charged/(credited) to					
- profit or loss	441	7	19	101	568
- other comprehensive income	-	(169)	-	-	(169)
End of financial year	7,326	3,823	461	2,486	14,096

Notes to the Financial Statements

For the financial year ended 31 December 2018

37. Deferred income taxes (continued)

Group (continued)

Deferred income tax liabilities (continued)

	Accelerated tax depreciation	Fair value gains-net	Convertible bonds	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2017					
Beginning of financial year	7,381	521	-	1,427	9,329
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	86	548
- other comprehensive income	-	152	-	-	152
- equity	-	-	421	-	421
End of financial year	6,711	3,931	442	2,257	13,341

Group

Deferred income tax assets

	Provisions	Tax losses	Other	Total
	\$'000	\$'000	\$'000	\$'000
2018				
Beginning of financial year	(1,628)	(1,143)	(1,823)	(4,594)
Currency translation differences	(35)	(44)	(76)	(155)
(Credited)/charged to				
- profit or loss	(369)	591	(430)	(208)
- equity	-	-	(85)	(85)
End of financial year	(2,032)	(596)	(2,414)	(5,042)

2017

Beginning of financial year	(734)	(1,960)	(1,022)	(3,716)
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)	(1,823)	(4,594)

Notes to the Financial Statements

For the financial year ended 31 December 2018

37. Deferred income taxes (continued)Company*Deferred income tax liabilities*

	Accelerated tax <u>depreciation</u>	Fair value <u>gains-net</u>	Convertible <u>bonds</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
2018				
Beginning of financial year	2,380	86	442	2,908
Charged to				
- profit or loss	404	-	19	423
- other comprehensive income	-	3	-	3
End of financial year	2,784	89	461	3,334
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

Company*Deferred income tax assets*

	<u>Provisions</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000
2018			
Beginning of financial year	(24)	(105)	(129)
Charged/(credited) to			
- profit or loss	15	(80)	(65)
End of financial year	(9)	(185)	(194)
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)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Deferred income taxes

Deferred tax asset dependent on future taxable profits

- 1 An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:
 - (a) the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
 - (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

SFRS(I) 1-12
(82)

Deferred tax on unremitted earnings of overseas subsidiaries

- 2 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 arrangements, except to the extent that both of the following conditions are satisfied:
 - (a) the parent, investor, joint venturer or joint operator 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.

SFRS(I) 1-12
(39)

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 (applies to temporary differences arising from undistributed profits and foreign exchange translation differences). Furthermore, 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.

SFRS(I) 1-12
(40)

Notes to the Financial Statements

For the financial year ended 31 December 2018

38. Share capital and treasury shares

The movement in the net deferred income tax account is as follows:

Group and Company	No. of ← ordinary shares →		← Amount →		SFRS(I) 1-1 (79(a)(i), (iv), (vi), 106(d))
	Issued share capital \$'000	Treasury shares \$'000	Share capital \$'000	Treasury shares \$'000	
2018					
Beginning of financial year	24,050	(975)	41,495	(1,418)	
Treasury shares purchased	-	(1,100)	-	(2,389)	
Treasury shares re-issued	-	940	-	1,785	
End of financial year	24,050	(1,135)	41,495	(2,022)	
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)	-	SFRS(I) 1-32 (35, 39)
Treasury shares re-issued	-	750	-	1,554	
End of financial year	24,050	(975)	41,495	(1,418)	

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

SFRS(I) 1-1
(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 34).

SFRS(I) 1-1
(79(a)(v))

(a) Treasury shares

The Company re-issued 940,000 (2017: 750,000) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 or \$1.28 (2017: \$1.31) each (Note 38(b)). The cost of the treasury shares re-issued amounted to \$1,785,000 (2017: \$1,554,000). The total consideration (net of expense) for the treasury shares issued is as follows:

	2018 \$'000	2017 \$'000
Exercise price paid by employees	1,230	983
Value of employee services (Note 39(b)(i))	841	946
Less: Transaction costs	(1)	(1)
Total net consideration	2,070	1,928

Accordingly, a gain on re-issue of treasury shares of \$285,000 (2017: \$374,000) is recognised in the capital reserve (Note 39(b)(ii)).

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Notes to the Financial Statements

For the financial year ended 31 December 2018

38. Share capital and treasury shares (continued)

(b) Share options

SFRS(I) 2
(44, 45(a))

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.

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.

Movements in the number of unissued ordinary shares under the PwC Employee Share Option Scheme and their exercise prices are as follows:

	No. of ordinary shares under option					Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year		
Group and Company							
2018							
2015 Options	1,000,000	-	-	(890,000)	110,000	\$1.31	1.1.2017 – 31.12.2020
2016 Options	1,532,000	-	(60,000)	(50,000)	1,422,000	\$1.28	1.1.2018 – 31.12.2021
2017 Options	964,000	-	(55,000)	-	909,000	\$2.95	1.1.2019 – 31.12.2022
	<u>3,496,000</u>	-	<u>(115,000)</u>	<u>(940,000)</u>	<u>2,441,000</u>		

Notes to the Financial Statements

For the financial year ended 31 December 2018

38. Share capital and treasury shares (continued)

(b) Share options (continued)

Group and Company	No. of ordinary shares under option				End of financial year	Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year			
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
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>		

Out of the unexercised options for 2,441,000 (2017: 3,496,000, 1 January 2017: 3,582,000) shares, options for 1,532,000 (2017: 1,000,000, 1 January 2017: Nil) shares are exercisable at the balance sheet date. Options exercised in 2018 resulted in 940,000 treasury shares (2017: 750,000) being re-issued at the exercise price of \$1.31 or \$1.28 (2017: \$1.31) each. The weighted average share price at the time of exercise was \$3.80 (2017: \$3.72) per share. The related transaction costs amounting to \$1,000 (2017: \$500) were deducted against the proceeds received.

SFRS(I) 2
(45)(b)(vii))
SFRS(I) 2
(45)(c)

The fair value of options granted on 1 January 2017, determined using the Binomial Valuation Model was \$600,000. The significant inputs into the model were the share price of \$2.95 at the grant date, the exercise price of \$2.95, standard deviation of expected share price returns of 30%, dividend yield of 10%, the option life shown above and the annual risk-free interest rate of 5%. 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.

SFRS(I) 2
(46,47(a))

Guidance notes

Share capital and treasury shares

Modification of share-based payments

- 1 If an entity has share-based payment arrangements that were modified during the period, it is required to disclose:

SFRS(I) 2
(47(c))

- (i) an explanation of those modifications;
- (ii) the incremental fair value granted (as a result of those modifications); and

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Share capital and treasury shares (continued)

Modification of share-based payments (continued)

- (iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in paragraph 47(a) and (b) of SFRS(I) 2, where applicable.

- 2 A disclosure example for modification of share-based payment is provided as follows:

"Modification of share-based payment arrangements

In May 2018, PwC Holdings Ltd increased the vesting period for the employee share options granted in January 2016 from two to five years and reduced the exercise price to \$4.00 to reflect the recent fall in the Company's share price. The fair value of the options at the date of the modification was determined to be \$2.05. The incremental fair value of \$0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: *[provide details]."*

39. Other reserves

SFRS(I) 1-1
(106(d))

	<u>Group</u>			<u>Company</u>		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
(a) Composition:						
Share option reserve	1,510	1,636	1,892	1,510	1,636	1,892
Capital reserve	858	488	-	684	394	-
Fair value reserve	(1,485)	572	127	38	96	130
Hedging reserve	110	87	24	-	-	-
Currency translation reserve	1,207	588	-	-	-	-
Equity component of convertible bonds	1,685	1,685	-	1,685	1,685	-
Asset revaluation reserve	2,654	2,202	2,000	-	-	-
	6,539	7,258	4,043	3,917	3,811	2,022

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Other reserves (continued)

SFRS(I) 1-1
(106(d))

(b) Movements:

SFRS(I) 1-1
(106(d))

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(i) Share option reserve				
Beginning of financial year	1,636	1,892	1,636	1,892
Employee share option scheme				
- Share options exercised (Note 6)	715	690	715	690
- Value of employee services (Note 38(a))	(841)	(946)	(841)	(946)
End of financial year	1,510	1,636	1,510	1,636
(ii) Capital reserve				
Beginning of financial year	488	-	394	-
Gain on re-issue of treasury shares (Note 38(a))	285	374	285	374
Excess tax on employee share ⁵ option scheme (Note 10(d))	85	114	5	20
End of financial year	858	488	684	394
(iii) Fair value reserve				
Beginning of financial year	572	127	96	130
- Adoption of SFRS(I) 9	(645)	-	-	-
Balance as at 1 January 2018	(73)	127	96	130
Financial assets, at FVOCI/available-for-sale				
- Fair value (losses)/gains (Note 17) (2017: Note 16)	(1,459)	710	(68)	(34)
- Tax on fair value changes	262	(128)	10	6
	(1,197)	582	(58)	(28)
Debt instruments at FVOCI				
- Impairment losses (Note 17)	8	-	-	-
- Tax on impairment	(1)	-	-	-
	7	-	-	-
Share of associated companies' fair value gains on financial asset, FVOCI/available-for-sale, net of tax	35	27	-	-
Reclassification to profit or loss (Note 8)	-	(200)	-	(7)
Tax on reclassification	-	36	-	1
	-	(164)	-	(6)
Transfer to retained profits upon disposal of equity investment in financial asset, at FVOCI	(257)	-	-	-
End of financial year	(1,485)	572	38	96

SFRS(I) 7
(20(a)(vii))
SFRS(I) 1-12
(81(a))SFRS(I) 1-12
(81(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Other reserves (continued)

SFRS(I) 1-1
(106(d))

(b) Movements (continued)

Movements in hedging reserve by risk category:

SFRS(I) 7
(24C)

	Group		2017	
	Interest rate risk \$'000	2018 Foreign exchange risk \$'000	Total	Total
(iv) Hedging reserve				
Beginning of financial year	12	75	87	24
				SFRS(I) 7 (24B(b)(ii))
- Fair value (losses)/gains	(334)	(276)	(610)	417
- Tax on fair value losses/(gains)	56	54	110	(75)
	(278)	(222)	(500)	342
				SFRS(I) 7 (24C(b)(i))
				SFRS(I) 1-12 (81(a))
Reclassification to profit or loss, as hedged item has affected profit or loss				SFRS(I) 7 (24C(b)(iv))
- Revenue	-	-	-	(128)
- Finance expense (Note 9)	508	-	508	(102)
				SFRS(I) 7 (24C(b)(v))
Reclassification to balance sheet				
- Inventories	-	65	65	(60)
- Property, plant and equipment	-	70	70	(50)
				SFRS(I) 7 (24E(a))
Tax on reclassification adjustments	(90)	(30)	(120)	61
	418	105	523	(279)
				SFRS(I) 1-12 (81)(a)
End of financial year	152	(42)	110	87

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Other reserves (continued)

SFRS(I) 1-1
(106(d))

(b) Movements (continued)

	<u>Group</u>		<u>Company</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(v) Currency translation reserve				
Beginning of financial year	588	-	-	-
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	712	878	-	-
Less: Non-controlling interests ²	(408)	(552)	-	-
	<u>304</u>	<u>326</u>	<u>-</u>	<u>-</u>
Net currency translation difference on borrowings designated as net investment hedge of foreign operations ¹	296	362	-	-
Reclassification on disposal of a subsidiary (Note 13)	19	(100)	-	-
End of financial year	<u>1,207</u>	<u>588</u>	<u>-</u>	<u>-</u>

SFRS(I) 1-1
(106(d)),
SFRS(I)
1-21 (52(a))
SFRS(I)
1-21
(52)(b)

SFRS(I) 7
(24C(b)(vi))

As at 31 December 2018, \$364,000 of the currency translation reserve relates to continuing hedges. None of the currency translation reserve relates to hedging relationships for which hedge accounting is no longer applied.

SFRS(I) 7
(24B(ii),(iii))

(vi) Equity component of convertible bonds

Beginning of financial year	1,685	-	1,685	-
Convertible bond – equity component (Note 33)	-	2,106	-	2,106
Tax on liability component (Note 10(d))	-	(421)	-	(421)
End of financial year	<u>1,685</u>	<u>1,685</u>	<u>1,685</u>	<u>1,685</u>

SFRS(I) 1-1
(106(d))

SFRS(I)
1-12
(81(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

39. Other reserves (continued)

SFRS(I) 1-1
(106(d))

(b) Movements (continued)

	<u>Group</u>		<u>Company</u>		
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
(vii) Asset revaluation reserve³					SFRS(I) 1-1 (106(d))
Beginning of financial year	2,202	2,000	-	-	
Revaluation gains (Note 29)	539	253	-	-	SFRS(I) 1-16 (77(f))
Tax on revaluation gains	(82)	(46)	-	-	SFRS(I) 1-12 (81(a))
Less: Non-controlling interests ²	(5)	(5)	-	-	
End of financial year	2,654	2,202	-	-	

Other reserves are non-distributable⁴.SFRS(I) 1-16
(77(f))

Guidance notes

Other reserves

Borrowings designated as net investment hedges

- 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.

SFRS(I) 1-21
(15, 32)

Non-controlling interests

- 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")

- An entity may elect 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.

SFRS(I) 1-16
(41)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Other reserves (continued)

Distributable reserves

4 In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:

- (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders; and
- (b) the amount of the revaluation surplus that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

SFRS(I) 1-16
(77(f))

SFRS(I) 1-38
(124(b))

The amount of reserves that are distributable will depend on the Articles of Association of the company subject to any regulatory restrictions.

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, SFRS(I) 1-12 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.

SFRS(I) 1-12
(68A – C)

Notes to the Financial Statements

For the financial year ended 31 December 2018

40. Retained profits

- (a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies and joint ventures amounting to \$745,000 (2017: \$405,000, 1 January 2017: \$579,000) and the amount of \$2,022,000 (2017: \$1,418,000, 1 January 2017: \$900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of \$2,022,000 (2017: \$1,418,000, 1 January 2017: \$900,000) utilised to purchase treasury shares.

SFRS(I)1-1
(79(a)(v))

- (b) Movement in retained profits for the Company is as follows:

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	<u>Company</u>	
	2018	2017
	\$'000	\$'000
Beginning of financial year	1,338	1,446
Net profit	8,269	9,994
Dividends paid (Note 41)	(8,082)	(10,102)
End of financial year	1,525	1,338

41. Dividends¹

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
<i>Ordinary dividends</i>		
Final dividend paid in respect of the previous financial year of 35.03 cents (2017: 52.41 cents) per share (Note 40)	8,082	10,102

SFRS(I) 1-1
(107)

At the Annual General Meeting on 5 April 2019, a final dividend of 46.70 cents per share amounting to a total of \$10,701,305 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 2019.

SFRS(I) 1-1
(137(a))
SFRS(I) 1-10
(12,13)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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)

Non-controlling interests

- 2 Non-controlling interests' share of reserve movement (net of tax) should be separately disclosed, where applicable.

SFRS(I) INT
17 (11, 14, 15,
16)

"Non-cash dividends

In November 2018, the Company transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (\$2,500,000). The difference between the fair value of the shares and their carrying amount (\$1,800,000) is presented in profit or loss as other income (\$700,000)."

Notes to the Financial Statements

For the financial year ended 31 December 2018

42. Contingencies

(a) Contingent liabilities

SFRS(I) 1-37
(86)

Contingent liabilities, excluding those relating to business combinations (Note 48), investments in associated companies (Note 25) and the investment in a joint venture (Note 26), of which the probability of settlement is not remote at the balance sheet date, are as follows:

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 not probable 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 \$16,000,000 (31 December 2017: \$16,000,000; 1 January 2017: 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, the Group will receive additional consideration of \$70,000 if the net profit of PwC Logistics for the 24-month period ending 30 June 2019 exceeds \$200,000.

SFRS(I) 1-37
(89)

43. 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 25) and investment in a joint venture (Note 26), are as follows:

Notes to the Financial Statements

For the financial year ended 31 December 2018

43. Commitments (continued)

(a) Capital commitments (continued)

	Group			Company			
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	
Investment properties	100	-	-	-	-	-	SFRS(I) 1-40 (75(h))
Property, plant and equipment	800	1,193	1,117	500	800	600	SFRS(I) 1-16 (74(c))
Intangible assets	210	460	474	110	200	100	SFRS(I) 1-38 (122(e))
	1,110	1,653	1,591	610	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 rights¹. SFRS(I) 1-17
(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: SFRS(I) 1-17
(35(a))

	Company			
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	
Not later than one year	10,234	11,664	10,204	SFRS(I) 1-17 (35(a)(i))
Between one and five years	43,214	45,651	45,651	SFRS(I) 1-17 (35(a)(ii))
Later than five years	8,421	16,110	27,774	SFRS(I) 1-17 (35(a)(iii))
	61,869	73,425	83,629	

(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. SFRS(I) 1-17
(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: SFRS(I) 1-17
(56(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

43. Commitments (continued)

(c) Operating lease commitments – where the Group is a lessor (continued)

	<u>Group and Company</u>		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Not later than one year	231	348	52
Between one and five years	109	182	-
	340	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).

SFRS(I) 1-17
(35(d))

44. Financial risk management¹¹

SFRS(I) 7
(31, 33)

Financial risk factors

SFRS(I) 7
(21A(a))

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management¹¹ (continued)

SFRS(I) 7
(31, 33)

Financial risk factor (continued)

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*¹

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").

SFRS(I) 7
(22A(a), 33(a))

Currency risk 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 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.

SFRS(I) 7
(22A(b), 33(b))
SFRS(I) 7
(22B(a))

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.

SFRS(I) 7
(22A(c))

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 revenue contracts respectively. The foreign exchange forwards are denominated in the same currency as the highly probable purchase transactions and revenue firm commitments, therefore the hedge ratio is 1:1.

SFRS(I) 7
(22B(b), (c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

SFRS(I) 7
(31, 33)

(a) Market risk (continued)

(i) Currency risk (continued)

Hedge ineffectiveness has occurred due to:

SFRS(I) 7
(22B(c))

- Changes in timing of the forecasted transaction from what was originally planned; and
- Changes in the credit risk of the derivative counterparty or the Group.

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 Chinese RMB.

SFRS(I) 7
(22A(a), (b))

There was no ineffectiveness during 2018 in relation to the net investment hedge.

SFRS(I) 7
(22B)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

SFRS(I) 7
(31, 33)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management² is as follows:

SFRS(I) 7
(31, 34(a), (c))

	<u>SGD</u>	<u>USD</u>	<u>RMB</u>	
<u>Group</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	
<u>At 31 December 2018</u>				
Financial assets				
Cash and cash equivalents	21,395	9,173	4,284	
Financial assets, at FVPL	10,535	3,065	-	
Trade and other receivables	7,717	4,716	4,214	
Intra-group receivables ⁸	15,507	5,351	2,310	
Financial assets, at FVOCI	11,438	2,014	-	
Other investments at amortised cost	2,403	-	-	
	<u>68,995</u>	<u>24,319</u>	<u>10,808</u>	
Financial liabilities				
Borrowings	(80,426)	(17,245)	(9,142)	
Intra-group payables ⁸	(15,507)	(5,351)	(2,310)	
Trade and other payables	(7,391)	(2,313)	(1,411)	
	<u>(103,324)</u>	<u>(24,909)</u>	<u>(12,863)</u>	
Net financial liabilities	<u>(34,329)</u>	<u>(590)</u>	<u>(2,055)</u>	
Add: Net non-financial assets of foreign subsidiaries	124,345	24,344	13,523	DV
Add: Contract assets	2,471	-	-	DV
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	6,000	10,123	2,444	DV
Less: Currency forwards ³	<u>(4,000)</u>	<u>(10,040)</u>	<u>(2,540)</u>	
Currency profile including non-financial assets and liabilities³	<u>94,487</u>	<u>23,837</u>	<u>11,372</u>	
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies³	<u>1,095</u>	<u>10,517</u>	<u>5,094</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)SFRS(I) 7
(31, 33)

(a) Market risk (continued)

(i) Currency risk (continued)

Group	SGD \$'000	USD \$'000	RMB \$'000
<u>At 31 December 2017</u>			
Financial assets			
Cash and cash equivalents	12,456	5,241	2,451
Trade and other receivables	8,123	4,512	4,413
Intra-group receivables ⁸	12,521	7,505	3,200
Financial assets, available-for-sale	13,520	3,728	-
Financial assets, held-to-maturity	2,122	-	-
Financial assets, at FVPL	5,850	4,935	-
	<u>54,592</u>	<u>25,921</u>	<u>10,064</u>
Financial liabilities			
Borrowings	(81,767)	(34,480)	(10,142)
Intra-group payables ⁸	(12,521)	(7,505)	(3,200)
Trade and other payables ¹⁰	(8,391)	(2,713)	(1,512)
	<u>(102,679)</u>	<u>(44,698)</u>	<u>(14,854)</u>
Net financial liabilities	(48,087)	(18,777)	(4,790)
Add: Net non-financial assets of foreign subsidiaries	151,140	25,354	15,127 DV
Add: Contract assets	2,026	-	- DV
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	2,000	34,893	16,000 DV
Less: Currency forwards ³	(1,400)	(33,040)	(1,440)
Currency profile including non-financial assets and liabilities³	<u>105,679</u>	<u>8,430</u>	<u>24,897</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies³	<u>1,588</u>	<u>(576)</u>	<u>(1,706)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)SFRS(I) 7
(31, 33)

(a) Market risk (continued)

(i) Currency risk (continued)

<u>Group</u>	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>RMB</u> \$'000
<u>At 1 January 2017</u>			
Financial assets			
Cash and cash equivalents	12,353	2,532	3,253
Trade and other receivables	6,422	5,423	4,823
Intra-group receivables ⁸	15,354	9,980	3,394
Financial assets, available-for-sale	10,851	2,086	-
Financial assets, held-to-maturity	1,593	-	-
Financial assets, at FVPL	4,023	4,303	-
	<u>50,596</u>	<u>24,324</u>	<u>11,470</u>
Financial liabilities			
Borrowings	(44,684)	(46,736)	(10,648)
Intra-group payables ⁸	(15,354)	(9,980)	(3,394)
Trade and other payables	(5,216)	(2,878)	(1,540)
	<u>(65,254)</u>	<u>(59,594)</u>	<u>(15,582)</u>
Net financial liabilities	<u>(14,658)</u>	<u>(35,270)</u>	<u>(4,112)</u>
Add: Net non-financial assets of foreign subsidiaries	92,519	25,064	17,125 DV
Add: Contract assets	1,685	-	- DV
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	2,000	14,893	6,000 DV
Less: Currency forwards ³	(1,400)	(13,040)	(4,540)
Currency profile including non-financial assets and liabilities³	<u>80,146</u>	<u>(8,353)</u>	<u>14,473</u>
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies³	<u>1,563</u>	<u>3,182</u>	<u>2,953</u>

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. 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:

SFRS(I) 7
(31, 34(a), (c))

Company	31 December 2018		31 December 2017		1 January 2017	
	SGD \$'000	USD \$'000	SGD \$'000	USD \$'000	SGD \$'000	USD \$'000
Financial assets						
Cash and cash equivalents	15,446	1,400	12,279	1,432	1,488	1,207
Trade and other receivables	8,953	-	10,698	-	5,316	-
Financial assets, at FVOCI/available-for-sale	1,600	-	1,500	-	1,218	-
	<u>25,999</u>	<u>1,400</u>	<u>24,477</u>	<u>1,432</u>	<u>8,022</u>	<u>1,207</u>
Financial liabilities						
Borrowings	(80,426)	-	(81,767)	-	(33,200)	(36,751)
Trade and other payables	(728)	(120)	(547)	(160)	(470)	(79)
	<u>(81,154)</u>	<u>(120)</u>	<u>(82,314)</u>	<u>(160)</u>	<u>(33,670)</u>	<u>(38,830)</u>
Net financial (liabilities)/assets	(55,155)	1,280	(57,837)	1,272	(25,648)	(35,623)
Add: Firm commitments	-	3,100	-	3,171	-	1,600
Less: Currency forwards	-	(2,100)	-	(2,220)	-	(1,200)
Currency profile including non-financial assets and liabilities	(55,155)	2,280	(57,837)	2,223	(25,648)	(35,223)
Currency exposure of financial assets/(liabilities)	-	2,280	-	2,223	-	(35,223)

DV

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RMB change against the SGD by 6% (31 December 2017: 6%; 1 January 2017: 2%) and 6% (31 December 2017: 6%; 1 January 2017: 4%)^{5,6,7} respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset (excluding equity instruments) that are exposed to currency risk will be as follows⁴:

SFRS(I) 7
(40, B24)

31 December 2018		Increase/(Decrease)		1 January 2017	
		31 December 2017			
Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Group

USD against SGD

- Strengthened	(616)	83	(885)	130	(349)	34
- Weakened	616	(83)	885	(130)	349	(34)

RMB against SGD

- Strengthened	(77)	34	(137)	67	15	4
- Weakened	77	(34)	137	(67)	(15)	(4)

Company

USD against SGD

- Strengthened	113	-	130	-	(746)	-
- Weakened	(113)	-	(130)	-	746	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – currency risk

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.

SFRS(I) 7 (7)

Qualitative disclosures on currency risk – based on management information

- 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.

SFRS(I) 7
(34(a))

Quantitative disclosures on currency risk – factors considered

- 3 SFRS(I) 7 is not prescriptive in the presentation format of these quantitative disclosures. 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; (d) net non-financial assets of foreign subsidiaries; and (e) contract assets recognised in accordance with SFRS(I) 15. These are summed up in the line item *"Currency profile including non-financial assets and liabilities"*. If management monitors the entity's currency risk exposure using other basis, line items should 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 SFRS(I) 7 and is used as a basis for computing the currency sensitivity analysis required by SFRS(I) 7. The line item excludes equity investments denominated in foreign currencies. Financial risk on these instruments, including the foreign currency element is combined in the price risk of the instrument. This may not coincide with the currency exposure monitored by management. Disclosure of this line item is not mandated by SFRS(I) 7.

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.

SFRS(I) 7
(B21)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – currency risk (continued)

Sensitivity analysis – reasonably possible change (continued)

- 5 In determining what a reasonably possible change in the relevant risk variables is, an entity shall consider:
- (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).

SFRS(I) 7
(IG19)

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.

SFRS(I) 7
(IG36)

Sensitivity analysis – narrative text or tabular format

- 7 Instead of using a tabular format, the entity may use a narrative description as follows:

Currency risk – Sensitivity analysis

At 31 December 2018, if the USD had strengthened/weakened by []% (2017: []%) 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 \$[] (2017: \$[]) and \$[] (2017: \$[]) 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 \$[] (2017: \$[]) and \$[] (2017: \$[]), 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 tabular 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – currency risk (continued)

Foreign currency intercompany receivables and payables

- 8 Foreign currency intercompany receivables and payables that do not form part of the net investment in a foreign operation should be included in the sensitivity analysis for foreign exchange risk. This is because even though intercompany receivables and payables are eliminated in the consolidated balance sheet, the effect on the profit or loss from their foreign currency translation under SFRS(I) 1-21 is not fully eliminated.

Accruals and provisions

- 9 Accruals that represent a right to receive cash or an obligation to deliver cash are included in the scope of SFRS(I) 7. An example is an accrual for services obtained, but for which an invoice has not been received.

SFRS(I) 1-32
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 SFRS(I) 7.

SFRS(I) 1-32
AG11

Disclosures at reporting date need to be representative for the period

- 10 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.

SFRS(I) 7
(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.

SFRS(I) 7 (42)
SFRS(I) 7
(IG37-40)

Changes in financial risk management/exposure from the previous period

- 11 An entity needs to disclose if there are changes in the following from the previous period:

SFRS(I) 7 (33)

- (a) the exposures to risk and how they arise;
- (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 entity's hedging policy, this should be disclosed accordingly.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(a) Market risk (continued)

(ii) Equity price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified either as financial assets, at FVOCI, available-for-sale or at FVPL. 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.

SFRS(I) 7
(33(a), (b))

If prices for equity securities listed in Singapore and the United States had changed by 15% (31 December 2017: 15%; 1 January 2017: 6%) and 14% (31 December 2017: 14%; 1 January 2017: 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:

SFRS(I) 7
(40, B25-28)

	Increase/(Decrease) ¹					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
Listed in Singapore						
- increased by	1,296	903	720	1,584	198	434
- decreased by	(1,296)	(903)	(720)	(1,584)	(198)	(434)
Listed in the United States						
- increased by	367	235	526	408	180	88
- decreased by	(367)	(235)	(712)	(222)	(200)	(68)
<u>Company</u>						
Listed in Singapore						
- increased by	-	168	-	186	-	60
- decreased by	-	(168)	-	(186)	-	(60)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

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.

SFRS(I) 7
(33(a))

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.

SFRS(I) 7
(33(b))

The Group enters into interest rate swaps with the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, 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.

SFRS(I) 7
(22A, 22B)

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 have occurred due to changes in the critical terms of either the interest rate swaps or the borrowings.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

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% (31 December 2017: 0.50%; 1 January 2017: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$230,000 (31 December 2017: \$340,000; 1 January 2017: \$316,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by \$152,000 (31 December 2017: \$269,000; 1 January 2017: \$237,000) mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges of variable rate borrowings.

SFRS(I) 7 (40)

Guidance notes

Financial risk management – price risk and interest rate risk

Sensitivity analysis for equity price risk – unquoted equity investments

- 1 Sensitivity analysis for equity price risk is applicable even if the equity investment is not quoted.

(b) Credit risk^{1,2,8}

SFRS(I) 7
(33(a), (b))

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:

- 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

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.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

As the Group and the Company do not hold collateral^{3,4}, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

SFRS(I) 7
(35K(a))

	<u>Company</u>	
	31 December	1 January
	2018	2017
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	16,000	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows⁵:

Group	Trade receivables ^(a)	Contract assets ^(a)	Debt instruments, at FVOCI ^(b)	Other investments at amortised cost ^(b)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018 under SFRS	509	-	-	-	509
Application of SFRS(l) 9 (Note 2.2C)	224	24	*	7	255
Balance at 1 January 2018 under SFRS(l) 9	733	24	*	7	764

Loss allowance recognised in profit or loss during the year on:

- Assets acquired/originated	745	29	-	2	776
- Reversal of unutilised amounts	(515)	(24)	-	(2)	(541)
- Changes in credit risk	-	-	8	23	31
	230	5	8	23	266

SFRS(l) 7
(35(a))

Receivables written off as uncollectible[#]

(228)	-	-	-	(228)
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SFRS(l) 7
(35(c))

Balance at 31 December 2018

735	29	8	30	802
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SFRS(l) 7
(35L)

^{*} Amount less than \$1,000

[#] Loans with a contractual amount of \$180,000 written off during the period are still subject to enforcement activity.

(a) Loss allowance measured at lifetime ECL

(b) Loss allowance measured at 12-months ECL

Cash and cash equivalents, trade receivables relating to sale of retail furniture, loan to associated company, other receivables and finance lease receivables are subject to immaterial credit loss.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

SFRS(I) 9
(B5.5.35)

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

SFRS(I) 7
(35F(c))

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

SFRS(I) 7
(35G)

Trade receivables and contract 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 considers a financial asset as in default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 120 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

SFRS(I) 7
(35F(b))
SFRS(I) 7
(35F(e))

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure^{6,7} in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

SFRS(I) 7
(35M)(b)(iii)
35N)

<u>Group</u>	Past due					Total
	Current	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wholesale of furniture and electronic equipment						
Expected loss rate	0.5%	2%	6%	15%	20%	
Trade receivables	3,588	2,015	1,351	1,356	678	8,988
Loss allowance	18	40	81	203	136	478
Construction of specialised equipment						
Expected loss rate	1.2%	2%	4%	6%	12%	
Contract assets	2,500	-	-	-	-	2,500
Trade receivables	2,352	1,850	1,023	689	356	6,270
Loss allowance	56	37	41	41	43	218
Logistics services						
Expected loss rate	2.3%	4.6%	6.9%	10.4%	15%	
Trade receivables	687	417	315	102	-	1,521
Loss allowance	16	19	22	11	-	68
Company						
Wholesale of furniture and electronic equipment						
Expected loss rate	0.4%	1.5%	4.5%	8.5%	10.8%	
Trade receivables	1,270	1,524	1,372	1,029	824	6,019
Loss allowance	5	23	62	87	89	266

SFRS(I) 7
(35N)
SFRS(I) 7
(IG20D)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure^{6,7} in relation to trade receivables and contract assets under SFRS(I) 9 as at 1 January 2018 are set out in the provision matrix as follows:

SFRS(I) 7
(35M)(b)(iii)
35N)

	Past due					Total
	Current	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	
<u>Group</u>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wholesale of furniture and electronic equipment						
Expected loss rate	0.4%	1.8%	5.8%	14.5%	18.0%	
Trade receivables	3,848	2,510	1,546	1,341	688	9,933
Loss allowance	15	45	90	194	124	468
Construction of specialised equipment						
Expected loss rate	1.2%	1.8%	3.5%	5.5%	11.0%	
Contract assets	2,026	-	-	-	-	2,026
Trade receivables	1,253	1,856	1,586	518	145	5,358
Loss allowance	39	33	56	28	16	172
Logistics services						
Expected loss rate	2.8%	5.0%	7.6%	10.1%	12%	
Trade receivables	846	584	516	251	-	2,197
Loss allowance	24	29	39	25	-	117
<u>Company</u>						
Wholesale of furniture and electronic equipment						
Expected loss rate	0.5%	1.7%	4.2%	8.0%	11.7%	
Trade receivables	1,685	2,022	1,820	1,365	720	7,612
Loss allowance	8	34	76	109	84	311

SFRS(I) 7
(35N)
SFRS(I) 7
(IG20D)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

(ii) *Financial assets, at FVOCI and other investments at amortised cost*

SFRS(I) 7
(35F(a)(i))

As disclosed in Notes 17 and 18, financial assets, at FVOCI and other investments at amortised cost comprise listed and unlisted notes. These are considered “low credit risk” as follows:

SFRS(I) 7
(35M(iii))
35N)

- Listed notes are of investment grade credit rating with at least one major rating agency.
- Unlisted notes have low risk of default as the issuer has a strong capacity to meet the contractual cash flow obligations in the near term.

Hence, the loss allowance recognised on these assets are measured at the 12-month expected credit losses.

Credit risk exposure and significant credit risk concentration

The Group and Company uses the following categories of internal credit risk rating for its investment in unlisted notes. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Standard & Poor, Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets, at FVOCI and other investments at amortised cost (continued)

Category of internal credit rating	Performing			Under-performing	Non-performing	Write-off
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows			Issuers for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 30 days past due	Interest and/or principal payments are 90 days past due	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses			Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off
Equivalent external credit rating	AAA	AA	A	-	-	-
Expected credit loss rates	0.2%	0.5%	1.3%	-	-	-
Estimated gross carrying amount at default	4,102	288	2,122	-	-	-
Carrying amount (net of credit loss allowance)	4,094	286	2,094	-	-	-

SFRS(I) 7
(35F(b), (d),
(e), 35G(a))

SFRS(I) 7
(35G(a), 35M)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

	Trade receivables \$'000	
<u>Company</u>		
Balance at 1 January 2018 under SFRS	100	
Application of SFRS(l) 9 (Note 2.2C)	211	
Balance at 1 January 2018 under SFRS(l) 9	311	
Loss allowance recognised in profit or loss during the year on:		
- Assets originated	266	SFRS(l) 7 (35(a))
- Reversal of unutilised amounts	(311)	
	(45)	
Balance at 31 December 2018	266	

Loans to subsidiaries and staff loans are subject to immaterial credit loss.

(iii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(l) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

Previous accounting policy for impairment of trade receivables

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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables
(continued)

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).

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

31 December 2017	← Past due →				Total
	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Trade receivables					
Gross carrying amount:					
- Not past due					11,652
- 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	17,488
Less: Allowance for impairment					(509)
Net carrying amount					16,979

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables (continued)

	← Past due →				
	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
31 December 2017	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Company</u>					
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

	← Past due →				
	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
1 January 2017	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>					
Trade receivables					
Gross carrying amount:					
- Not past due					11,043
- Past due but not impaired	1,345	1,443	424	281	3,493
- Past due and impaired	-	-	-	500	500
	1,345	1,443	424	781	15,036
Less: Allowance for impairment					(470)
Net carrying amount					14,566

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables (continued)

1 January 2017	<div style="text-align: center;"> <div style="display: inline-block; width: 100%; border-top: 1px solid black; position: relative;"> ← → </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> Within30 to 6060 toMore </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> 30 daysdays90 daysthan </div> <div style="display: flex; justify-content: space-around; font-weight: bold; font-size: small;"> \$'000\$'000\$'00090 days </div> </div>				Total
	30 days	days	90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Company					
Trade receivables					
Gross carrying amount:					
- Not past due					1,032
- Past due but not impaired	258	345	132	122	857
- Past due and impaired	-	-	-	242	242
	258	345	132	364	2,131
Less: Allowance for impairment					(50)
Net carrying amount					2,081

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.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – credit risk

Class versus category of financial instrument

- 1 An entity is required to make certain credit risk disclosures by class of financial instruments. A 'class' of financial instruments is not the same as a 'category' of financial instruments.

Categories are defined in SFRS(I) 9 as:

- (a) financial assets, at FVPL
- (b) financial liabilities at FVPL
- (c) financial assets, at amortised cost
- (d) financial liabilities, at amortised cost
- (e) financial assets, at FVOCI

Classes are expected to be determined at a level that is lower than the categories in SFRS(I) 9, and reconciled to the balance sheet as required under SFRS(I) 7 paragraph 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.

Level of detail and selection of assumptions – information through the eyes of management

- 2 The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in these illustrative financial statements are only one example of the kind of information that may be disclosed. Entities should consider carefully what may be appropriate in its individual circumstances when drafting these disclosures.

Collateral and other credit enhancements

- 3 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – credit risk (continued)

Collateral and other credit enhancements (continued)

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:

“As at xxx, the Group obtained assets by taking possession of collateral held as security as follows:

<u>Nature of assets</u>	<u>Carrying amount (\$'000)</u>
Inventories	50
Property, plant and equipment	1,350

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.”

- 4 If the entity holds collateral (of financial or non-financial assets) which can be sold or repledged, it shall disclose the fair value of collateral held, the fair value of collateral sold or repledged and whether the entity has the obligation to return it, and the terms and conditions associated with its use of the collateral.

Initial application of SFRS(I) 9 – Reconciliation of loss allowance balance

- 5 On initial application of SFRS(I) 9, entities must disclose information that would permit the reconciliation of ending impairment allowances in accordance with SFRS 39 and provisions in accordance with SFRS 37 to the opening loss allowance determined in accordance with SFRS(I) 9. In future periods, the entity will only need to provide the details of movements in the SFRS(I) 9 loan loss allowance required by SFRS(I) 7, paragraphs 35H to 35L.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Credit risk exposure and significant credit risk concentrations

- 6 An entity is required to disclose, by credit risk rating grades, the gross carrying amounts of financial assets and the exposure to credit risk of loan commitments and financial guarantee contracts. Entities which elect the practical expedient under paragraph 5.5.15 of SFRS(I) 9 to measure the loss allowance of trade receivables, contract assets or lease receivables using a provision matrix may provide the above disclosure based on the provision matrix.
- 7 The number of credit risk rating grades used to disclose the information in guidance note 7 above shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition, an entity shall provide an analysis by past due status for those financial assets.

Disclosures not illustrated

- 8 The following have not been illustrated in this publication.

Item	Relevant disclosure requirements
Financial assets with modifications to their contractual cash flows.	SFRS(I) 7 paragraphs 35F(f), 35I(b) and 35J
Purchased or originated financial assets, which are credit impaired.	SFRS(I) 7 paragraphs 35H(c) and 35I

44. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities (Note 32(c)) to meet obligations when due 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.

SFRS(I) 7 (33, 39(c), B11E)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(c) Liquidity risk (continued)

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility (Note 32(c)) and cash and cash equivalents (Note 13)) of the Group and the Company on the basis of expected cash flows. 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 obligations, monitoring liquidity ratios and maintaining debt financing plans.

SFRS(I) 7
(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 flows¹. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

SFRS(I) 7
(39(a), (b),
B11B)

	Less than 1 year ⁶	Between 1 and 2 years ⁶	Between 2 and 5 years ⁶	Over 5 years ⁶
<u>Group</u>	\$'000	\$'000	\$'000	\$'000
At 31 December 2018				
Trade and other payables	(15,408)	(350)	-	-
Borrowings	(14,028)	(9,967)	(96,361)	(10,543)
At 31 December 2017				
Trade and other payables	(16,515)	-	(350)	-
Borrowings	(14,774)	(11,989)	(83,981)	(34,333)
At 1 January 2017				
Trade and other payables	(10,784)	-	-	-
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(c) Liquidity risk (continued)

<u>Company</u>	Less than <u>1 year</u> ⁶ \$'000	Between 1 and 2 <u>years</u> ⁶ \$'000	Between 2 and 5 <u>years</u> ⁶ \$'000	Over 5 <u>years</u> ⁶ \$'000
At 31 December 2018				
Trade and other payables	(728)	-	-	-
Borrowings	(6,377)	(4,450)	(84,450)	-
Financial guarantee contracts	(16,000)	-	-	-
At 31 December 2017				
Trade and other payables	(547)	-	-	-
Borrowings	(7,950)	(4,450)	(88,900)	-
Financial guarantee contracts	(16,000)	-	-	-
At 1 January 2017				
Trade and other payables	(549)	-	-	-
Borrowings	(12,762)	(35,606)	(5,850)	(35,850)

SFRS(I) 7
(B11C(c))

The Group intends to repay \$2,000,000 in the first quarter of 2019 for borrowings that are contractually repayable between two to five years⁵.

SFRS(I) 7
(B10A(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.

SFRS(I) 7
(39(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(c) Liquidity risk (continued)

Group	Less than 1 year ⁶ \$'000	Between 1 and 2 years ⁶ \$'000	Between 2 and 5 years ⁶ \$'000	Over 5 years ⁶ \$'000
At 31 December 2018				
Net-settled interest rate swaps – cash flow hedges ⁴				
- Net cash outflows	124	236	-	-
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	10,110	-	-	-
- Payments	(8,713)	-	-	-
At 31 December 2017				
Net-settled interest rate swaps – cash flow hedges ⁴				
- Net cash outflows	201	201	287	-
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	21,912	2,101	-	-
- Payments	(22,448)	(2,121)	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(c) Liquidity risk (continued)

<u>Group</u>	Less than <u>1 year</u> ⁶ \$'000	Between <u>1 and</u> <u>2 years</u> ⁶ \$'000	Between <u>2 and</u> <u>5 years</u> ⁶ \$'000	Over <u>5 years</u> ⁶ \$'000
At 1 January 2017				
Net-settled interest rate swaps – cash flow hedges ⁴				
- Net cash outflows	304	127	-	-
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	8,023	4,912	-	-
- Payments	(8,278)	(4,960)	-	-
<u>Company</u>				
At 31 December 2018				
Gross-settled currency forwards – fair value hedges				
- Receipts	1,320	-	-	-
- Payments	(1,090)	-	-	-
At 31 December 2017				
Gross-settled currency forwards – fair value hedges				
- Receipts	873	83	-	-
- Payments	(598)	(75)	-	-
At 1 January 2017				
Gross-settled currency forwards – fair value hedges				
- Receipts	640	50	-	-
- Payments	(687)	(52)	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the cash flows of derivative financial instrument that are not essential for an understanding of the timing of the cash flows. The cash flows of the instruments are grouped into relevant maturity groupings based on the expected settlement date of the cash flows from the balance sheet date.

SFRS(I) 7
(39)(b)

	Less than <u>1 year</u> ⁶ \$'000	Between 1 and <u>2 years</u> ⁶ \$'000	Between 2 and <u>5 years</u> ⁶ \$'000	Over <u>5 years</u> ⁶ \$'000
<u>Group</u>				
At 31 December 2018				
Net settled currency forwards				
- Held for trading	(610)	-	-	-
At 31 December 2017				
Net settled currency forwards				
- Held for trading	410	-	-	-
At 1 January 2017				
Net settled currency forwards				
- Held for trading	81	-	-	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

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:

SFRS(I) 7
(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.

SFRS(I) 7
(B11B)

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. SFRS(I) 7 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.

- 2 The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, e.g.:

- (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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – liquidity risk (continued)

Contractual undiscounted cash flows (continued)

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.

- 3 All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows.

Variable amount payable

- 4 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.

SFRS(I) 7
(B11D)

Expected maturity dates

- 5 An entity should disclose summary quantitative data about its exposure to liquidity risk based on 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 or be significantly different in the data disclosed above, the entity should state this fact and provide quantitative information that enables this risk to be assessed.

SFRS(I) 7
(B10A)

Time buckets

- 6 In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. SFRS(I) 7 prescribes that:
 - (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.
 - (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.

SFRS(I) 7
(B11, B11C)

Notes to the Financial Statements

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44. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital³ 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 payments, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

SFRS(I) 1-1
(134 – 136)

Management monitors capital based on a gearing ratio¹. The Group and the Company are also required under the terms of its major borrowing facilities to maintain a gearing ratio of not exceeding 70% (31 December 2017: 70%, 1 January 2017: 70%). The Group's and the Company's strategies, which were unchanged from 2017, are to maintain gearing ratios within 35% to 50% and 50% to 70% respectively.

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.

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Net debt	89,173	122,789	79,635	63,996	66,222	69,523
Total equity	166,154	138,204	100,288	44,915	45,226	34,592
Total capital	255,327	260,993	179,923	108,911	111,448	104,115

Gearing ratio	35%	47%	44%	59%	59%	67%
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The Group and the Company are in compliance with all externally imposed capital requirements² for the financial years ended 31 December 2017 and 2018.

SFRS(I) 1-1
(135(d))

Notes to the Financial Statements

For the financial year ended 31 December 2018

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.
- 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.
- 3 The word “capital” denotes the company’s overall funding; it does not mean “equity capital”. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel.

SFRS(I) 1-1
IG10

SFRS(I) 1-1
(136)

SFRS(I) 1-1
(135)

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(e) Fair value measurements

The table below presents assets and liabilities recognised and measured 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); | SFRS(I) 13
(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 | SFRS(I) 13
(81) |
| (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). | SFRS(I) 13
(86) |

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found at Note 11, Note 28 and Note 29.

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	SFRS(I) 13 (93(b))
\$'000	\$'000	\$'000	\$'000	\$'000	
31 December 2018					
<i>Assets</i>					
Financial assets, at FVPL	11,300	-	2,300	13,600	
Derivative financial instruments	-	2,045	117	2,162	
Financial assets, at FVOCI	9,358	-	4,094	13,452	
<i>Liabilities</i>					
Contingent consideration payable	-	-	350	350	
Derivative financial instruments	-	1,376	-	1,376	

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)**(e) Fair value measurements (continued)**

<u>Group</u>	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000	SFRS(I) 13 (93(b))
31 December 2017					
<i>Assets</i>					
Financial assets, at FVPL	10,785	-	-	10,785	
Derivative financial instruments	-	1,353	111	1,464	
Financial assets, available-for-sale	11,901	-	5,347	17,248	
<i>Liabilities</i>					
Contingent consideration payable	-	-	350	350	
Derivative financial instruments	-	575	-	575	
1 January 2017					
<i>Assets</i>					
Financial assets, at FVPL	8,326	-	-	8,326	
Derivative financial instruments	-	564	-	564	
Financial assets, available-for-sale	7,673	-	5,264	12,937	
<i>Liabilities</i>					
Derivative financial instruments	-	284	-	284	

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)**(e) Fair value measurements (continued)**

<u>Company</u>	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000	SFRS(I) 13 (93(b))
31 December 2018					
<i>Assets</i>					
Derivatives financial instruments	-	211	-	211	
Financial assets, at FVOCI	1,600	-	-	1,600	
31 December 2017					
<i>Assets</i>					
Derivative financial instruments	-	266	-	266	
Financial assets, available-for-sale	1,500	-	-	1,500	
<i>Liabilities</i>					
Derivative financial instruments	-	47	-	47	
1 January 2017					
<i>Assets</i>					
Derivative financial instruments	-	84	-	84	
Financial assets, available-for-sale	1,218	-	-	1,218	
<i>Liabilities</i>					
Derivative financial instruments	-	47	-	47	

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period.

SFRS(I) 13
(95)

There were no transfers between Levels 1 and 2 during the year.

SFRS(I) 13
(93(c))

The fair value of financial instruments traded in active markets 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. These instruments are included in Level 1.

SFRS(I) 13
(91(a), (93(d)))

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(e) Fair value measurements (continued)

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 based on observable yield curves³. 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.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The following table presents the changes in Level 3 instruments:

SFRS(I) 13
(93(e))

	Interest rate swaps	Unlisted debt instruments	Mandatorily redeemable preference shares	Contingent consideration
	\$'000	\$'000	\$'000	\$'000
2018				
Beginning of financial year	111	4,237	1,110	(350)
Fair value losses recognised in				
- other comprehensive income	-	(143)	-	-
- profit or loss (line item: other gains and losses)	6	-	1,190	-
End of financial year	117	4,094	2,300	(350)
Total unrealised gains for the period included in profit or loss for assets and liabilities held at the end of the financial year (Note (a))	4	-	1,190	-

SFRS (I) 13
(93(e)(ii))

SFRS (I) 13
(93(e)(i))

SFRS(I) 13
(93(f))

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(e) Fair value measurements (continued)

	Interest rate <u>swaps</u>	Unlisted debt <u>instruments</u>	Mandatorily redeemable preference <u>shares</u>	Contingent <u>consideration</u>	
	\$'000	\$'000	\$'000	\$'000	
2017					
Beginning of financial year	-	4,174	1,090	-	
Purchases	-	50	-	-	SFRS (I) 13 (93(e)(iii))
Transfer from Level 2	115	-	-	-	SFRS (I) 13 (93(e)(iv))
Acquisition of subsidiary	-	-	-	(300)	SFRS (I) 13 (93(e)(i))
Fair value gains recognised in					SFRS (I) 13 (93(e)(ii))
- other comprehensive Income	-	13	20	-	
- profit or loss (line item: other gains and losses)	(4)	-	-	(50)	SFRS (I) 13 (93(e)(i))
End of financial year	111	4,237	1,110	(350)	
Total unrealised losses recognised in profit or loss for assets and liabilities held at the end of the financial year (Note (a))	(2)	-	-	(50)	SFRS(I) 13 (93(f))

- (a) The unrealised gains/losses are presented in "Other gain/losses" in the statement of comprehensive income.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(e) Fair value measurements (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

SFRS(I) 13
(93(d), 99)

Description	Fair value at 31 December 2018 (\$'000)	Unobservable inputs ^(a)	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Interest rate swaps	117 (31 December 2017: 111; 1 January 2017: Nil)	Credit default rate	25% (31 December 2017: 30%; 1 January 2017: n/a)	The higher the credit default rate, the lower the fair value.
Unlisted debt instruments	4,094 (31 December 2017: 4,237; 1 January 2017: 4,174)	Credit default rate	10% (31 December 2017: 15%; 1 January 2017: 13%)	The higher the credit default rate, the lower the fair value.
		Risk-adjusted discount rate	9% – 11% (31 December 2017: 9.5% – 11%; 1 January 2017: 10% – 12%)	The higher the discount rate, the lower the fair value.
Mandatorily redeemable preference shares	2,300 (31 December 2017: 1,110; 1 January 2017: 1,090)	Risk-adjusted discount rate	10% – 13% (31 December 2017: 12% – 14%; 1 January 2017: 13% – 15%)	The higher the discount rate, the lower the fair value.
Contingent consideration	350 (31 December 2017: 350; 1 January 2017: Nil)	Risk-adjusted discount rate	14% (31 December 2017: 14%, 1 January 2017: n/a)	The higher the discount rate, the lower the fair value.
		Estimated cumulative net profit	\$5,000,000 to \$6,250,000 (31 December 2017: \$5,000,000 to \$6,250,000; 1 January 2017: n/a)	The higher the estimated cumulative net profit

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(e) Fair value measurements (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

The Level 3 financial instruments were valued using discounted cash flow analysis.

There were no transfers between Levels 2 and 3 during the year. During the financial year ended 31 December 2017, the Group transferred a forward foreign exchange contract from Level 2 to Level 3. The counterparty encountered significant financial difficulties, which resulted in an increase in the credit risk specific to the counterparty.

SFRS(I) 13
(93(c) (e))

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – Fair value measurements

Classes of assets and liabilities

SFRS(I) 13
(94)

- 1 The disclosures in SFRS(I) 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:
 - (a) the nature, characteristics and risks of the asset or liability, and
 - (b) the level of the fair value hierarchy within which the fair value measurement is categorised
- 2 A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

SFRS(I) 13
(94)

Sensitivity analysis

- 3 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.

Financial instruments carried at other than fair value

SFRS(I) 13
(93(h)(ii))

- 4 An entity should disclose the fair value for each class of financial assets and financial liabilities (per SFRS(I) 7(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:
 - (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;
 - (b) a contract containing a discretionary participation feature (as described in SFRS(I) 4, 'Insurance contracts') if the fair value of that feature cannot be measured reliably; or
 - (c) for lease liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Financial risk management – Fair value measurements (continued)

Financial instruments carried at other than fair value (continued)

- 5 A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed. SFRS(I) 7 (29)

- 6 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.

- 7 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 disclose the information required as follows: SFRS(I) 13 (93(b))
 - (a) the level of the fair value hierarchy within the fair value measurements are categorised in their entirety level (Level 1, 2 or 3); SFRS(I) 13 (93(b))
 - (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; and SFRS(I) 13 (93(ii))
 - (c) for recurring and non-recurring fair value measurements of non-financial assets, if the 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(f) Financial instruments by category

SFRS(I) 7 (6)

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 14 – 17 and Note 19 to the financial statements, except for the following:

	<u>Group</u>	<u>Company</u>
	\$'000	\$'000
31 December 2018		
Financial assets, at FVPL	15,762	211
Financial liabilities, at FVPL	1,726	-
Financial assets, at amortised cost	58,213	26,231
Financial liabilities, at amortised cost	125,921	81,274
31 December 2017		
Financial assets, at FVPL	12,249	266
Financial liabilities, at FVPL	925	47
Loans and receivables	45,180	26,950
Financial liabilities, at amortised cost	144,449	82,474
1 January 2017		
Financial assets, at FVPL	8,890	84
Financial liabilities, at FVPL	284	47
Loans and receivables	54,901	8,293
Financial liabilities, at amortised cost	115,847	72,500

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities

SFRS(I) 7
(13C)

The Group has the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

<u>Group</u>	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet [†]		
	Gross amount- financial <u>assets</u>	Gross amount- financial <u>liabilities</u>	Net amounts – presented in balance <u>sheet</u>	Financial assets/ <u>(liabilities)</u>	Financial collateral <u>received</u>	Net <u>amount</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2018						
Derivative financial assets	2,756	(594)	2,162	(275)	-	1,887
Trade receivables	8,214	(2,549)	5,665	-	-	5,665
	10,970	(3,143)	7,827	(275)	-	7,552
Derivative financial liabilities	1,970	(594)	1,376	(275)	-	1,101
Trade payables	2,549	(2,549)	-	-	-	-
	4,519	(3,143)	1,376	(275)	-	1,101

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities (continued)

SFRS(I) 7
(13C)

Group	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet ¹		
	Gross amount- financial assets \$'000	Gross amount- financial liabilities \$'000	Net amounts – presented in balance sheet \$'000	Financial assets/ (liabilities) \$'000	Financial collateral received \$'000	Net amount \$'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
	8,143	(2,664)	5,479	(263)	-	5,216
Derivative financial liabilities	1,150	(575)	575	(263)	-	312
Trade payables	2,089	(2,089)	-	-	-	-
	3,239	(2,664)	575	(263)	-	312
At 1 January 2017						
Derivative financial assets	848	(284)	564	(188)	-	376
Trade receivables	3,875	(784)	3,091	-	-	3,091
	4,723	(1,068)	3,655	(188)	-	3,467
Derivative financial liabilities	568	(284)	284	(188)	-	96
Trade payables	4,275	(784)	3,491	-	-	3,491
	4,843	(1,068)	3,775	(188)	-	3,587

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities (continued)

SFRS(I) 7
(13C)

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 ¹		
	Gross amounts- financial assets \$'000	Gross amount- financial liabilities \$'000	Net amounts – presented in balance sheet \$'000	Financial assets/ (liabilities) \$'000	Financial collateral received \$'000	Net amount \$'000
Company						
At 31 December 2018						
Derivative financial assets	345	(134)	211	-	-	211
Derivative financial liabilities	134	(134)	-	-	-	-
At 31 December 2017						
Derivative financial assets	313	(47)	266	(24)	-	242
Derivative financial liabilities	94	(47)	47	(24)	-	23
At 1 January 2017						
Derivative financial assets	131	(47)	84	(13)	-	71
Derivative financial liabilities	94	(47)	47	(13)	-	34

Notes to the Financial Statements

For the financial year ended 31 December 2018

44. Financial risk management (continued)

(g) Offsetting financial assets and financial liabilities (continued)

Agreements with derivative counterparties are based on an International Swap Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right to set-off, these amount have not been offset in the balance sheet, but have been presented separately in the table above.

SFRS(I) 7
(13E, B50)

Guidance notes

Offsetting of financial assets and financial liabilities

- These amounts are not set off in the balance sheet as the agreements do not meet some or all of the offsetting criteria in SFRS(I) 1-32.
- Alternatively, the offsetting information may be presented in the following format:

SFRS(I) 7
(13C)

31 December 2018 (\$'000)	Derivative financial <u>assets</u>	Derivative financial <u>liabilities</u>	Trade <u>receivables</u>	Trade <u>payables</u>
Gross amount	2,756	1,970	8,214	2,549
Less: Gross amount net off in balance sheet	(594)	(594)	(2,549)	(2,549)
Net amount presented in balance sheet	2,162	1,376	5,665	-
Less: related amount not set off in balance sheet	(275)	(275)	-	-
Less: financial collateral received/pledged	-	-	-	-
Net amount	1,887	1,101	5,665	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

45. Immediate and ultimate holding corporations

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.

SFRS(I) 1-1
(138(c))
SFRS(I) 1-24
(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.

SFRS(I) 1-24
(13)

Notes to the Financial Statements

For the financial year ended 31 December 2018

46. 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*

SFRS(I) 1-24
(18, 24)

	<u>Group</u>		
	31 December 2018	31 December 2017	
	\$'000	\$'000	
Sales of goods and/or services to			
- associated companies	1,792	1,800	SFRS(I) 1-24 (19(d))
- other related parties	658	470	SFRS(I) 1-24 (19(g))
Purchases of materials from			
- associated companies	15,235	16,286	SFRS(I) 1-24 (19(d))
- fellow subsidiaries	72,789	70,601	SFRS(I) 1-24 (19(g))
Purchase of plant and equipment from other related parties	500	600	SFRS(I) 1-24 (19(g))
Payments made on behalf and reimbursed by the immediate holding corporation	144	186	SFRS(I) 1-24 (19(g))
Professional fees received from other related parties	200	212	SFRS(I) 1-24 (19(g))
Technical fees received from other related parties	8	15	SFRS(I) 1-24 (19(g))
Purchase commitments from other related parties	250	300	

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

SFRS(I) 1-24
(9)

Outstanding balances at 31 December 2018, 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 20 and 31 respectively.

SFRS(I) 1-24
(18(b)(i))

Notes to the Financial Statements

For the financial year ended 31 December 2018

46. Related party transactions (continued)

(b) Key management personnel compensation¹

SFRS(I) 1-24
(17)

Key management personnel compensation is as follows:

	<u>Group</u>	
	2018	2017
	\$'000	\$'000
Wages and salaries	3,998	3,620
Employer's contribution to defined contribution plans, including Central Provident Fund	220	203
Termination benefits	-	100
Other long-term benefits	40	33
Share option expense	350	300
	4,608	4,256

SFRS(I) 1-24
(17(a))

SFRS(I) 1-24
(17(b))

SFRS(I) 1-24
(17(d))

SFRS(I) 1-24
(17(c))

SFRS(I) 1-24
(17(e))

Guidance notes

Related party transactions

Commitments

SFRS(I) 1-24
(18)

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. 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 of the amounts as at the balance sheet date, and the related terms and conditions:

- 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Related party transactions (continued)

Key management personnel services provided by separate management entity

- 2 If an entity incurred amounts for the provision of key management personnel services that are provided by a separate management entity, these amounts must be disclosed.

SFRS(I) 1-24
(18A)

Investment entities

- 3 An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead. Investment entities must disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

47. Segment information

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.

SFRS(I) 8
(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.

SFRS(I) 8
(22(b))

In addition, the Singapore geographic area 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 the furniture retail and wholesale businesses, they have been aggregated into one reportable segment as they have similar economic growth rates.

SFRS(I) 8
(22(aa))

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

Other segments included manufacture and sale of electronic component parts in Thailand, sale of furniture in 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 SFRS(I) 8 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. SFRS(I) 8 (16)

The Exco assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") 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. SFRS(I) 8
(27(b), 28)

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. SFRS(I) 8
(27(a))

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

The segment information provided to the Exco for the reportable segments are as follows:

	← Singapore →		← China →		← Philippines →		Thailand			
	Compo- nent Parts	Const- ruction	Compo- nent Parts	Furni- ture	Compo- nent Parts	Furni- ture	Compo- nent Parts	All other seg- ments	Total for continuing operations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2018										
Sales										
Total segment sales	89,449	29,015	54,001	34,225	3,152	28,453	1,575	5,460	245,330	
Inter-segment sales	(22,158)	-	(11,552)	(4,580)	(742)	(2,840)	-	-	(41,872)	SFRS(I) 8 (23(b))
Sales to external parties	67,291	29,015	42,449	29,645	2,410	25,613	1,575	5,460	203,458	SFRS(I) 8 (23, 33(a))
Adjusted EBITDA	25,236	18,829	9,574	10,971	760	6,715	33	373	72,491	
Depreciation	(5,014)	(2,877)	(1,162)	(1,398)	(1,057)	(932)	(45)	(265)	(12,750)	SFRS(I) 8 (23(e))
Amortisation	(674)	-	(89)	(42)	(81)	(28)	-	(40)	(954)	SFRS(I) 8 (23(e))
Goodwill impairment	-	-	(1,081)	-	-	-	-	-	(1,081)	SFRS(I) 8 (23(i))
Share of profit of associated companies and joint venture	-	-	-	-	-	-	-	340	340	SFRS(I) 8 (23(g))
Segment assets	56,200	39,621	85,819	41,596	2,785	28,397	893	9,578	264,889	
Segment assets includes:										
Investment in associated companies and joint venture	-	-	-	-	-	-	-	9,063	9,063	SFRS(I) 8 (24(a))
Additions to:										
- property, plant and equipment	378	530	882	420	801	-	-	-	3,011	SFRS(I) 8 (24(b))
- investment property	246	-	-	-	-	-	-	-	246	SFRS(I) 8 (24(b))
- intangible assets	347	-	151	-	138	-	844	12	1,492	SFRS(I) 8 (24(b))
Segment liabilities	(5,247)	(4,252)	(3,427)	(3,300)	(211)	(2,200)	(82)	(818)	(19,537)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

	← Singapore →		← China →		← Philippines →		Thailand		
	Component Parts	Construction	Component Parts	Furniture	Component Parts	Furniture	Component Parts	All other segments	Total for continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017									
Sales									
Total segment sales	87,928	29,791	59,682	39,355	2,845	25,737	1,054	7,652	254,044
Inter-segment sales	(19,950)	-	(13,415)	(5,880)	(635)	(3,920)	-	-	(43,800)
Sales to external parties	67,978	29,791	46,267	33,475	2,210	21,817	1,054	7,652	210,244
Adjusted EBITDA	25,858	11,397	17,000	12,729	840	8,316	109	744	76,993
Depreciation	(6,248)	(2,255)	(4,221)	(2,789)	(202)	(1,859)	(22)	(79)	(17,675)
Amortisation	(584)	-	(258)	-	(13)	-	(9)	(111)	(975)
Goodwill impairment	-	-	-	(4,650)	-	-	-	-	(4,650)
Restructuring costs	-	-	-	(1,100)	-	-	-	-	(1,100)
Share of profit of associated companies and joint venture	-	-	-	-	-	-	-	174	174
Segment assets	51,103	38,090	83,023	39,919	5,637	26,086	890	9,892	254,640
Segment assets includes:									
Investment in associated companies and joint venture	-	-	-	-	-	-	-	8,208	8,208
Additions to:									
- property, plant and equipment	1,999	1,250	70,314	1,427	810	1,005	250	844	77,899
- investment property	288	-	-	-	-	-	-	-	288
- intangible assets	1,121	-	8,259	-	1,219	-	80	393	11,072
Segment liabilities	(7,471)	(2,570)	(6,101)	(2,047)	(288)	(1,365)	(123)	(645)	(20,610)

SFRS(I) 8
(23(b))
SFRS(I) 8
(23, 33(a))

SFRS(I) 8
(23(e))
SFRS(I) 8
(23(e))
SFRS(I) 8
(23(i))

SFRS(I) 8
(23(g))

SFRS(I) 8
(24(a))

SFRS(I) 8
(24(b))

SFRS(I) 8
(24(b))
SFRS(I) 8
(24(b))

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

(a) Reconciliations

(i) Segment profits

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is as follows:

SFRS(I) 8
(28(b))

	2018 \$'000	2017 \$'000
Adjusted EBITDA for reportable segments	72,118	76,249
Adjusted EBITDA for other segments	373	744
Total adjusted EBITDA	72,491	76,993
Depreciation	(12,750)	(17,675)
Amortisation	(954)	(975)
Impairment loss on goodwill	(1,081)	(4,650)
Restructuring costs	-	(1,100)
Finance expense	(7,213)	(7,073)
Interest income	2,144	1,180
Profit before tax and discontinued operations	52,637	46,700

(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 FVPL, financial assets, at FVOCI and other investments at amortised cost.

SFRS(I) 8
(27(c))

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2018 \$'000	2017 \$'000
Segment assets for reportable segments	255,311	244,748
Other segment assets	9,578	9,892
Total segment assets	264,889	254,640
Unallocated:		
Assets associated with disposal group	-	3,333
Deferred income tax assets	3,306	3,319
Short-term bank deposits	11,693	9,530
Derivative financial instruments	2,162	1,464
Financial assets, at FVPL and at FVOCI and other investments at amortised cost (2017: Financial assets, at FVPL, available-for-sale, and held-to-maturity)	29,455	30,155
Total assets	311,505	302,441

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

(a) Reconciliations (continued)

(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.

SFRS(I) 8
(27(d))

Segment liabilities are reconciled to total liabilities as follows:

	2018 \$'000	2017 \$'000
Segment liabilities for reportable segments	18,719	19,965
Other segment liabilities	818	645
Total segment liabilities	19,537	20,610
Unallocated:		
Liabilities associated with disposal group	-	220
Current income tax liabilities	1,700	2,942
Deferred income tax liabilities	12,360	12,066
Borrowings	110,378	127,824
Derivative financial instruments	1,376	575
Total liabilities	145,351	164,237

(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". The breakdown of the Group's revenue by products and services is provided under Note 4(a).

SFRS(I) 8 (32)

Revenues of \$21,675,300 (2017: \$23,460,000) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment.

SFRS(I) 8 (34)

Notes to the Financial Statements

For the financial year ended 31 December 2018

47. Segment information (continued)

(c) Geographical information

The Group's three business segments operate in four main geographical areas:

SFRS(I) 8 (23)

- 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, provision of logistics services 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 Malaysia.

	<u>Non-current assets</u>		SFRS(I) 8 (33)(b)
	31 December 2018	31 December 2017	
	\$'000	\$'000	
Singapore	80,656	84,206	
People's Republic of China	85,134	88,736	
The Philippines	20,398	24,163	
Other countries	428	316	
	186,616	197,421	

The Group's revenue by geographical areas is disclosed under Note 4(a).

Notes to the Financial Statements

For the financial year ended 31 December 2018

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. Entities 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.

SFRS(I) 8
(22(a), 22(aa))

Notes to the Financial Statements

For the financial year ended 31 December 2018

48. Business combinations

On 1 October 2017¹, 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.

SFRS(I) 3
(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:

	\$'000	
(a) Purchase consideration		
Cash paid	13,700	SFRS(I) 3 (B64(f)(i))
Contingent consideration (Note (e) below)	300	SFRS(I) 3 (B64) (f)(iii), (g)(i))
Total purchase consideration	14,000	SFRS(I) 3 (B64(f))
Less: Indemnification asset (Note (i) below)	(200)	SFRS(I) 3 (B64(g)(i))
Consideration transferred for the business	13,800	
(b) Effect on cash flows of the Group		
Cash paid (as above)	13,700	SFRS(I) 1-7 (40)(b)
Less: Cash and cash equivalents in subsidiary acquired	(300)	SFRS(I) 1-7 (40)(c)
Cash outflow on acquisition	13,400	SFRS(I) 1-7 (40)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2018

48. Business combinations (continued)

(c) Identifiable assets acquired and liabilities assumed	At fair value	SFRS(I) 3 (B64(i))
	\$'000	
		SFRS(I) 1-7 (40(d))
Cash and cash equivalents	300	
Property, plant and equipment (Note 29)	67,784	
Trademarks and licences (included in intangibles) (Note 30(b) and note (g) below)	4,000	
Investment in associated companies	389	
Financial assets, available-for-sale	473	
Inventories	1,122	
Trade and other receivables (Note (f) below)	1,585	
Total assets	<u>75,653</u>	
Trade and other payables	(15,000)	
Borrowings	(41,359)	
Contingent liability (included in provisions) (Note 36 and note (h) below)	(300)	
Current tax liabilities (Note 10(b))	(100)	
Deferred tax liabilities (Note 37)	<u>(3,753)</u>	
Total liabilities	<u>(60,512)</u>	
Total identifiable net assets	15,141	
Less: Non-controlling interest at fair value	(5,600)	SFRS(I) 3 (B64(o)(i))
Add: Goodwill (Note 30(a) and note (k) below)	<u>4,259</u>	
Consideration transferred for the business	<u>13,800</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2018

48. Business combinations (continued)

(d) Acquisition-related costs

SFRS(I) 3
(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

SFRS(I) 3
(B64((f)(iii),(g)))

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.

(f) Acquired receivables

SFRS(I) 3
(B64(h))

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.

(g) Fair values

SFRS(I) 3
(B64(a))

The fair value of the acquired identifiable intangible assets of \$4,000,000 (trademarks and licences) was finalised during the year. No adjustments were required to be recognised.

(h) Contingent liability

SFRS(I) 3
(B64(j)),
SFRS(I) 3
(B67(c))
SFRS(I) 1-37
(84,85)

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 2020. 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 2018, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2018

48. Business combinations (continued)

(i) Indemnification asset

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.

SFRS(I) 3
(27,57)
SFRS(I) 3
(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:

SFRS(I) 3
(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.

(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. It is not deductible for tax purposes.

SFRS(I) 3
(B64)(e),
B64(k))

(l) Revenue and profit contribution

The acquired business contributed revenue of \$5,025,000 and net profit of \$841,000 to the Group from the period from 1 October 2017 to 31 December 2017.

SFRS(I) 3
(B64(q))

Had PwC China been acquired from 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been \$22,013,000 and \$3,520,000 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Business combinations

Comparative disclosures for business combinations in prior year

- 1 Under SFRS(I) 1-1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, SFRS(I) 3 does not separately require comparative information in respect of business combinations. In our view, the SFRS(I) 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of SFRS(I) 3 do not need to be repeated. However, if the initial accounting for a business combination in the prior year was incomplete, the disclosures that are required in relation to a prior business combination in paragraph B67 of SFRS(I) 3 must be made. **The SFRS(I) 3 disclosures for comparative period has been included in this publication for illustration purposes only.**

SFRS(I) 1-1
(38)

Equity interests issued as purchase consideration

- 2 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.

SFRS(I) 3
(B64(f)(iv))

Business combination achieved in stages

- 3 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.

SFRS(I) 3
(B64(p))

Indemnification assets

- 4 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.

SFRS(I) 3 (27)
SFRS(I) 3
(B64(g))

Provisional fair values and subsequent adjustments during the measurement period

- 5 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 and the reason why the initial accounting is incomplete.

SFRS(I) 3
(B67)

Notes to the Financial Statements

For the financial year ended 31 December 2018

Guidance notes

Business combinations (continued)

Provisional fair values and subsequent adjustments during the measurement period (continued)

- 6 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.

SFRS(I) 3
(B67)

49. Events occurring after balance sheet date

On 24 February 2019, 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.

SFRS(I) 1-10
(21)

On 1 March 2019, 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 2019. 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 2019.

SFRS(I) 1-10
(21)
SFRS(I) 1-10
(22(a))
SFRS(I) 3
(B66)

Guidance notes

Business combinations occurring after balance sheet date but before the financial statements are authorised for issue

- 1 SFRS(I) 3 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.

SFRS(I) 3
(B66)

Notes to the Financial Statements

For the financial year ended 31 December 2018

50. 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 2019 and which the Group has not early adopted:

SFRS(I) 1-8
(30(a), (b))

- (a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 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.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$61,869,000 (Note 43(b)). Of these commitments, approximately \$2,868,000 relate to short-term leases and \$2,468,000 to low-value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately \$47,597,000 on 1 January 2019, lease liabilities of \$47,996,000 (after adjustments for prepayments and accrued lease payments recognised) and deferred tax assets of \$108,000. Overall net assets will be approximately \$291,000 lower, and net current assets will be \$6,428,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately \$2,616,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately \$749,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately \$4,349,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Notes to the Financial Statements

For the financial year ended 31 December 2018

50. New or revised accounting standards and interpretations (continued)

- (b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- (ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions as disclosed in Note 3.1(c) on the adoption of the interpretation on 1 January 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2018

50. New or revised accounting standards and interpretations (continued)

- (c) Amendments to SFRS(I) 3 *Business Combinations* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact be recognised arising from applying these amendments.

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Guidance notes

New or revised accounting standards and interpretations

- 1 Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions (e.g., SFRS(I) 16 Leases). Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.
- 2 It is not required to list all SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that have been issued but are not effective at date of authorisation of financial statements. Only those relevant to the entity's operations should be indicated. Please refer to Practical Guide to New Singapore Financial Reporting Standards (International) for 2018 for new standards and amendments that come into effect on or after 2018.

SFRS(I) 1-8
(30)

Notes to the Financial Statements

For the financial year ended 31 December 2018

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 2019.

SFRS(I) 1-10
(17)

52. Listing of significant companies in the Group

SGX 715-718

	Principal	Country of	Equity holding		
<u>Name of companies</u>	<u>Activities</u>	<u>business/ incorporation</u>	31 December		1 January
			2018	2017	2017
<u>Significant subsidiaries</u>			%	%	%
PwC Construction Pte Ltd ^(a)	Construction of specialised equipment	Singapore	100	100	100
PwC Property (Singapore) Pte Ltd ^(a)	Investment holding	Singapore	100	100	100
PwC Furniture (PRC) Co., Ltd ^(d)	Sale of furniture	People's Republic of China	85	85	85
PwC Components (Singapore) Pte Ltd ^{(a),(g)}	Manufacture of component parts	Singapore	45	45	45
PwC Components (PRC) Co., Ltd ^(d)	Manufacture of component parts	People's Republic of China	80	80	80
PwC Components (China) Pte Ltd ^(d)	Manufacture of component parts	People's Republic of China	70	70	-
PwC Furniture (Philippines) Pte Ltd ^(b)	Sale of furniture	The Philippines	70	70	70
<u>Significant joint venture</u>					
PwC JV Logistics (PRC) Co., Ltd ^{(d),(f)}	Provision of logistics services	People's Republic of China	60	60	60
<u>Significant associated companies</u>					
PwC A Property (Hong Kong) Limited ^(e)	Investment holding	Hong Kong	35	35	35
PwC A Furniture Sdn Bhd ^(c)	Sale of furniture	Malaysia	25	25	25
PwC Components (Philippines) Pte Ltd ^(b)	Manufacture of component parts	The Philippines	15	15	-

Notes to the Financial Statements

For the financial year ended 31 December 2018

52. Listing of significant companies in the Group (continued)

- (a) Audited by PricewaterhouseCoopers LLP, Singapore
- (b) Audited by Isla Lipana & Co, Philippines
- (c) Audited by Tan & Co., Malaysia
- (d) Audited by Great Wall CPA Company Limited, People's Republic of China
- (e) Not required to be audited 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
- (g) Deemed to be a subsidiary as the Group has the ability to nominate a majority of the directors of the subsidiary.
- (h) 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.

SFRS(I) 12
(9(a))
SFRS(I) 12
(9(b))

Guidance notes

Listing of significant companies in the Group

- 1 The term “significant” is not defined in SFRS(I). 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 SFRS(I), 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:
 - (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. SGX 716
- 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)

Other Disclosures

Additional Disclosure Requirements

- Additional requirements of Singapore Exchange Securities Trading Listing Manual
- Shareholders' information at 13 March 2019

Additional Illustrative Disclosures

- Appendix 1
- Appendix 2

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Additional requirements of Singapore Exchange Securities Trading Listing Manual

(a) Corporate information

Company secretary

S.M. Barker

SGX 1207 (1)

Registered office

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>

SGX 1207 (2)

Share registrar

Independent Registry Firm

10 Collyer Quay #19-00

Ocean Building Singapore 049315

SGX 1207 (3)

Auditor

PricewaterhouseCoopers LLP

7 Straits View, Marina One,

East Tower, Level 12,

Singapore 018936

Audit Partner: Ken Wang

Year of appointment : 2014

SGX 713

(b) Material contracts¹

SGX 1207 (8)

In 2018, 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 (2017: \$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 2018 (2017: 4% below the normal price).

(c) Directors' remuneration²

Please refer to information disclosed in Section (B) of the Corporate Governance Report.

SGX 1207
(12-15)

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)**(d) Auditors' fees³**

	2018	2017
	\$'000	\$'000
Auditor's remuneration paid/payable to ³		
- 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

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.

SGX 1207
(6)(c)

(f) Review of the provision of non-audit services by the auditors⁵

The Audit Committee has undertaken a review of non-audit services provided by the auditor⁵ and they would not, in the Audit Committee's opinion, affect their independence.

SGX 1207
(6)(c)

(g) Internal controls⁷

Please refer to information disclosed in Section (CG.11) of the Corporate Governance Report.

SGX 1207
(10)

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(h) Properties of the Group

SGX 1207
(11)(a)

Major properties held for development

<u>Location</u>	<u>Description</u>	<u>Intended Use</u>	<u>Stage of completion</u>	<u>Expected date of completion</u>	<u>Site area (sq m)</u>	<u>Gross floor area (sq m)</u>	<u>Group's Effective interest in the property</u>
Upper Thomson Road	3-storey building	Commercial	20%	June 2020	400	1,122	100%

Major properties held for development

SGX 1207
(11)(b)

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
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 901

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 each)

<u>Name of interested person</u>	<u>Transactions not conducted under shareholders' mandate pursuant to Rule 920</u>		<u>Transactions conducted under shareholders' mandate pursuant to Rule 920</u>	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'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 2018

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.

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 (12)

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.

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Guidance notes

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

SGX 1207
(6)(b)
CA 206 (1A)

Auditors' fees (continued)

- 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.

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)

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 2019¹

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)

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Shareholders' information as at 13 March 2019¹ (continued)

Ordinary shareholdings

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 – 1,000	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
	<u>5,856</u>	<u>100.00</u>	<u>24,050,000</u>	<u>100.00</u>

Substantial shareholders

SGX.1207
(9)(c)

As shown in the Register of Substantial Shareholders:

	Number of ordinary shares		
	Direct <u>Interests</u>	Deemed <u>Interests</u>	Beneficial <u>Interests</u>
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	<u>3,609,905</u>	<u>-</u>	<u>3,609,906</u>

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.

Additional Disclosure Requirements

For the financial year ended 31 December 2018

Shareholders' information as at 13 March 2019¹ (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 CoPte 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	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 2019, 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)**Treasury shares and subsidiary holdings**

Number of treasury shares:	1,135,000
Number of subsidiary holdings:	nil
Percentage of treasury shares against the total number of issued ordinary shares:	4.7%
Percentage of subsidiary holdings against the total number of issued ordinary shares:	0%

Additional Disclosure Requirements

For the financial year ended 31 December 2018

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.

Issuers with dual class share structures

- 2 Entities with dual class share structures must prominently include: (i) a statement on the cover page that the entity is a company with a dual class share structure; and (ii) the following details for each holder of multiple voting shares:

Name of shareholder	Number of multiple voting shares	Total voting rights of multiple voting shares	Number of ordinary voting shares	Total voting rights of ordinary voting shares	Total voting rights of both multiple voting shares and ordinary voting shares
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Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Appendix 1 Areas not relevant to PwC Holdings Ltd Group

1. Alternative presentations for statement of comprehensive income
2. Provision for dismantlement, removal and restoration
3. Post-employment benefits – pension and medical benefits
4. Defaults and breaches of loans payable
5. Foreign currency convertible bonds – classify as liability in entirety
6. Related party disclosures for government related entities

Appendix 2 SFRS(I) 16 Leases

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive incomeScenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature

	Note	2018 \$'000	2017 \$'000	SFRS(I) 1-1 (10(b),10A) SGX 1207 (5(a))
Continuing operations				
Sales	4	203,458	210,244	SFRS(I) 1-1 (82)(a)
Other income				
- Interest	7	2,144	1,180	SFRS(I) 1-1 (102)
- Others	7	3,623	2,718	SFRS(I) 1-1 (102)
Other gains and losses				
- Impairment loss on financial assets		(266)	(74)	
- Others	8	(30)	(2,483)	
Expenses				
- Purchases of inventories		(59,511)	(59,401)	SFRS(I) 1-1 (102)
- Amortisation and depreciation	5	(13,704)	(18,650)	SFRS(I) 1-1 (102)
- Impairment loss on goodwill	5	(1,081)	(4,650)	SFRS(I) 1-1 (102)
- Employee compensation	6	(42,903)	(40,060)	SFRS(I) 1-1 (102)
- Sub-contractors charges		(12,610)	(12,327)	
- Advertising		(10,004)	(9,771)	
- Rental on operating leases		(10,673)	(10,588)	
- Research		(645)	(473)	SFRS(I) 1-17 (35)(c)
- Transportation		(4,713)	(7,763)	SFRS(I) 1-38 (126)
- Reversal of inventory write-down		-	200	
- Finance	9	(7,213)	(7,073)	SFRS(I) 1-2 (36)(e,f)
- Other		(1,792)	(1,434)	SFRS(I) 1-1 (82)(b)
- Changes in inventories		8,217	7,279	
Total expenses		(156,632)	(164,711)	SFRS(I) 1-1 (102)
Share of profit/(loss) of associated companies and joint venture	25,26	340	(174)	SFRS(I) 1-1 (82)(c)
Profit before income tax		52,637	46,700	
Income tax expense	10(a)	(14,817)	(14,887)	SFRS(I) 1-1 (82)(d)
Profit from continuing operations		37,820	31,813	
Discontinued operations				SFRS(I) 1-1 (82)(ea)
Profit from discontinued operations	11	-	100	SFRS(I) 5 (33)(a)
Total profit		37,820	31,913	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)**Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)**

	Note	2018 \$'000	2017 \$'000	SGX 1207 (9)(d)
Other comprehensive income				SFRS(I) 1-1 (10(b),10A) SGX 1207 (5(a))
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Financial assets, at FVOCI / available-for-sale				
- Fair value (losses)/gains – debt instruments		(112)	400	
- Fair value gains – equity investments		-	182	
- Reclassification		8	(164)	
Cash flow hedges				
- Fair value (losses)/gains		(500)	342	
- Reclassification		523	(279)	
Share of other comprehensive income of associated companies	25,26	35	27	
Currency translation differences arising from consolidation				
- Gains		600	688	
- Reclassification		19	(100)	
		573	1,096	
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Revaluation gains on property, plant and equipment		457	207	
Financial assets, at FVOCI				
- Fair value losses - equity investments		(1,086)	-	
Currency translation differences arising from consolidation				
- Gains		408	552	
Other comprehensive income, net of tax	10(c)	352	1,855	
Total comprehensive income		38,172	33,768	
Profits attributable to				
Equity holders of the Company		34,416	29,364	SFRS(I) 1-1 (81B)(a)
Non-controlling interests		3,404	2,549	
		37,820	31,913	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)**Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)**

	Note	2018 \$'000	2017 \$'000	SGX 1207 (9)(d)	SFRS(I) 1-1 (10(b),10A) SGX 1207 (5(a))
Profit attributable to equity holders of the Company relates to:					SFRS(I) 5 (33(d))
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		SFRS(I) 1-1 (81B)(b)
Non-controlling interests		3,817	3,106		
		38,172	33,768		
Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)					SFRS(I) 1-33 (66)
Basic EPS					
- From continuing operations	12(a)	1.43	1.30		SFRS(I) 1-33 (68)
- From discontinued operations	12(a)	-	*		
Diluted EPS					
- From continuing operations	12(b)	1.29	1.15		SFRS(I) 1-33 (68)
- From discontinued operations	12(b)	-	*		

*Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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	2018	2017	
		\$'000	\$'000	
Continuing operations				
Sales	4	203,458	210,244	SFRS(I) 1-1 (82)(a)
Cost of sales	5	(73,311)	(77,493)	SFRS(I) 1-1 (103)
Gross profit		130,147	132,751	SFRS(I) 1-1 (103)
Other income				SFRS(I) 1-1 (103)
- Interest	7	2,144	1,180	
- Others	7	3,623	2,718	
Other gains and losses				
- Impairment loss on financial assets		(266)	(74)	
- Others	8	(30)	(2,483)	
Expenses				
- Distribution and marketing	5	(48,271)	(51,040)	SFRS(I) 1-1 (103)
- Administrative	5	(27,837)	(29,105)	SFRS(I) 1-1 (103)
- Finance	9	(7,213)	(7,073)	SFRS(I) 1-1 (82)(b)
Share of (loss)/profit of associated companies and joint venture	25,26	340	(174)	SFRS(I) 1-1 (82)(c)
Profit before income tax		52,637	46,700	
Income tax expense	10(a)	(14,817)	(14,887)	SFRS(I) 1-1 (82)(d)
Profit from continuing operations		37,820	31,813	
Discontinued operations				SFRS(I) 1-1 (82)(ea)
Profit from discontinued operations	11	-	100	SFRS(I) 5 (33)(a)
Total profit		37,820	31,913	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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 income statement (continued)	Note	2018 \$'000	2017 \$'000	
Attributable to:				
Equity holders of the Company		34,416	29,364	SFRS(I) 1-1 (81B)(a)
Non-controlling interests		3,404	2,549	
		37,820	31,913	
Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				SFRS(I) 1-33 (66)
Basic EPS				
- From continuing operations	12(a)	1.43	1.30	
- From discontinued operations	12(a)	-	*	SFRS(I) 1-33 (68)
Diluted EPS				
- From continuing operations	12(b)	1.29	1.15	
- From discontinued operations	12(b)	-	*	SFRS(I) 1-33 (68)

*Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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	2018 \$'000	2017 \$'000
Profit for the year		37,820	31,913
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets, at FVOCI / available-for-sale			
- Fair value (losses)/gains – debt instruments		(112)	400
- Fair value gains – equity investments		-	182
- Reclassification		8	(164)
Cash flow hedges			
- Fair value (losses)/gains		(500)	342
- Reclassification		523	(279)
Share of other comprehensive income of associated companies	25	35	27
Currency translation differences arising from consolidations			
- Gains		600	688
- Reclassification		19	(100)
		573	1,096
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment		457	207
Financial assets, at FVOCI			
- Fair value losses - equity investments		(1,086)	-
Currency translation differences arising from consolidation			
- Gains		408	552
Other comprehensive income, net of tax	10(c)	352	1,855
Total comprehensive income		38,172	33,768

SFRS(I) 1-1
(82A)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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 (continued)

	Note	2018 \$'000	2017 \$'000	
Total comprehensive income attributed to:				
Equity holders of the Company		34,355	30,662	
Non-controlling interest		3,817	3,106	
		<u>38,172</u>	<u>33,768</u>	SFRS(I) 1-1 (81B)(b)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature

Consolidated income statement	Note	2018	2017	
		\$'000	\$'000	
Continuing operations				
Sales	4	203,458	210,244	SFRS(I) 1-1 (82)(a)
Other income				
- Interest	7	2,144	1,180	SFRS(I) 1-1 (102)
- Others	7	3,623	2,718	SFRS(I) 1-1 (102)
Other gains and losses				
- Impairment loss on financial assets		(266)	(74)	
- Others	8	(30)	(2,483)	
Expenses				
- Purchases of inventories		(59,511)	(59,401)	SFRS(I) 1-1 (102)
- Amortisation and depreciation	5	(13,704)	(18,650)	SFRS(I) 1-1 (102)
- Impairment loss on goodwill	5	(1,081)	(4,650)	SFRS(I) 1-1 (102)
- Employee compensation	6	(42,903)	(40,060)	SFRS(I) 1-1 (102)
- Sub-contractors charges		(12,610)	(12,327)	
- Advertising		(10,004)	(9,771)	
- Rental on operating leases		(10,673)	(10,588)	
- Research		(645)	(473)	SFRS(I) 1-17 (35)(c)
- Transportation		(4,713)	(7,763)	SFRS(I) 1-38 (126)
- Reversal of inventory write-down		-	200	
- Finance	9	(7,213)	(7,073)	SFRS(I) 1-1 (82)(b)
- Other		(1,792)	(1,434)	
Changes in inventories		8,217	7,279	
Total expenses		(156,632)	(164,711)	SFRS(I) 1-1 (102)
Share of profit/(loss) of associated companies and joint ventures	25,26	340	(174)	SFRS(I) 1-1 (82)(c)
Profit before income tax		52,637	46,700	
Income tax expense	10(a)	(14,817)	(14,887)	SFRS(I) 1-1 (82)(d)
Profit from continuing operations		37,820	31,813	
Discontinued operations				
Profit from discontinued operations	11	-	100	SFRS(I) 1-1 (82)(ea) SFRS(I) 5 (33)(a)
Total profit		37,820	31,913	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)

Consolidated income statement (continued)	Note	2018 \$'000	2017 \$'000	
Attributable to				
Equity holders of the Company		34,416	29,364	SFRS(I) 1-1 (81B)(a)
Non-controlling interests		3,404	2,549	
		37,820	31,913	
Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)				SFRS(I) 1-33 (66)
Basic EPS				
- From continuing operations	12(a)	1.43	1.30	SFRS(I) 1-33 (68)
- From discontinued operations	12(a)	-	*	
Diluted EPS				
- From continuing operations	12(b)	1.29	1.15	SFRS(I) 1-33 (68)
- From discontinued operations	12(b)	-	*	

*Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)

Consolidated statement of comprehensive income	Note	2018 \$'000	2017 \$'000
Profit for the year		37,820	31,913
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets, at FVOCI / available-for-sale			
- Fair value (losses)/gains – debt instruments		(112)	400
- Fair value gains – equity investments		-	182
- Reclassification		8	(164)
Cash flow hedges			
- Fair value (losses)/gains		(500)	342
- Reclassification		523	(279)
Share of other comprehensive income of associated companies	25	35	27
Currency translation differences arising from consolidations			
- Gains		600	688
- Reclassification		19	(100)
		<u>573</u>	<u>1,096</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment		457	207
Financial assets, at FVOCI			
- Fair value losses - equity investments		(1,086)	-
Currency translation differences arising from consolidation			
- Gains		<u>408</u>	<u>552</u>
Other comprehensive income, net of tax	10(c)	<u>352</u>	<u>1,855</u>
Total comprehensive income		<u>38,172</u>	<u>33,768</u>

SFRS(I) 1-1
(82A)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income
(continued)Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)**Consolidated statement of comprehensive income**
(continued)

	Note	2018 \$'000	2017 \$'000	
Total comprehensive income attributed to:				SFRS(I) 1-1 (81B)(b)
Equity holders of the Company		34,355	30,662	
Non-controlling interests		3,817	3,106	
		<u>38,172</u>	<u>33,768</u>	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs

SFRS(I) 1-16
(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.

SFRS(I) 1-37
(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.

SFRS(I) 1-37
(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.

SFRS(I) Int 1
(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

SFRS(I) 1-37
(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 2019 and \$[] during 2020.

Total expected costs to be incurred are \$[] (2017: \$[]).

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Provision for dismantlement, removal and restoration (continued)

Movement in this provision is as follows:

	Group		Company		
	2018	2017	2018	2017	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	[]	[]	[]	[]	SFRS(I) 1-37 (84)(a)
Provision made	[]	[]	[]	[]	SFRS(I) 1-37 (84)(b)
Provision utilised	[]	[]	[]	[]	SFRS(I) 1-37 (84)(c)
Amortisation of discount	[]	[]	[]	[]	SFRS(I) 1-37 (84)(d)
End of financial year	[]	[]	[]	[]	SFRS(I) 1-37 (84)(e)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: 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.

SFRS(I) 1-19
(8)

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.

SFRS(I) 1-19
(51)
SFRS(I) 1-19
(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.

SFRS(I) 1-19
(57)
SFRS(I) 1-19
(67)
SFRS(I) 1-19
(83)

Actuarial gains and losses¹ 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 period².

SFRS(I) 1-19
(120)(c),(127,
128)

Past service costs are recognised immediately in profit or loss.

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 losses¹ 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.

SFRS(I) 1-19
(72)
SFRS(I) 1-19
(120)(c)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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:

- (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.

2 The entity may however elect to transfer remeasurements gains or losses arising from experience adjustments recognised in other comprehensive income within equity.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(a) Pension benefits (continued)

Extracts of notes to the financial statements:

	Group	
	2018	2017
	\$'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

	Group	
	2018	2017
	\$'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

SFRS(I) 1-19
(138)(e)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(a) Pension 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	
At 1 January 2017	3,155	(2,242)	913	120	1,033	
Current service cost	498	-	498	-	498	SFRS(I) 1-19(141)(a)
Interest expense/(income)	214	(156)	58	5	63	SFRS(I) 1-19(141)(b)
	712	(156)	556	5	561	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	-	(85)	(85)	-	(85)	SFRS(I) 1-19(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	-	-	-	-	-	SFRS(I) 1-19(141)(e)
Contributions:						SFRS(I) 1-19(141)(f)
- Employers	-	(411)	(411)	-	(411)	
- Plan participants	30	(30)	-	-	-	
Payment from plans:						SFRS(I) 1-19(141)(g)
- Benefits payments	(127)	127	-	-	-	
At 31 December 2017	4,492	(2,797)	1,695	205	1,900	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(a) Pension benefits (continued)

The movement in the defined benefit obligation is as follows: (continued)

Group	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 2018	4,492	(2,797)	1,695	205	1,900	
Current service cost	751	-	751	-	751	SFRS(I) 1-19(141)(a)
Interest expense/(income)	431	(308)	123	9	132	SFRS(I) 1-19(141)(b)
Past service cost and gains and losses on settlements	65	-	65	-	65	SFRS(I) 1-19(141)(d)
	1,247	(308)	939	9	948	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	-	(187)	(187)	-	(187)	SFRS(I) 1-19(141)(c)
- Loss from change in demographic assumptions	32	-	32	-	32	
- Loss from change in financial assumptions	121	-	121	-	121	
- Experience losses	(150)	-	(150)	-	(150)	
- Change in asset ceiling excluding amounts included in interest expense	-	-	-	100	100	
	3	(187)	(184)	100	(84)	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(a) Pension benefits (continued)

The movement in the defined benefit obligation is as follows: (continued)

Group	Present value of obligation \$'000	Fair value of plan assets \$'000	Total \$'000	Impact of minimum funding requirement /asset ceiling \$'000	Total \$'000	
Exchange differences	(61)	(25)	(86)	-	(86)	SFRS(I) 1-19(141)(e)
Contributions:						
- Employers	-	(908)	(908)	-	(908)	SFRS(I) 1-19(141)(f)
- Plan participants	55	(55)	-	-	-	
Payment from plans:						
- Benefits payments	(556)	556	-	-	-	SFRS(I) 1-19(141)(g)
- Settlements	(280)	280	-	-	-	
Acquired in a business combination	3,691	(1,777)	1,914	-	1,914	SFRS(I) 1-19(141)(h)
At 31 December 2018	8,591	(5,221)	3,370	314	3,684	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits (continued)

(a) Pension benefits (continued)

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.

SFRS(I)
1-19 (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 2018, which settled all retirement benefit plan obligations relating to the employees of that factory.

SFRS(I)
1-19 (139)(c)

Group

SFRS(I) 1-19
(138)(a)

	2018				2017			
	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:

SFRS(I)
1-19 (144)

Group

	2018		2017	
	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:

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(a) Pension benefits (continued)

<u>Group</u>	2018		2017	
	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:

SFRS(I)
1-19 (144)(a)

<u>Group</u>	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%
	Increase by 1 year in assumption	Increase 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 when calculating the pension liability recognised within the statement of financial position.

SFRS(I) 1-19
(145)(b)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

SFRS(I) 1-19
(145)(c)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits (continued)

(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 (2017: 7.6%) and claim rates of 6% (2017: 5.2%).

SFRS(I) 1-19
(139)(a)

SFRS(I) 1-19
(144)

The amount recognised in the balance sheet relates to funded and unfunded plan is as follows:

SFRS(I) 1-19
(138)(e)

	2018 \$'000	2017 \$'000
<u>Group</u>		
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

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(b) Post-employment medical benefits (continued)

The movement in the net defined benefit obligation over the year is as follows:

SFRS(I) 1-19
(140)(a),(141)

<u>Group</u>	Present value of obligation \$'000	Fair value of plan assets \$'000	Total \$'000	
At 1 January 2017	708	(207)	501	
Current service cost	107	–	107	SFRS(I) 1-19(141)(a)
Interest expense/(income)	25	(13)	12	SFRS(I) 1-19(141)(b)
	132	(13)	119	
Remeasurements:				
- Return on plan assets, excluding amounts included in interest income	–	(11)	(11)	SFRS(I) 1-19(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)	SFRS(I) 1-19(141)(e)
Contributions:				SFRS(I) 1-19(141)(f)
- Employers	(10)	(73)	(83)	
Payments from plans:				SFRS(I) 1-19(141)(g)
- Benefit payments	(8)	8	–	
At 31 December 2017	995	(294)	701	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(b) Post-employment medical benefits (continued)

Group	Present value of obligation \$'000	Fair value of plan assets \$'000	Total \$'000	
At 1 January 2018	995	(294)	701	
Current service cost	153	–	153	SFRS(I) 1- 19(141)(a)
Interest expense/(income)	49	(18)	31	SFRS(I) 1- 19(141)(b)
	202	(18)	184	
Remeasurements:				SFRS(I) 1- 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	SFRS(I) 1- 19(141)(e)
Contributions:				SFRS(I) 1- 19(141)(f)
- Employers	(12)	(185)	(197)	
Payments from plans:				SFRS(I) 1- 19(141)(g)
- Benefit payments	(7)	7	–	
Acquired in a business combination	802	(77)	725	SFRS(I) 1- 19(141)(h)
At 31 December 2018	2,015	(605)	1,410	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

(c) Post-employment benefits (pension and medical)

SFRS(I)
1-19 (142)

Plan assets are comprised as follows:

Group	2018				2017			
	Quoted \$'000	Un- quoted \$'000	Total \$'000	In %	Quoted \$'000	Un- quoted \$'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	
Others	–	19	19		–	28	28	
Debt instruments			2,186	37%			571	24%
Government Corporate bonds (Investment grade)	941	–	941		321	–	321	
Corporate bonds (Non-investment grade)	900	–	900		99	–	99	
	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%

SFRS(I)
1-19 (143)

Pension and medical plan assets include the Company's ordinary shares with a fair value of \$136,000 (2017: \$126,000) and US real estate occupied by the Group with a fair value of \$612,000 (2017: \$609,000).

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: 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:

Asset volatility	<p>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.</p> <p>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 FY2016 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.</p> <p>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.</p>
Changes in bond yields	<p>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.</p>
Inflation risk	<p>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.</p> <p>In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.</p>
Life expectancy	<p>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.</p>

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: 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.

SFRS(I) 1-19
(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 FY2018 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.

SFRS(I) 1-
19(147)(a)

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 2019. 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.

SFRS(I) 1-
19(147)(b)

Expected contributions to post-employment benefit plans for the year ending 31 December 2019 are \$1,150,000.

SFRS(I) 1-
19(147)(c)
SFRS(I) 1-
19(147)(c)

The weighted average duration of the defined benefit obligation is 25.2 years.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Post-employment benefits – pension and medical benefits
(continued)

Expected maturity analysis of undiscounted pension and post-employment medical benefits:

Group

At 31 December 2018	Less than 1 year \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'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 2018	755	1,101	2,718	26,922	31,496

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Defaults and breaches of loans payable

Defaults of loan payments

Extracts of notes to the financial statements on borrowings:

Scenario 1:

SFRS(I) 7 (18)

Defaults of loan payments – classification of loan as “current” at reporting date

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 2018. The carrying amount of the loan payable in default as at 31 December 2018 is \$[].

SFRS(I) 7 (18)
(a-b)

In January 2019, 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 2019.

SFRS(I) 7
(18)(c)
SFRS(I) 1-1
(73)(76)

The loan with Bank A is presented as current liability as at 31 December 2018.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Defaults and breaches of loans payable (continued)

Defaults of loan payments (continued)

Extracts of notes to the financial statements on borrowings (continued):

Scenario 2:

Defaults of loan payments and classification of loan as “non-current” at reporting date

The Company has bank borrowings with a carrying amount of \$[] which are due in 2020. Interest payments of \$[] on these borrowings was overdue as at 30 September 2018. 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 and the Bank served the Company a default notice on 1 November 2018.

SFRS(I) 1-1
(73)
SFRS(I) 7
(18)(a-b)
SFRS(I) 7
(18)

The Company has paid all overdue amounts (including additional interest and penalties for the late payment) and the Bank has agreed the remaining continued to be due in 2020.

Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward

SFRS(I) 1-1
(73)(74)
SFRS(I) 7
(18)(c)

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

SFRS(I) 7
(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 \$[].

SFRS(I) 1-1
(73),(74),
(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 2018.

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.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Defaults and breaches of loans payable (continued)

Breaches of loan covenants (continued)

Extracts of notes to the financial statements on borrowings (continued):

Scenario 2: Breaches of loan covenants – classification of loan as “non-current” at reporting date¹

SFRS(I) 7 (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 2020.

The outstanding balance is presented as a non-current liability as at 31 December 2018.

SFRS(I) 1-1
(75),(135)(e)

Guidance notes

Non-current classification

- 1 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.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Foreign currency convertible bonds – equity option classified as derivative liability

Extracts of significant accounting policies:

Foreign currency convertible bonds

On issuance of the 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.

SFRS(I) 9
(4.3.3)

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	
	2018	2017
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	4,083	-

SFRS(I) 7
(20)(a)(v)

Finance expenses

	Group	
	2018	2017
	\$'000	\$'000
Interest expense: Convertible bonds	16,966	-

SFRS(I) 7
(20)(b)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Foreign currency convertible bonds – equity option classified as derivative liability (continued)*Extracts of significant accounting policies (continued):***Foreign currency convertible bonds (continued)**

On 1 October 2018, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$700 million) due on 4 October 2021. The bonds may be redeemed on 4 October 2020 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 2018 up to the close of business on 24 September 2021 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:

<u>Group</u>	2018 \$'000
Face value of convertible bonds issued, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component at initial recognition	<u>695,917</u>
	\$'000
Accumulated amortisation of interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	<u>706,985</u>

The fair value of the liability component of the convertible bonds at 31 December 2018 is \$707,545,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

SFRS(I) 7 (25)
SFRS(I) 13
(93)(d)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Related party disclosures for government-related entities

Extracts of notes to accounts¹:

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.

SFRS(I) 1-24
(26)

In addition, during the year ended 31 December 2018, 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 SFRS(I) 1-24 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 SFRS(I) 1-24 requires the reporting entity to disclose the following information about the transactions and related outstanding balances:

SFRS(I) 1-24
(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.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases^{1,5,18}

SFRS(I) 16 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 SFRS(I) 16 for its reporting period ending 31 December 2019. 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.

SFRS(I) 1-24
(26)

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 is an existing SFRS(I) reporter.
- The Group has applied SFRS(I) 16 for the first time in the 2019 financial report (initial application date: 1 January 2019) and has chosen to adopt the new rules retrospectively as of 1 January 2019 (i.e. limited retrospective application) as permitted under SFRS(I) 16 (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 2019.
- The adoption of SFRS(I) 16 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 2.1 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 SFRS(I) 16.
- Disclosures required under other standards are not illustrated (eg disclosures for property, plant equipment in accordance with SFRS(I) 1-16 *Property, Plant and Equipment* and for financial instruments under SFRS(I) 7 *Financial Instruments: Disclosures*). Deferred tax consequences arising as a result of the adoption of the new rules have also been ignored.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

- The Group does not have any rights-of-use assets that would meet the definition of investment property. SFRS(I) 1-1 (10)(b),(10A)
- 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 43 will need to be supplemented by a number of additional disclosures, see paragraph 19 of the commentary to this Appendix for details.

Statement of comprehensive income (extract)

Group	Note	2019 \$'000	2018 \$'000	SFRS(I) 1-1 (10)(b),(10A) SFRS(I) 1-1 (51)(c),(e) SFRS(I) 1-1 (113)
Continuing operations				
Depreciation and amortisation	5	Xxx	-	
Operating leases		-	Xxx	
Other		Xxx	-	
Finance costs ⁶	9	Xxx	-	SFRS(I) 1-1 (82)(b)

Consolidated balance sheet (extract)

Group	Note	31 December 2019 \$'000	31 December 2018 \$'000	SFRS(I) 1-1 (10)(a),(54) SFRS(I) 1-1 (51)(c),(e) SFRS(I) 1-1 (113) SFRS(I) 1-1 (60), (66) SFRS(I) 1-1 (54)(a)
ASSETS				
Non-current assets				
Property, plant and equipment ^{2,3}	28	Xxx	-	
Non-current liabilities				
Other liabilities ^{2,4}		Xxx	-	SFRS(I) 1-1 (60),(69)
Current liabilities				SFRS(I) 1-1 (54)(k)
Other liabilities ^{2,4}		Xxx	-	

Additional Illustrative Disclosures**Appendix 2 – SFRS(I) 16 Leases****SFRS(I) 16 Leases (continued)****Consolidated statement of changes in equity (extract)**SFRS(I) 1-1
(10)(c),(106)

Group	Note	Attributable to equity holders of PwC 116 Ltd					Non-controlling interests	Total equity	SFRS(I) 1-1 (106)(d)
		Share capital and premium	Other equity	Other reserves	Retained earnings	Total			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 31 December 2018		63,976	(550)	11,566	36,561	111,553	5,689	117,242	SFRS(I) 1-1 (106)(b)
Adjustment on adoption of SFRS(I) 16 (net of tax)	2.1	-	-	-	Xx	Xx	-	Xx	
Restated total equity at 1 January 2019		63,976	(550)	11,566	Xx,xxx	Xx,xxx	5,689	Xxx,xxx	

Consolidated statement of cash flows (extract)⁷SFRS(I) 1-1
(10)(d)

	Group		
	2019	2018	
	\$'000	\$'000	
Cash flows from operating activities			SFRS(I) 7 (1),(10) SFRS(I) 1-1 (113) SFRS(I) 1-1 (113)
Operating lease payments*	-	xxx	SFRS(I) 7 (10)(18)(a)
Payments for short-term and low value leases*	Xxx	-	
Interest paid	Xxx	xxx	
	Group		
	2019	2018	
	\$'000	\$'000	
Cash flows from operating activities			SFRS(I) 7 (31)-(33) SFRS(I) 7 (10)(21) SFRS(I) 7 (17)(e)
Principal element of finance lease payments	-	xxx	
Principal element of 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).

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)**43. Non-financial assets and liabilities**

43(b) Leases

(i) Amounts recognised in the balance sheet

<u>Group</u>	31 December 2019 \$'000	31 December 2018 \$'000	
Right-of-use assets ^{*2,3,9,10}			SFRS(I) 16 (47)(a)
Properties	Xx,xxx	-	SFRS(I) 16 (53)(j)
Equipment	Xx,xxx	-	SFRS(I) 16 (53)(j)
Cars	Xx,xxx	-	SFRS(I) 16 (53)(j)
Others	Xx,xxx	-	SFRS(I) 16 (53)(j)
	<u>Xx,xxx</u>	<u>-</u>	SFRS(I) 16 (47)(a)
Lease liabilities ^{**2,4}			SFRS(I) 16 (47)(b)
Current	Xx,xxx	-	
Non-current	Xx,xxx	-	
	<u>Xx,xxx</u>	<u>-</u>	
Additions to the right of use assets during the 2019 financial year were \$xx,xxx,000.			SFRS(I) 16 (53)(b)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)**43. Non-financial assets and liabilities (continued)**

43(b) Leases (continued)

- (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to lease:

<u>Group</u>	<u>Note</u>	2019 \$'000	2018 \$'000	
Depreciation charge of right-of-use assets				SFRS(I) 16 (53)(a)
Properties		(X,xxx)	-	
Equipment		(X,xxx)	-	
Cars		(X,xxx)	-	
Others	5	<u>(X,xxx)</u>	<u>-</u>	
Interest expense (included in finance)	9	(Xxx)	-	SFRS(I) 16 (53)(b)
Expense relating to short-term leases (included in other expenses)	5	(Xxx)	-	SFRS(I) 16 (53)(c)
Expense relating to leases of low-value assets that are not short-term leases (included in other expenses)	5	(Xxx)	-	SFRS(I) 16 (53)(d)
Expense relating to variable lease payments not included in lease liabilities (included in other expenses)	5	(Xxx)	-	SFRS(I) 16 (53)(e)

The total cash outflow for leases in 2019 was \$xx,xxx,000.

SFRS(I) 16 (53)(g)

* included in the line item 'Property, plant and equipment' in the balance sheet

SFRS(I) 16 (47)(1)(ii)

** 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 SFRS(I) 16 Leases. These were presented as part of the group's borrowings. For adjustments recognised on adoption of SFRS(I) 16 on 1 January 2019, refer to note 2.1.⁴

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

43. Non-financial assets and liabilities (continued)

43(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 but may have extension options as described in Note 2.19(b). 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.

SFRS(I) 16
(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.

SFRS(I) 1-1
(117)

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.

43. Financial risk management (extract)

43(c) Liquidity risk (extract)⁸

Contractual maturities of financial liabilities as at 31 December 2019	Less than 6 months	Between 6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx	Xxx

SFRS(I) 7
(39) (b),(c),
(B11)

SFRS(I) 16
(58)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

2 Summary of significant accounting policies (extract)

SFRS(I) 1-1
(117)

2(a) Basis of preparation (extract)

SFRS(I) 1-1
(112)(a),(117)

(iii) *New and amended standards adopted by the group*

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of x to xx years but may have extension options as described in Note 2.18(b). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

SFRS(I) 1-8
(28)(b),(d)

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

2(b) Leases (extracts)

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.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

2.1 Changes in accounting policies

As indicated in Note 2(a) above, the group has adopted SFRS(I) 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

SFRS(I) 1-8
(28)(a)-(d)
SFRS(I) 16
(C5), (b), (C7)

On adoption of SFRS(I) 16, 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 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was xx.x%.

SFRS(I) 16
(C8), (C12)(a)

	2019	
	\$'000	
Operating lease commitments disclosed as at 31 December 2018	X,xxx	SFRS(I) 16
Discounted using the group's incremental borrowing rate of xx.x%	X,xxx	(C12)(b)
Add: finance lease liabilities recognised as at 31 December 2018	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 reassessed as service agreements	(xxx)	
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 2019	<u>X,xxx</u>	SFRS(I) 16 (13)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-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 2018. Property, plant and equipment increased by \$x,xxx,000 on 1 January 2019, prepayments reduced by \$xxx,000 and trade and other payables by \$xxx,000. The net impact on retained earnings on 1 January 2019 was \$xxx,000.¹⁶

SFRS(I) 16
(C8)(b)(ii)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

2.1 Changes in accounting policies (continued)

In applying SFRS(I) 16 for the first time, the group has used the following practical expedients permitted by the standard:¹⁸

- no reassessment on whether a contract is, or contains a lease, if the contract was entered into before 1 January 2019
- 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 2019 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.

SFRS(I) 16
(C3),(C4),
(C13),(C10)

2.18 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:

SFRS(I) 1-1
(117)
SFRS(I) 16
(27)

- 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.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

2.18 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

SFRS(I) 1-1
(117)
SFRS(I) 16
(24)

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.

SFRS(I) 16
(60)

(a) *Variable lease payments*

Estimation uncertainty arising from variable lease payments

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.

SFRS(I) 16
(59)(b)(i),
(B49)

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 %.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

2.18 Leases (continued)

1 *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.

SFRS(I)
16
(59)(b)(iii),
(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. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of \$xx,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

SFRS(I)
16
(59)(b)(iii),
(B50)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, 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 right-of-use assets of \$xx,000.

SFRS(I)
16 (20)

2 *Residual value guarantees*

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

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, \$xx,000 (2018: \$xx,000) is expected to be payable and is included in calculating the lease liabilities while \$xx,000 (2018: \$xx,000) is not expected to be payable and has hence been excluded from the lease liabilities.

SFRS(I)
16
(59)(b)(iii),
(B51)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 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.

SFRS(I) 16
(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.
- 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.
- 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.
- 7 Cash flows relating to leases must be presented as follows
 - (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 SFRS(I) 7 paragraphs 39 and B11.

SFRS(I) 16
(47)

SFRS(I) 16
(48)

SFRS(I) 16
(49)

SFRS(I) 16
(50)

SFRS(I) 16
(58)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

Right-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 29 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 SFRS(I) 1-16 *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 SFRS(I) 1-16 do not apply and the illustrative disclosures provided in Note 43(b) 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 43(b)(i) and (ii) in form of reconciliations from opening to closing balances for the rights-of-use assets and lease liabilities.

Transition

- 11 SFRS(I) 16 is effective for reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with SFRS(I) 15 *Revenue from Contracts with Customers*.
- 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.
- 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).
- 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.

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 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.

Balance sheet item	Measurement
Leases previously classified as operating leases	
Lease liability	Present value of 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). <i>Lessees can choose one of the alternatives on a lease-by-lease basis.</i>
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.
Lease liabilities and right-of-use assets	Any measurement adjustments arising from applying SFRS(I) 16 are recognised post-transition, ie not through retained earnings.

- 16 Entities that apply the simplified approach must disclose the weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application and an explanation of any difference between:
- the operating lease commitments disclosed applying FRS 17 at the end of the annual reporting period immediately preceding the date of initial application (discounted using the incremental borrowing rate at the date of initial application) and
 - the lease liabilities recognised at the date of initial application under SFRS(I) 16.

In our view, it would be most meaningful if this information is provided via a reconciliation as demonstrated in Note 2.1. However, the format is not prescribed and it may also be appropriate to provide the relevant information in narrative format without quantifying the actual differences, provided the most significant effects are identified and clearly described.

SFRS(I) 16
(C12)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)	
17	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.
18	Entities must disclose if they have applied any of the following practical expedients: <ul style="list-style-type: none">(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.

SFRS(I) 16
(C12),
SFRS(I) 1-8
(28)(f)

SFRS(I) 16
(C13),(C10)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

19 The following requirements of SFRS(I) 16 are not illustrated in this Appendix:

Issue not illustrated	Relevant disclosures or 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.
Sub-leasing of rights of use assets	Disclose income from sub-leasing.
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.
Rights-of-use assets that meet the definition of investment property	Apply the disclosure requirements of SFRS(I) 1-40 <i>Investment Property</i> . 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.
Rights-of-use assets are measured at revalued amount under SFRS(I) 16	Provide the disclosures required by paragraph 77 of SFRS(I) 16 in relation to those assets.
Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.
Use of practical expedient on transition to SFRS(I) 16 in relation to onerous leases	Disclose the fact that this exception has been applied.

SFRS(I) 16
(C10)(b)

SFRS(I) 16
(53)(i),
(59)(d),(B52)

SFRS(I) 16
(53)(f)

SFRS(I) 16
(55)

SFRS(I) 16
(56)

SFRS(I) 16
(57)

SFRS(I) 16
(59)(b)(iv)

SFRS(I) 16
(C10)(b)

Additional Illustrative Disclosures

Appendix 2 – SFRS(I) 16 Leases

SFRS(I) 16 Leases (continued)

19. The following requirements of SFRS(I) 16 are not illustrated in this Appendix (continued):

Issue not illustrated	Relevant disclosures or reference	SFRS(I) 16 (89)-(97)
The entity is a lessor	<p>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.</p> <p>For finance leases:</p> <ul style="list-style-type: none"> • 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. <p>For operating leases:</p> <ul style="list-style-type: none"> • 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 SFRS(I) 1-16 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 SFRS(I) 1-36, SFRS(I) 1-38, SFRS(I) 1-40 and SFRS(I) 1-41. <p>Qualitative disclosures for all leases about:</p> <ul style="list-style-type: none"> • the nature of the entity's leasing activities, and the management of the risks associated with any rights retained in the underlying assets. 	<p>SFRS(I) 16 (90)(a)</p> <p>SFRS(I) 16 (93)</p> <p>SFRS(I) 16 (94)</p> <p>SFRS(I) 16 (90)(a)</p> <p>SFRS(I) 16 (97)</p> <p>SFRS(I) 16 (95)</p> <p>SFRS(I) 16 (96)</p> <p>SFRS(I) 16 (92)</p>

Disclosure Checklist

SFRS(I) 1

SFRS(I) 7

SFRS(I) 15

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

The disclosure checklist below sets out the disclosure requirements under the “Presentation and disclosure” section of SFRS(I) 1.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 1	Illustration
1	20	This SFRS(I) does not provide exemptions from the presentation and disclosure requirements in other SFRS(I)s.	Reporting entity to consider in disclosures made.
Comparative Information			
2	21	An entity's first SFRS(I) 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-SFRS(I) 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 SFRS(I)s. This SFRS(I) does not require such summaries to comply with the recognition and measurement requirements of SFRS(I)s. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by SFRS(I) 1-1. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall: <ul style="list-style-type: none"> (a) label the previous GAAP information prominently as not being prepared in accordance with SFRS(I)s; and (b) disclose the nature of the main adjustments that would make it comply with SFRS(I)s. An entity need not quantify those adjustments. 	Not illustrated.

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 1	Illustration
Reconciliations (continued)			
7	24	if the entity recognised or reversed any impairment losses for the first time in preparing its opening SFRS(I) statement of financial position, the disclosures that SFRS(I) 1-36 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 SFRS(I)s.	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	SFRS(I) 1-8 does not apply to the changes in accounting policies an entity makes when it adopts SFRS(I)s or to changes in those policies until after it presents its first SFRS(I) financial statements. Therefore, SFRS(I) 1- 8's requirements about changes in accounting policies do not apply in an entity's first SFRS(I) financial statements.	Reporting entity to consider on transition to SFRS(I).
11	27A	If during the period covered by its first SFRS(I) financial statements an entity changes its accounting policies or its use of the exemptions contained in this SFRS(I), it shall explain the changes between its first SFRS(I) interim financial report and its first SFRS(I) 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 SFRS(I) financial statements shall disclose that fact.	Not illustrated.

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 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 SFRS(I) 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 SFRS(I) financial statements shall disclose, for each line item in the opening SFRS(I) statement of financial position: <ul style="list-style-type: none"> (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 SFRS(I) 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 SFRS(I) separate financial statements shall disclose: <ul style="list-style-type: none"> (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 	Not illustrated.

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 1	Illustration
Use of deemed cost for investments in subsidiaries, joint ventures and associates (continued)			
16	31	(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.	
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.
Use of deemed cost after severe hyperinflation			
19	31C	<p>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 SFRS(I) statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first SFRS(I) 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:</p> <p>(a) a reliable general price index is not available to all entities with transactions and balances in the currency.</p> <p>(b) exchangeability between the currency and a relatively stable foreign currency does not exist.</p>	Not illustrated.

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 1	Illustration
Interim financial reports			
20	32	<p>To comply with paragraph 23, if an entity presents an interim financial report in accordance with SFRS(I) 1-34 for part of the period covered by its first SFRS(I) financial statements, the entity shall satisfy the following requirements in addition to the requirements of SFRS(I) 1-34:</p> <p>(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:</p> <p>(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)s at that date; and</p> <p>(ii) a reconciliation to its total comprehensive income in accordance with SFRS(I)s 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.</p> <p>(b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with SFRS(I) 1-34 for part of the period covered by its first SFRS(I) 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.</p> <p>(c) If an entity changes its accounting policies or its use of the exemptions contained in this SFRS(I), 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).</p>	Not illustrated.

Disclosure Checklist

SFRS(I) 1 First-time adoption of International Financial Reporting

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 1	Illustration
Interim financial reports (continued)			
21	33	SFRS(I) 1-34 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, SFRS(I) 1-34 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.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

Listed below are extracts of disclosure requirements under SFRS(I) 7 which are introduced due to the new SFRS(I) 9.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Significance of financial instruments for financial position and performance			
		Statement of financial position	
Categories of financial assets and financial liabilities			
1	8	<p>The carrying amounts of each of the following categories, as specified in SFRS(I) 9, shall be disclosed either in the statement of financial position or in the notes:</p> <p>(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 SFRS(I) 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9.</p> <p>(b) 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 SFRS(I) 9 and (ii) those that meet the definition of held for trading in SFRS(I) 9.</p> <p>(c) financial assets measured at amortised cost.</p> <p>(d) financial liabilities measured at amortised cost.</p> <p>(e) 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 SFRS(I) 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of SFRS(I) 9.</p>	<p>N/A – All of PwC Holdings Ltd's financial assets are mandatorily measured at FVPL</p> <p>Not illustrated</p> <p>Note 18, 44(f), Note 32, 44(f), Note 17</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Financial assets or financial liabilities at fair value through profit or loss			
2	9	<p>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:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. (iii) 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. 	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		Financial assets or financial liabilities at fair value through profit or loss (continued)	
3	10	<p>If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SFRS(I) 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 SFRS(I) 9), it shall disclose:</p> <ul style="list-style-type: none"> (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 SFRS(I) 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	<p>If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SFRS(I) 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 SFRS(I) 9), it shall disclose:</p> <ul style="list-style-type: none"> (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 SFRS(I) 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.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		Financial assets or financial liabilities at fair value through profit or loss (continued)	
5	11	<p>The entity shall also disclose:</p> <p>(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 SFRS(I) 9, including an explanation of why the method is appropriate.</p> <p>(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 SFRS(I) 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.</p> <p>(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 SFRS(I) 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 SFRS(I) 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of SFRS(I) 9.</p>	Not illustrated.
		Investments in equity instruments designated at fair value through other comprehensive income	
6	11A	<p>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 SFRS(I) 9, it shall disclose:</p> <p>(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.</p> <p>(b) the reasons for using this presentation alternative.</p>	<p>Note 17</p> <p>Note 2.12</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Investments in equity instruments designated at fair value through other comprehensive income (continued)			
6	11A	<ul style="list-style-type: none"> (c) the fair value of each such investment at the end of the reporting period. (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. (e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers. 	Note 7
7	11B	<p>If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:</p> <ul style="list-style-type: none"> (a) the reasons for disposing of the investments. (b) the fair value of the investments at the date of derecognition. (c) the cumulative gain or loss on disposal. 	<p>Note 17</p> <p>Note 17</p> <p>Note 17</p>
Reclassification			
8	12B	<p>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 SFRS(I) 9. For each such event, an entity shall disclose:</p> <ul style="list-style-type: none"> (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	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Reclassification (continued)			
9	12C	<p>or fair value through other comprehensive income in accordance with paragraph 4.4.1 of SFRS(I) 9:</p> <p>(a) the effective interest rate determined on the date of reclassification; and</p> <p>(b) the interest revenue recognised.</p>	
10	12D	<p>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:</p> <p>(a) the fair value of the financial assets at the end of the reporting period; and</p> <p>(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.</p>	Not illustrated.
Collateral			
11	14	<p>An entity shall disclose:</p> <p>(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 SFRS(I) 9; and</p> <p>(b) the terms and conditions relating to its pledge.</p>	Note 32(a)
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 SFRS(I) 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.	<p>Note 17</p> <p>Note 44(b)</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Statement of comprehensive income			
		Items of income, expense, gains or losses	
13	20	<p>An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:</p> <p>(a) net gains or net losses on:</p> <p>(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 SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9 (eg financial liabilities that meet the definition of held for trading in SFRS(I) 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.</p> <p>(ii) financial liabilities measured at amortised cost.</p> <p>(iii) financial assets measured at amortised cost.</p> <p>(iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SFRS(I) 9.</p> <p>(v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 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.</p>	<p>Note 8</p> <p>Not illustrated.</p> <p>Not illustrated.</p> <p>Consolidated Statement of Comprehensive Income</p> <p>Consolidated Statement of Comprehensive Income</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Statement of comprehensive income (continued)			
Items of income, expense, gains or losses (continued)			
13	20	<p>(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 SFRS(I) 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.</p> <p>(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:</p> <p>(i) financial assets and financial liabilities that are not at fair value through profit or loss; and</p> <p>(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.</p>	<p>Not illustrated.</p> <p>Note 6, 9</p> <p>Not illustrated.</p>
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	<p>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:</p> <p>(a) an entity's risk management strategy and how it is applied to manage risk;</p>	Note 44

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Other disclosures (continued)			
Hedge accounting (continued)			
15	21A	<p>(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and</p> <p>(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.</p>	<p>Note 2.13(b)(i)</p> <p>Note 2.13</p>
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 SFRS(I) and SFRS(I) 13 <i>Fair Value Measurement</i> .	Reporting entity to consider in disclosures made.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The risk management strategy			
19	22A	<p>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):</p> <ul style="list-style-type: none"> (a) how each risk arises. (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. (c) the extent of risk exposures that the entity manages. 	<p>Note 44</p> <p>Note 44</p> <p>Note 44</p>
20	22B	<p>To meet the requirements in paragraph 22A, the information should include (but is not limited to) a description of:</p> <ul style="list-style-type: none"> (a) the hedging instruments that are used (and how they are used) to hedge risk exposures; (b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and (c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are. 	<p>Note 44</p> <p>Note 44</p> <p>Note 44</p>
21	22C	<p>When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of SFRS(I) 9) it shall provide, in addition to the disclosures required by paragraphs 22A and 22B, qualitative or quantitative information about:</p> <ul style="list-style-type: none"> (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). 	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
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 15
23	23B	To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses: <ul style="list-style-type: none"> (a) a profile of the timing of the nominal amount of the hedging instrument; and (b) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument. 	Note 15 Note 15
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 SFRS(I) 9) the entity: <ul style="list-style-type: none"> (a) is exempt from providing the disclosures required by paragraphs 23A and 23B. (b) shall disclose: <ul style="list-style-type: none"> (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 44

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The amount, timing and uncertainty of future cash flows (continued)			
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	<p>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):</p> <ul style="list-style-type: none"> (a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities); (b) the line item in the statement of financial position that includes the hedging instrument; (c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and (d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments. 	<p>Note 15</p> <p>Note 15</p> <p>Note 15</p> <p>Note 15</p>
29	24B	<p>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:</p> <ul style="list-style-type: none"> (a) for fair value hedges: <ul style="list-style-type: none"> (i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities); 	Note 15

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The effects of hedge accounting on financial position and performance (continued)			
29	24B	<ul style="list-style-type: none"> (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); (iii) the line item in the statement of financial position that includes the hedged item; (iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and (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 SFRS(I) 9. <p>(b) for cash flow hedges and hedges of a net investment in a foreign operation:</p> <ul style="list-style-type: none"> (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 SFRS(I) 9); (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 SFRS(I) 9; and (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. 	<p>Note 15</p> <p>Note 15</p> <p>Note 15</p> <p>Not illustrated</p> <p>Note 15</p> <p>Note 15</p> <p>Not illustrated</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The effects of hedge accounting on financial position and performance (continued)			
30	24C	<p>An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:</p> <p>(a) for fair value hedges:</p> <p>(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 SFRS(I) 9); and</p> <p>(ii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness.</p> <p>(b) for cash flow hedges and hedges of a net investment in a foreign operation:</p> <p>(i) hedging gains or losses of the reporting period that were recognised in other comprehensive income;</p> <p>(ii) hedge ineffectiveness recognised in profit or loss;</p> <p>(iii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness;</p> <p>(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 SFRS(I) 1-1) (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);</p>	<p>Note 15</p> <p>Note 15</p> <p>Note 39</p> <p>Note 15</p> <p>Note 15</p> <p>Note 39</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The effects of hedge accounting on financial position and performance (continued)			
30	24C	<p>(v) the line item in the statement of comprehensive income that includes the reclassification adjustment (see SFRS(I) 1-1); and</p> <p>(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 SFRS(I) 9).</p>	<p>Note 39</p> <p>Not illustrated.</p>
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.
32	24E	<p>An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with SFRS(I) 1-1 that, taken together:</p> <p>(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 SFRS(I) 9;</p> <p>(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 SFRS(I) 9; and</p>	<p>Note 39</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The effects of hedge accounting on financial position and performance (continued)			
32	24E	(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 SFRS(I) 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 39
Option to designate a credit exposure as measured at fair value through profit or loss			
34	24G	<p>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:</p> <p>(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 SFRS(I) 9, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;</p> <p>(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 SFRS(I) 9; and</p>	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Option to designate a credit exposure as measured at fair value through profit or loss (continued)			
34	24G	(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 SFRS(I) 9 and the related nominal or principal amount (except for providing comparative information in accordance with SFRS(I) 1-1, an entity does not need to continue this disclosure in subsequent periods).	
Fair value			
35	28	<p>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 SFRS(I) 9). In such cases, the entity shall disclose by class of financial asset or financial liability:</p> <p>(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 SFRS(I) 9).</p> <p>(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.</p> <p>(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.</p>	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Fair value (continued)			
36	29	Disclosures of fair value are not required: <ul style="list-style-type: none"> (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; (b) for a contract containing a discretionary participation feature (as described in SFRS(I) 4) if the fair value of that feature cannot be measured reliably; or (c) 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: <ul style="list-style-type: none"> (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.
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 SFRS(I) 9 are applied. However:	Reporting entity to consider in disclosures made.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Credit risk (continued)			
Scope and objectives (continued)			
38	35A	<p>(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 SFRS(I) 9, if those financial assets are modified while more than 30 days past due; and</p> <p>(b) paragraph 35K(b) does not apply to lease receivables.</p>	
39	35B	<p>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:</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	<p>Note 44</p> <p>Note 44</p> <p>Note 44</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Credit risk (continued)			
Scope and objectives (continued)			
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 disclosures 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 disclosures 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 disclosures made.
The credit risk management practices			
43	35F	<p>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:</p> <p>(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:</p> <p>(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of SFRS(I) 9, including the classes of financial instruments to which it applies; and</p>	<p>Note 44</p> <p>Note 44</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The credit risk management practices (continued)			
43	35F	<ul style="list-style-type: none"> (ii) the presumption in paragraph 5.5.11 of SFRS(I) 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; (b) an entity's definitions of default, including the reasons for selecting those definitions; (c) how the instruments were grouped if expected credit losses were measured on a collective basis; (d) how an entity determined that financial assets are credit-impaired financial assets; (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 (f) how the requirements in paragraph 5.5.12 of SFRS(I) 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity: <ul style="list-style-type: none"> (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 SFRS(I) 9; and (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 SFRS(I) 9. 	<p>Not illustrated.</p> <p>Note 44</p> <p>Note 44</p> <p>Note 44</p> <p>Note 44</p> <p>Not illustrated.</p> <p>Not illustrated.</p>
44	35G	An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of SFRS(I) 9. For this purpose an entity shall disclose:	

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
The credit risk management practices (continued)			
44	35G	<p>(a) the basis of inputs and assumptions and the estimation techniques used to:</p> <p>(i) measure the 12-month and lifetime expected credit losses;</p> <p>(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and</p> <p>(iii) determine whether a financial asset is a credit-impaired financial asset.</p> <p>(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and</p> <p>(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.</p>	<p>Note 44</p> <p>Note 44</p> <p>Note 44</p> <p>Note 44</p> <p>Not illustrated.</p>
Quantitative and qualitative information about amounts arising from expected credit losses			
45	35H	<p>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:</p> <p>(a) the loss allowance measured at an amount equal to 12-month expected credit losses;</p> <p>(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:</p> <p>(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;</p> <p>(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and</p>	<p>Note 44</p> <p>Not illustrated.</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Quantitative and qualitative information about amounts arising from expected credit losses (continued)			
45	35H	<p>(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SFRS(I) 9.</p> <p>(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.</p>	<p>Note 44</p> <p>Not illustrated.</p>
46	35I	<p>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:</p> <p>(a) changes because of financial instruments originated or acquired during the reporting period;</p> <p>(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with SFRS(I) 9;</p> <p>(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and</p> <p>(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.</p>	<p>Note 44</p> <p>Not illustrated.</p> <p>Note 44</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Quantitative and qualitative information about amounts arising from expected credit losses (continued)			
47	35J	<p>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:</p> <p>(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</p> <p>(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.</p>	Not illustrated.
48	35K	<p>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:</p> <p>(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 SFRS(I) 1-32).</p> <p>(b) a narrative description of collateral held as security and other credit enhancements, including:</p> <p>(i) a description of the nature and quality of the collateral held;</p>	<p>Note 44</p> <p>Not illustrated.</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Quantitative and qualitative information about amounts arising from expected credit losses (continued)			
48	35K	<p>(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</p> <p>(iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.</p> <p>(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.</p>	<p>Not illustrated.</p> <p>Not illustrated.</p>
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 44
Credit risk exposure			
50	35M	<p>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:</p> <p>(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;</p> <p>(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are:</p> <p>(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;</p>	<p>Note 44</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Credit risk exposure (continued)			
50	35M	<ul style="list-style-type: none"> (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SFRS(I) 9. (c) that are purchased or originated credit-impaired financial assets. 	<p>Not illustrated.</p> <p>Note 44</p> <p>Not illustrated.</p>
51	35N	<p>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:</p> <ul style="list-style-type: none"> (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 SFRS(I) 1-32). (b) a narrative description of collateral held as security and other credit enhancements, including: <ul style="list-style-type: none"> (i) a description of the nature and quality of the collateral held; (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 (iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral. 	Note 44

Disclosures

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Transfer of financial assets (continued)			
53	42C	<ul style="list-style-type: none"> (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 (d) 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 SFRS(I) 9 are met. 	
Transferred financial assets that are not derecognised in their entirety			
54	42D	<p>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:</p> <ul style="list-style-type: none"> (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). 	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Transferred financial assets that are not derecognised in their entirety (continued)			
54	42D	<ul style="list-style-type: none"> (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 SFRS(I) 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. 	
55	42E	<p>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 SFRS(I) 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:</p> <ul style="list-style-type: none"> (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. 	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Transferred financial assets that are not derecognised in their entirety (continued)			
55	42E	<p>(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.</p> <p>(f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).</p>	
Initial application of SFRS(I) 9			
56	42I	<p>In the reporting period that includes the date of initial application of SFRS(I) 9, the entity shall disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:</p> <p>(a) the original measurement category and carrying amount determined in accordance with SFRS(I) 1-39 or in accordance with a previous version of SFRS(I) 9 (if the entity's chosen approach to applying SFRS(I) 9 involves more than one date of initial application for different requirements);</p> <p>(b) the new measurement category and carrying amount determined in accordance with SFRS(I) 9;</p> <p>(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 SFRS(I) 9 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.</p>	<p>Note 2.2C</p> <p>Note 2.2C</p> <p>Not illustrated.</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Initial application of SFRS(I) 9 (continued)			
56	42I	In accordance with paragraph 7.2.2 of SFRS(I) 9, depending on the entity's chosen approach to applying SFRS(I) 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.
57	42J	<p>In the reporting period that includes the date of initial application of SFRS(I) 9, an entity shall disclose qualitative information to enable users to understand:</p> <ul style="list-style-type: none"> (a) how it applied the classification requirements in SFRS(I) 9 to those financial assets whose classification has changed as a result of applying SFRS(I) 9. (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. (c) In accordance with paragraph 7.2.2 of SFRS(I) 9, depending on the entity's chosen approach to applying SFRS(I) 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. 	<p>Note 2.2C</p> <p>Note 2.2C</p> <p>Not illustrated.</p>
58	42K	In the reporting period that an entity first applies the classification and measurement requirements for financial assets in SFRS(I) 9 (ie when the entity transitions from SFRS(I) 1-39 to SFRS(I) 9 for financial assets), it shall present the disclosures set out in paragraphs 42L–42O of this SFRS(I) as required by paragraph 7.2.15 of SFRS(I) 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 SFRS(I) 9, showing separately:	

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Initial application of SFRS(I) 9 (continued)			
59	42L	<p>(a) the changes in the carrying amounts on the basis of their measurement categories in accordance with SFRS(I) 1- 39 (ie not resulting from a change in measurement attribute on transition to SFRS(I) 9); and</p> <p>(b) the changes in the carrying amounts arising from a change in measurement attribute on transition to SFRS(I) 9.</p> <p>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 SFRS(I) 9.</p>	<p>Note 2.2C</p> <p>Not illustrated.</p>
60	42M	<p>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 SFRS(I) 9:</p> <p>(a) the fair value of the financial assets or financial liabilities at the end of the reporting period; and</p> <p>(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.</p> <p>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 SFRS(I) 9.</p>	<p>Note 2.2C(ii)</p> <p>Note 2.2C(ii)</p>
61	42N	<p>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 SFRS(I) 9:</p> <p>(a) the effective interest rate determined on the date of initial application; and</p> <p>(b) the interest revenue or expense recognised.</p>	<p>Note 2.2C</p> <p>Note 2.2C</p>

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Initial application of SFRS(I) 9 (continued)			
61	42N	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 SFRS(I) 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 SFRS(I) 9.	
62	42O	When an entity presents the disclosures set out in paragraphs 42K–42N, those disclosures, and the disclosures in paragraph 25 of this SFRS(I), must permit reconciliation between: <ul style="list-style-type: none"> (a) the measurement categories presented in accordance with SFRS(I) 1-39 and SFRS(I) 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 SFRS(I) 9, an entity is required to disclose information that would permit the reconciliation of the ending impairment allowances in accordance with SFRS(I) 1-39 and the provisions in accordance with SFRS(I) 1- 37 to the opening loss allowances determined in accordance with SFRS(I) 9. For financial assets, this disclosure shall be provided by the related financial assets' measurement categories in accordance with SFRS(I) 1-39 and SFRS(I) 9, and shall show separately the effect of the changes in the measurement category on the loss allowance at that date.	Note 44
64	42Q	In the reporting period that includes the date of initial application of SFRS(I) 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 SFRS(I) 9) of:	Reporting entity to consider in disclosures made.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Initial application of SFRS(I) 9 (continued)			
64	42Q	(a) SFRS(I) 9 for prior periods; and (b) SFRS(I) 1-39 for the current period.	
65	42R	In accordance with paragraph 7.2.4 of SFRS(I) 9, if it is impracticable (as defined in SFRS(I) 1-8) at the date of initial application of SFRS(I) 9 for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D of SFRS(I) 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 SFRS(I) 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 SFRS(I) 9 until those financial assets are derecognised.	Not illustrated.

Disclosure Checklist

SFRS(I) 9 Financial Instruments

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
Initial application of SFRS(I) 9 (continued)			
66	42S	In accordance with paragraph 7.2.5 of SFRS(I) 9, if it is impracticable (as defined in SFRS(I) 1-8) 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 SFRS(I) 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 SFRS(I) 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 SFRS(I) 9 until those financial assets are derecognised.	Not illustrated.

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

The disclosure checklist below sets out the disclosure requirements under the “disclosure” section under SFRS(I) 15.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
1	110	<p>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:</p> <ul style="list-style-type: none"> (a) its contracts with customers; (b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts; and (c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95. 	<p>See paragraphs 113–122</p> <p>See paragraphs 123–126</p> <p>See paragraphs 127–128</p>
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.
Contract with customers			
4	113	<p>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:</p> <ul style="list-style-type: none"> (a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and 	Note 4 Note 4(b)

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Contract with customers (continued)			
4	113	(b) any impairment losses recognised (in accordance with SFRS(I) 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.	
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) 8 Operating Segments.	Note 4(a)
Contract balances			
7	116	An entity shall disclose all of the following: <ul style="list-style-type: none"> (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)

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Contract balances (continued)			
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	<p>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:</p> <ul style="list-style-type: none"> (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)
Performance obligations			
10	119	<p>An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:</p> <ul style="list-style-type: none"> (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; 	Note 2.3

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Performance obligations (continued)			
10	119	<ul style="list-style-type: none"> (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. 	
Transaction price allocated to the remaining performance obligations			
11	120	<p>An entity shall disclose the following information about its remaining performance obligations:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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)(ii)
12	121	<p>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:</p> <ul style="list-style-type: none"> (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or 	Note 4(b)(ii)

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Transaction price allocated to the remaining performance obligations			
12	121	(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.	
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)(ii)
Significant judgements in the application of this Standard			
14	123	<p>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.</p> <p>In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:</p> <p>(a) the timing of satisfaction of performance obligations; and</p> <p>(b) the transaction price and the amounts allocated to performance obligations.</p>	<p>See paragraphs 124–125</p> <p>See paragraph 126</p>
15	124	<p>For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:</p> <p>(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</p> <p>(b) an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.</p>	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

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Determining the transaction price and the amounts allocated to performance obligations			
17	126	<p>An entity shall disclose information about the methods, inputs and assumptions used for all of the following:</p> <ul style="list-style-type: none"> (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	<p>An entity shall describe both of the following:</p> <ul style="list-style-type: none"> (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. 	<p>Note 4(c)</p> <p>Note 4(c)</p>
19	128	<p>An entity shall disclose all of the following:</p> <ul style="list-style-type: none"> (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. 	<p>Note 4(c)</p> <p>Note 4(c)</p>

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
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)

Disclosure Checklist

SFRS(I) 16

Disclosure Checklist

SFRS(I) 16 Leases

The disclosure checklist below sets out the disclosure requirements under the “disclosure” section under SFRS(I) 16. These have been illustrated within Appendix 2.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
Disclosure for lessees			
1	52	<p>Has the lessee disclosed information about its leases for which it is a lessee in a single note or a separate section in its financial statements?</p> <p><i>Note. a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.</i></p>	Note 43(b)
2	53	<p>Has the lessee disclosed the following amounts for the reporting period:</p> <ul style="list-style-type: none"> (a) depreciation charge for right-of-use assets by class of underlying asset; Note. This disclosure is not required for a right-of-use asset which meets the definition of investment property and therefore has been disclosed in accordance with SFRS(I) 1-40. (b) interest expense on lease liabilities; (c) the expense relating to short-term leases accounted for by applying SFRS(I) paragraph 6; Note. This expense need not include the expense relating to leases with a lease term of one month or less; (d) the expense relating to leases of low-value assets accounted for by applying SFRS(I) 16 paragraph 6; Note. This expense shall not include the expense relating to short-term leases of low-value assets included above. (e) the expense relating to variable lease payments not included in the measurement of lease liabilities; (f) income from subleasing right-of-use assets; Note. This disclosure is not required for a right-of-use asset which meets the definition of investment property and therefore has been disclosed in accordance with SFRS(I) 1-40. (g) total cash outflow for leases; 	<p>Note 43(b)(ii)</p> <p>Note 43(b)(ii)</p> <p>Note 43(b)(ii)</p> <p>Note 43(b)(ii)</p> <p>Note 43(b)(ii)</p> <p>Not illustrated.</p> <p>Note 43(b)(ii)</p>

Disclosure Checklist

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
Disclosure for lessees (continued)			
		<p>(h) additions to right-of-use assets. Note. This disclosure is not required for a right-of-use asset which meets the definition of investment property and therefore has been disclosed in accordance with SFRS(I) 1-40.</p> <p>(i) gains or losses arising from sale and leaseback transactions; and</p> <p>(j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset? Note. This disclosure is not required for a right-of-use asset which meets the definition of investment property and therefore has been disclosed in accordance with SFRS(I) 1-40.</p>	<p>Note 43(b)(ii)</p> <p>Not illustrated.</p> <p>Note 43(b)(i)</p>
3	54	<p>Has the lessee disclosed the above information in a tabular format, unless another format is more appropriate?</p> <p>Do the amounts disclosed above include costs that a lessee has included in the carrying amount of another asset during the reporting period?</p>	Reporting entity to consider in disclosures made.
4	55	Has the lessee disclosed the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed at 4.24.2(c) above relates?	Not illustrated.
5	57	<p>Where the lessee measures the right-of-use asset at revalued amounts applying SFRS(I) 1-16, do the notes disclose:</p> <p>(a) the effective date of the revaluation;</p> <p>(b) whether an independent valuer was involved;</p> <p>(c) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and</p> <p>(d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders?</p>	Not illustrated.

Disclosure Checklist

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
Disclosure for lessees (continued)			
6	58	Has the lessee disclosed a maturity analysis of lease liabilities separately from the maturity analysis of other financial liabilities?	Note 44(c)
7	59	Has the lessee disclosed additional qualitative and quantitative information about its leasing activities necessary to give 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?	Note 43(b)(iii)
8	59	Does the additional information referred to above include the following disclosure: (a) the nature of the lessee's leasing activities; (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities including exposure arising from; (i) variable lease payments; (ii) extension options and termination options; (iii) residual value guarantees; and (iv) leases not yet commenced to which the lessee is committed; (c) restrictions on covenants imposed by leases; and (d) sale and leaseback transactions?	Note 43(b)(iii)
9	60	Where a lessee accounts for short-term leases or leases of low-value assets applying paragraph 6, is that fact disclosed?	Note 2.19
Disclosure for lessors			
10	90	Has the lessor disclosed the following amounts for the reporting period: (a) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities including exposure arising from; (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease; and	Not illustrated.

Disclosure Checklist

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
Disclosure for lessors (continued)			
10	90	(b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or rate?	Not illustrated.
11	91	Has the lessee disclosed the above information in a tabular format, unless another format is more appropriate?	Not illustrated.
12	92	Has the lessor disclosed additional qualitative and quantitative information about its leasing activities necessary to give 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?	Not illustrated.
13	92	Does the additional information referred to above include the following disclosure: (a) the nature of the lessor's leasing activities; (b) how the lessor manages the risk associated with any rights it retains in underlying assets; (c) its risk management strategy for the rights it retains in underlying assets including any means by which the lessor reduces that risk? Note. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.	Not illustrated.
14	93	Has the lessor provided a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases?	Not illustrated.
15	94	Has the lessor disclosed a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years?	Not illustrated.
16	94	Has the lessor reconciled the undiscounted lease payments to the net investment in the lease? Note. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	Not illustrated.

Disclosure Checklist

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
17	95	Has the lessor disaggregated each class of property, plant and equipment disclosure required by SFRS(I) 1-16 into assets subject to operating leases and assets not subject to operating leases?	Not illustrated.
18	97	Has the lessor disclosed a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years?	Not illustrated.
Transition disclosures			
19	C1	Has the entity disclosed that it is adopting SFRS(I) 16 early?	Not illustrated.
20	C4	Where the entity has chosen to apply the practical expedient in C3 of SFRS(I) 16 to not reassess whether a contract is, or contains, a lease at the date of initial application, has that fact been disclosed?	Note 2.1
21	C12	Where the entity has chosen to apply the practical expedient in C5(b) of SFRS(I) 16 to retrospectively apply this standard with the cumulative effect of initially apply the standard recognised at the date of initial application in accordance with C7 to C13, has the entity disclosed the following: (a) the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application; and (b) an explanation of the difference between (a) operating lease commitments disclosed applying SFRS(I) 1-17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application, and (b) lease liabilities recognised in the statement of financial position at the date of initial application?	Note 2.1
22	C12	Where the entity has chosen to use one or more of the practical expedients in C10 of SFRS(I) 16 to leases previously classified as operating leases, has the entity disclosed that fact?	Note 2.1

Practical Guide

Introduction

The Singapore Accounting Standards Council (“ASC”) introduced SFRS(I), a new Singapore financial reporting framework that is equivalent to IFRS. SFRS(I) is required to be adopted by companies with instruments listed on the Singapore Exchange for annual periods beginning on or after 1 January 2018. SFRS(I) includes all standards, amendments and interpretations that are applicable to IFRS for annual periods beginning on or after 1 January 2018. All standards, amendments and interpretations that are applicable to SFRS(I) for annual periods beginning on or after 1 January 2019 are also applicable to IFRS and FRS.

Since March 2017, the IASB issued the following new accounting standards and interpretations. These have been included in the first volume of SFRS(I) issued by the ASC in December 2017:

- IFRS 17, ‘Insurance contracts’
- Amendments to IFRS 9, ‘Financial instruments’ – Prepayment features with negative compensation
- Amendments to IAS 28, ‘Investments in associates’ – Long term interests in associates and joint ventures
- Amendments to IAS 19, ‘Employee benefits’ – Plan amendment, curtailment or settlement
- IFRIC 23, ‘Uncertainty over income tax treatments’

This guide summarises the new standard, amendments and interpretation plus those standards and amendments to IFRS/FRS issued previously that are effective from 1 January 2018. It is designed to be used by preparers, users and auditors of SFRS(I), IFRS and FRS financial statements. It includes a quick reference table of each standard/amendment/interpretation categorised by the effective date and whether early adoption is permitted. 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:

SFRS(I)	Singapore Financial Reporting Standards (International)
FRS	Singapore Financial Reporting Standards
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
SFRS(I) INT	Singapore Financial Reporting Standards (International) Interpretations
IFRIC	IFRS Interpretations Committee

New/revised standards and interpretations

Standard/amendment/interpretation	Effective date	Adoption	Page
1 January 2018			
SFRS(I) 9, IFRS 9, 'Financial instruments'	Annual periods beginning on or after 1 January 2018		*
SFRS(I) 15, IFRS 15, 'Revenue from contracts with customers'	Annual periods beginning on or after 1 January 2018		*
Amendment to IFRS 15, 'Revenue from contracts with customers' Clarifications to IFRS 15	Annual periods beginning on or after 1 January 2018		544
Amendment to IAS 40, 'Investment property' regarding the transfer of property	Annual periods beginning on or after 1 January 2018		546
Amendments to IFRS 2, 'Share based payments' - Classification and measurement of share-based payment transactions	Annual periods beginning on or after 1 January 2018		547
SFRS(I) INT 22, 'Foreign currency transactions and advance consideration'	Annual periods beginning on or after 1 January 2018		549
Amendments to IFRS 4, 'Insurance contracts' regarding implementation of IFRS 9	Annual periods beginning on or after 1 January 2018		552
Annual improvements 2014-2016 <ul style="list-style-type: none"> IFRS 1, 'First time adoption of IFRS', regarding IFRS 7, IAS 19 and IFRS 10. IAS 28 'Investment in associates and joint ventures' 	Annual periods beginning on or after 1 January 2018		554

New/revised standards and interpretations (continued)

Standard/amendment/interpretation	Effective date	Adoption	Page
1 January 2019			
Amendments to SFRS(I) 1-28, 'Investments in associates' – Long term interests in associates and joint ventures	Annual periods on or after 1 January 2019	Early adoption is permitted	555
Amendments to SFRS(I) 9, 'Financial instruments' – Prepayment features with negative compensation	Annual periods on or after 1 January 2019	Early adoption is permitted	556
Amendments to SFRS(I) 1-19, 'Employee benefits' – Plan amendment, curtailment or settlement	Annual periods on or after 1 January 2019	Early adoption is permitted	558
SFRS(I) 16, 'Leases'	Annual periods on or after 1 January 2019	Early adoption is permitted if SFRS(I) 15 is implemented	559
SFRS(I) INT 23, 'Uncertainty over income tax treatments'	Annual periods on or after 1 January 2019	Early adoption is permitted	561
Annual improvements 2015-2017 <ul style="list-style-type: none"> • SFRS(I) 3, 'Business combinations' • SFRS(I) 11, 'Joint arrangements' • SFRS(I) 1-12, 'Income taxes' • SFRS(I) 1-23, 'Borrowing costs' 	Annual periods on or after 1 January 2019	Early adoption is permitted	564
1 January 2020			
Amendments to SFRS(I) 3, 'Business combinations' – Definition of a business	Annual periods beginning on or after 1 January 2020	Early adoption is permitted	565
1 January 2021			
SFRS(I) 17, 'Insurance contracts'	Annual periods on or after 1 January 2021	Early adoption is permitted if SFRS(I) 15 and SFRS(I) 9 are applied.	566
Other			
Transition requirements when applying SFRS(I)/IFRS 9, 15, 16, and 17	Various	Various	568

* Impact of adopting SFRS(I) 9/IFRS 9 and SFRS(I) 15/IFRS 15 has been discussed in other publications and is not summarised within this guide. Refer to other publications for further details.

Amendments to IFRS 15, 'Revenue from contracts with customers' – Clarifications to IFRS 15

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. Additional practical expedients related to transition to the new revenue standard are also included. The amendments to IFRS 15 are effective for annual reporting periods beginning on or after 1 January 2018, with early application permitted.

The amendments do not change the core principles of IFRS 15; 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 IFRS 15.

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 the licences of IP with fees in the form of a sales – or usage-based royalty. This guidance only applies when the license is the predominant item.

Principal versus agent guidance

It is 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 structure of the indicators are also revised 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 IFRS 15, 'Revenue from contracts with customers' – Clarifications to IFRS 15 (continued)

Practical expedients on transition

The amendments introduce additional practical expedients to simplify the 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, entities applying the modified retrospective method are allowed to opt out of the 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 IFRS 15. 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.

Amendments to IAS 40, 'Investment property' – Transfers of investment property

Issue

These amendments clarify when assets are transferred to, or from, investment properties.

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. 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 IAS 40. The list of evidence from IAS 40 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 amendment is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendment includes 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 IFRS 2, 'Share based payments' – Classification and measurement of share-based payment transactions

Issue

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.

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 IFRS 2 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 IFRS 2, the measurement basis for an equity-settled, share-based payment should not be 'fair value' in accordance with IFRS 13. 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 the 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 IFRS 13 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

IFRS 2 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 IFRS 2, 'Share based payments' – Classification and measurement of share-based payment transactions (continued)

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 IFRS 2 by the amendments note that IFRS 2 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.

SFRS(I) INT 22 – Foreign currency transactions and advance consideration

Issue

This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, SFRS(I) 1-21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

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 SFRS(I) 1-21 requires an entity to use the exchange rate at the 'date of 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 provision

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 CU50 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 CU50 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.

SFRS(I) INT 22 – Foreign currency transactions and advance consideration (continued)

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.

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 CU50 and receives an upfront payment of CU20 on this date. The goods are delivered and revenue is recognised on 31 March 20x1. CU30 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 CU20 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 CU20 and recognise CU20 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 CU30, using the exchange rate on 31 March 20x1.
- The receivable of CU30 is a monetary item, so it should be translated using the closing rate until the receivable is settled.

SFRS(I) INT 22 – Foreign currency transactions and advance consideration (continued)

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

SFRS(I) INT 22 is effective for annual periods beginning on or after 1 January 2018.

The amendment to IFRIC 22 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.

Amendments to IFRS 4, 'Insurance contracts' – Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts'

Issue

These amendments address the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (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 on 1 January 2021.

Key provisions

Temporary exemption from applying IFRS 9

For annual periods beginning before 1 January 2021, the amendments to IFRS 4 allow insurers to continue to apply IAS 39, 'Financial Instruments: Recognition and measurement', instead of adopting IFRS 9, if their activities are 'predominantly connected with insurance'. SFRS(I) 4 allows insurers to continue to apply SFRS(I) 1-39, 'Financial Instruments: Recognition and Measurement' as included in Appendix D.1 of SFRS(I) 4. 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 IFRS 4'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 IFRS 4's scope, liabilities connected with insurance include:

- non-derivative investment contract liabilities measured at fair value through profit or loss applying IAS 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 IFRS 4, 'Insurance contracts' – Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (continued)

Overlay approach

Under IFRS 9, certain financial assets have to be measured at fair value through profit or loss, whereas, under IFRS 4, 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 IFRS 9 and the amount that would have been reported in profit or loss under IAS 39.

Financial assets are eligible for designation for the 'overlay approach' if they are measured at fair value through profit or loss under IFRS 9, but not so measured under IAS 39. In addition, the asset cannot be held in respect of an activity that is unconnected with contracts within IFRS 4'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 IFRS 9 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 IFRS 9.

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 IAS 39 in its individual financial statements, the subsidiary will have to prepare IFRS 9 information for consolidation purposes. Furthermore, it should be noted that, under both approaches, significant additional disclosures are required.

Annual improvements

2014 – 2016 cycle

Standard/Interpretation	Amendment	Effective date
Amendment to IFRS 1, 'First time adoption of IFRS'.	The amendment deletes the short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10. 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.
IAS 28, 'Investments in associates and joint ventures'.	IAS 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). 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 SFRS(I) 1-28, 'Investments in associates' – Long term interests in associates and joint ventures

Issue

Investors could have long-term interests (for example, preference shares or long-term loans) in an associate or joint venture that form part of the net investment in the associate or joint venture. It is unclear whether these long-term interests are within the scope of SFRS(I) 9, and whether SFRS(I) 9 impairment requirements are applicable.

Insight

This is a narrow scope amendment to SFRS(I) 1-28 issued to clarify that these long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for using SFRS(I) 9. This includes the impairment requirements in SFRS(I) 9. An illustrative example is also provided.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Amendments to SFRS(I) 9, 'Financial instruments' – Prepayment features with negative compensation

This amendment covers two issues:

- What financial assets may be measured at amortised cost. The amendment permits more assets to be measured at amortised cost than under the previous version of SFRS(I) 9, in particular some prepayable financial assets. It is likely to have the biggest impact on bank and other financial services entities and be broadly welcomed by companies.
- How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under FRS 39 and IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

All companies should ensure that their projects to implement SFRS(I) 9 identify what assets and transactions are or may be affected. Significant judgement may be required to apply the amendment, so early identification of the issues is advised.

Issue

This is a narrow-scope amendment to SFRS(I) 9 to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL).

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation¹ must be '*reasonable compensation for early termination of the contract*'.

An example of such reasonable compensation is an amount that reflects the effect of the change in the relevant benchmark rate of interest. However, the standard does not define 'reasonable compensation' and significant judgement may be required to assess if this test is met.

In addition, to qualify for amortised cost measurement, the asset must be held within a 'held to collect' business model.

Impact

The amendment is likely to be welcomed by preparers. In practice, there is a broad range of prepayments features with potentially negative compensation in many kinds of debt instruments:

- the prepayment option may be contingent on the occurrence of a trigger event (for example, sale or fall in value of collateral to a loan).
- the prepayment option may be held by only one party to the contract or both parties.
- prepayment may be permitted or required (in particular circumstances).
- the compensation formula may differ. In many cases judgement will be required to assess whether the compensation meets the test of being '*reasonable compensation for early termination of the contract*'.

¹ That is the difference between the prepayment amount and unpaid amount of principal and interest.

Amendments to SFRS(I) 9, 'Financial instruments' – Prepayment features with negative compensation (continued)

Effective date

The amendment is effective for annual periods beginning on or after 1 January 2019, that is, one year later than the effective date of SFRS(I) 9. Early adoption is permitted. This will enable companies to adopt the amendment when they first apply SFRS(I) 9.

Modification of financial liabilities – SFRS(I) 9 accounting change confirmed

When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This will impact all companies, particularly those applying a different policy for recognising gains and losses.

Amendments to SFRS(I) 1-19, 'Employee benefits' – Plan amendment, curtailment or settlement

Issue

This amendment requires an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Impact

Changes in the terms or membership of a defined benefit plan might result in a plan amendment or a curtailment or settlement. SFRS(I) 1-19 requires an entity to determine the amount of any past service cost, or gain or loss on settlement, by remeasuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment.

Current service cost and net interest are usually calculated using assumptions determined at the beginning of the period. However, if the net defined benefit liability is remeasured to determine past service cost, or the gain or loss on curtailment or settlement, current service cost and net interest for the remainder of the period are remeasured using the same assumptions and the same fair value of plan assets. This will change the amounts that would otherwise have been charged to profit or loss in the period after the plan amendment, and it might mean that the net defined benefit liability is remeasured more often.

A plan amendment, curtailment or settlement might reduce or eliminate a surplus, which could change the effect of the asset ceiling. Past service cost, or a gain or loss on settlement is calculated in accordance with SFRS(I) 1-19, and it is recognised in profit or loss. This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

Who is affected?

The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement.

The amendments are applied prospectively to plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after 1 January 2019.

SFRS(I) 16 – Leases

Issue

In January 2016, the long-standing project on lease accounting was completed. SFRS(I) 16, 'Leases', replaces the current guidance in SFRS(I) 1-17. This will require far-reaching changes in accounting by lessees in particular.

Key provisions

Under SFRS(I) 1-17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). SFRS(I) 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. An optional exemption for certain short-term leases and leases of low-value assets can be applied by lessees.

For lessors, the accounting stays almost the same. However, as the guidance has been updated on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under SFRS(I) 16, 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

SFRS(I) 16 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 SFRS(I) 1-17, 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 SFRS(I) 1-17, 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.

SFRS(I) 16 – Leases (continued)

Statement of cash flows

The new guidance will also change the cash flow statement, 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.

Transition

SFRS(I) 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, but only in conjunction with SFRS(I) 15, '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.

SFRS(I) INT 23 – Uncertainty over income tax treatments

Issue

This interpretation clarifies how the recognition and measurement requirements of SFRS(I) 1-12 'Income taxes', are applied where there is uncertainty over income tax treatments.

Impact

When does the Interpretation apply?

SFRS(I) 1-12, not SFRS(I) 1-37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. SFRS(I) INT 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. SFRS(I) INT 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

What is the unit of account?

Each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty. The factors that an entity might consider to make this determination include:

1. how it prepares and supports the tax treatment; and
2. the approach that it expects the tax authority i.e. take during an examination.

What should an entity assume about the examination of tax treatments by taxation authorities?

An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. Detection risk is not considered in the recognition and measurement of uncertain tax treatments.

When should an entity account for any uncertain tax treatments?

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

SFRS(I) INT 23 – Uncertainty over income tax treatments (continued)

How is the effect of uncertainty recognised?

The entity should measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value. The expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value. Some uncertainties affect both current and deferred taxes (for example, an uncertainty over the year in which an expense is deductible). SFRS(I) INT 23 requires consistent judgements and estimates to be applied to current and deferred taxes.

What about changes in circumstances?

The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. SFRS(I) INT 23 states specifically that the absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

What about the disclosures?

There are no new disclosure requirements in SFRS(I) INT 23. However, entities are reminded of the need to disclose, in accordance with SFRS(I) 1-1, the judgements and estimates made in determining the uncertain tax treatment.

Effective date and transition

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this Interpretation either:

1. retrospectively applying SFRS(I) 1-8, if possible without the use of hindsight; or
2. retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

SFRS(I) INT 23 – Uncertainty over income tax treatments (continued)

Insight

SFRS(I) INT 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously SFRS(I) 1-12 was silent. For example, the Interpretation specifies how to determine the unit of account and the recognition and measurement guidance to be applied to that unit. There is no specific guidance in SFRS(I) 1-12, and entities today might be using different models to determine the unit of account and measure the consequences of tax uncertainties. The Interpretation also explains when to reconsider the accounting for a tax uncertainty, and it states specifically that the absence of comment from the tax authority is unlikely, in isolation, to trigger a reassessment.

Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in SFRS(I) 1-12. These models might, in some circumstances, be inconsistent with SFRS(I) INT 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

Annual improvements

2015 – 2017 cycle

Standard/Interpretation	Amendment	Effective date
SFRS(I) 3, 'Business combinations'	The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.	Annual periods beginning on or after 1 January 2019. Earlier application is permitted.
SFRS(I) 11, 'Joint arrangements'	The amendments clarify that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.	Annual periods beginning on or after 1 January 2019. Earlier application is permitted.
SFRS(I) 1-12, 'Income taxes'	The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.	Annual periods beginning on or after 1 January 2019. Earlier application is permitted.
SFRS(I) 1-23, 'Borrowing costs'	The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	Prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Amendments to SFRS(I) 3, 'Business Combinations' – Definition of a business

New guidance

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

An entity can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

Impact

The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

Differences in accounting between business combinations and asset acquisitions include, among other things, the recognition of goodwill, recognition and measurement of contingent consideration, accounting for transaction costs, and deferred tax accounting.

When does it apply?

Entities shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted.

**Note: As at the date of this publication, the above amendment was issued by the IASB for IFRS 3 'Business Combinations'. Although the Singapore Accounting Standards Council has yet to issue the equivalent amendment to SFRS(I) 3, we expect that the equivalent amendment would be issued shortly by ASC.*

SFRS(I) 17 – Insurance contracts

Issue

On 18 May 2017, the long-standing project to develop an accounting standard on insurance contracts was completed. SFRS(I) 17, 'Insurance Contracts', replaces SFRS(I) 4, which currently permits a wide variety of practices. SFRS(I) 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if SFRS(I) 15, 'Revenue from Contracts with Customers', and SFRS(I) 9, 'Financial Instruments', are also applied.

Key provisions

Scope

SFRS(I) 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, entities have an accounting policy choice to account for them in accordance with either SFRS(I) 17 or SFRS(I) 15. Similar to the position under SFRS(I) 4, financial guarantee contracts are allowed to be within the scope of SFRS(I) 17 if the entity previously asserted explicitly that it regarded them as insurance contracts. Insurance contracts (other than reinsurance) where the entity is a policyholder are not within the scope of SFRS(I) 17.

Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related SFRS(I)s. Voluntary unbundling of other components is prohibited.

The measurement model

SFRS(I) 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability-weighted cash flows.

For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.

Changes in cash flows related to future services should be recognised against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognised in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time.

SFRS(I) 17 – Insurance contracts (continued)

Under SFRS(I) 17, entities have an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income ('OCI'). The OCI option for insurance liabilities reduces some volatility in profit or loss for insurers where financial assets are measured at amortised cost or fair value through OCI under SFRS(I) 9.

The variable-fee approach is required for insurance contracts that specify a link between payments to the policyholder and returns on underlying items, such as some 'participating', 'with profits' and 'unit linked' contracts. The interest on the CSM for such contracts is accreted implicitly through adjusting the CSM for the change in the variable fee. The variable fee represents the entity's share of the fair value of the underlying items less amounts payable to policyholders that do not vary based on the underlying items. The CSM is also adjusted for the time value of money and the effect of changes in financial risks not arising from underlying items such as options and guarantees.

Requirements in SFRS(I) 17 align the presentation of revenue with other industries. Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components (that is, amounts repaid to policyholders even if the insured event does not occur) are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under SFRS(I) 4.

On transition to SFRS(I) 17, an entity applies SFRS(I) 17 retrospectively to groups of insurance contracts, unless it is impracticable. In this case, the entity is permitted to choose between a modified retrospective approach and the fair value approach. In applying a modified retrospective approach, the entity achieves the closest outcome to retrospective application using reasonable and supportable information and choosing from a list of available simplifications. Alternatively, the CSM at transition can be based on fair value at transition. In practice, using different approaches to transition could result in significantly different outcomes that will drive profit recognised in future periods for contracts in force on transition.

Impact and insights

SFRS(I) 17 will impact businesses well beyond the finance, actuarial and systems development areas (for example, product design and distribution, development of revised incentive and wider remuneration policies and reconfigured budgeting and forecasting methodologies feeding into business planning). There could also be an impact on the cash tax position dividends, both on transition and going forward. SFRS(I) 17 might require more than three years to implement. Gap analysis and impact assessments to develop an implementation roadmap will enable entities to begin the detailed implementation project. A fundamental shift might be required in the way in which data is collected, stored and analysed, changing the emphasis from a prospective to a retrospective basis of analysis and introducing a more granular level of measurement and additional disclosures. Before the effective date, insurers will need to carefully consider their 'SFRS(I) 17 story' for investors and analysts, as well as the key metrics that they will apply in the new world.

Transition requirements when applying SFRS(I)/IFRS 9, 15, 16 and 17

Issue

This section highlights the differences between how existing reporters and first time adopters will transition to the new standards. Those preparing a longer 'track record' of financial information for initial public offerings or other transactions as a first time adopter may also be affected.

SFRS(I) 1, the relevant standard for first time adoption of SFRS(I), requires the same accounting policies to be applied in the opening SFRS(I) statement of financial position and throughout all periods presented in the first SFRS(I) financial statements. Those accounting policies must comply with the SFRS(I) standards effective at the end of the first SFRS(I) reporting period, except for those SFRS(I) 1 mandatory exceptions or voluntary exemptions. The transition provisions of other standards do not apply to first-time adopters, except where specified in SFRS(I) 1.

A first time adopter may choose to early adopt any new standards that are not mandatory at the end of an entity's first SFRS(I) reporting period. SFRS(I) 1 does not require an entity to use newly issued but not yet mandatory versions of an SFRS(I), but it explains the advantages of doing so.

Subsidiaries (including carve out entities) of existing SFRS(I) reporting groups have additional flexibility when they choose to move to SFRS(I)s after their parent.

Impact

Impact of SFRS(I) 9 – Financial instruments

SFRS(I) 9, effective for periods beginning on or after 1 January 2018, is applied retrospectively in accordance with SFRS(I) 1-8, 'Accounting policies, changes in accounting estimates and errors'. Entities continuing to apply IFRS may however choose to continue to apply the hedge accounting requirements of IAS 39. First time adopters of SFRS(I) are required to apply the hedge accounting requirements of SFRS(I) 9. There are some mandatory exceptions and optional exemptions set out in Section 7.2 of SFRS(I) 9.

SFRS(I) 9 must be applied in full by a first time adopter but there is short term relief for comparative reporting periods beginning before January 2018 that allows use of previous GAAP. Any adjustments to align to SFRS(I) 9 are reflected in the period of adoption. This aligns the timing of SFRS(I) 9 application by a first time adopter with existing reporters.

SFRS(I) 1 mirrors the specific mandatory exceptions and optional exemptions for transition for existing SFRS(I) preparers that are in SFRS(I) 9.

Impact of SFRS(I) 15 – Revenue from contracts with customers

SFRS(I) 15, effective for periods beginning on or after 1 January 2018, contains transition provisions that allow either fully retrospective adoption (with some practical expedients) or a simplified transition method. The simplified transition method is also retrospective but the cumulative effect is recognised in retained earnings at the date of initial application without restating any comparative periods presented.

SFRS(I) 15 must be adopted fully retrospectively by a first time adopter, hence the simplified transition method is not available. However, SFRS(I) 1 allows the use of the practical expedients described in Appendix C5 of SFRS(I) 15 for full retrospective application.

Transition requirements when applying SFRS(I)/IFRS 9, 15, 16 and 17 (continued)

Impact of SFRS(I) 16 – Leases

SFRS(I) 16, effective for annual reporting periods beginning on or after 1 January 2019, allows either fully retrospective adoption or a 'simplified approach' similar to that of SFRS(I) 15. The simplified approach is not available to first time adopters.

SFRS(I) 1 requires first time adopters to use the fully retrospective approach when applying SFRS(I) 16. First time adopters that are lessees are permitted to apply some of the transition reliefs that are available to existing SFRS(I) preparers under the 'simplified approach'. For example, the lessee may measure the lease liability at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of transition to SFRS(I).

The right-of-use asset can be measured either as if SFRS(I) 16 has always been applied but discounted using the lessee's incremental borrowing rate at the date of the transition or at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments). A lessee that chooses these simplifications has to test the right-of-use assets for impairment at the date of transition applying SFRS(I) 1-36.

However, a first time adopter must re-assess all contracts for leases either at inception of the contract or at the date of transition to SFRS(I). It also has to restate comparative information.

Impact of SFRS(I) 17 – Insurance contracts

SFRS(I) 17 applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if SFRS(I) 15 and SFRS(I) 9 are also applied. The standard should be applied retrospectively unless impracticable.

SFRS(I) 17 must be applied fully retrospectively. SFRS(I) 1 mirrors the transition guidance set out in Appendix C of SFRS(I) 17.

Subsidiaries (including carveout entities) moving to SFRS(I) after their parent

There are two options set out in SFRS(I) 1 para D16 for a subsidiary that adopts SFRS(I) at a date later than the group headed by its parent (or entity that has significant influence or joint control over it). It can measure its assets and liabilities at either:

- a. the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to SFRS(I)s; or
- b. the carrying amounts required by SFRS(I) 1, based on the subsidiary's date of transition to SFRS(I)s.

Transactions scenarios

An entity may undertake a transaction such as a material business combination or a listing of shares and need to present SFRS(I) financial information as a first time adopter. The financial information presented typically includes the latest reporting period plus one or more comparative periods, commonly known as the 'track record'. The financial information is usually presented on a consistent basis across all periods. Market regulations may require that the reporting entity applies the standards that will be in force at the end of the following reporting period. A good understanding of the relevant regulator's requirements is recommended.

Transition requirements when applying SFRS(I)/IFRS 9, 15, 16 and 17

The date of transition is the opening day of the earliest comparative period presented. The new standards might then be adopted at a much earlier date than would be applicable for an existing reporter. For example, a three year track record ending in December 2018 might apply SFRS(I) 15 from January 2016, two years earlier than would be required under the modified retrospective method.

If there are any new standards that are not effective in the track record period then, similar to an existing SFRS(I) reporter, the reporting entity can choose to apply them in the future. The entity should include relevant SFRS(I) 1-8 disclosures concerning the impact that the new standards will have when applied.

These differences can be summarised as follows:

	Existing IFRS reporter or subsidiaries choosing to apply IFRS 1 para D16(a)	First time adopter or subsidiaries choosing to apply SFRS(I) 1 para D16(b)
SFRS(I)/IFRS 9, 'Financial instruments'		
Short term relief applying SFRS(I)/IFRS 9 prior to 1 Jan 2018	N/A	Yes – E1/E2 Adjustments to align to SFRS(I) 9 are reflected in the period of adoption.
IAS 39 hedge accounting may be used	Yes – 7.2.21	No
SFRS(I)/IFRS 9 hedge accounting may be used	Yes – 7.2.21	Yes – B4/B6
SFRS(I)/IFRS 15, Revenue from contracts with customers	References are to relevant new standard	References are to SFRS(I) 1 unless stated
Fully retrospective adoption	Yes – C3(a); C5	Yes – D 34
'Simplified transition method' Retrospective with cumulative effect recognised on date of initial application	Yes – C3(b); C5(c)	No

Transition requirements when applying SFRS(I)/IFRS 9, 15, 16 and 17 (continued)

	Existing IFRS reporter or subsidiaries choosing to apply IFRS 1 para D16(a)	First time adopter or subsidiaries choosing to apply SFRS(I) 1 para D16(b)
SFRS(I)/IFRS 16, 'Leases'		
Fully retrospective adoption	Yes – C5(a)	Yes – para 13
or		
'Simplified approach' Retrospective with cumulative effect recognised on date of initial application	Yes – C5(b)	No
No need to re-assess whether a contract contains a lease	Yes – C3	No
Assess whether a contract contains a lease at inception	Yes, ignore C3 and apply IFRS 16 para 9	Yes, ignore D9 and apply SFRS(I) 16 para 9
Assess whether a contract contains a lease on date of transition to SFRS(I)	N/A	Yes, apply D9 and ignore SFRS(I) 16 para 9
Lease liabilities discounted at incremental borrowing rate	If apply fully retrospective: at the date of inception para 26 if apply simplified approach: at the date of initial application C8(a)	At the date of inception Ignore D9B(a), apply SFRS(I) 16 para 26 or at the date of transition to SFRS(I) D9B(a)
Apply SFRS(I) 1-36/IAS 36 impairment to right of use assets	Yes if apply fully retrospective: Para 33 Optional if apply simplified approach C8(c); C10(b)	Yes – D9B(c)
Apply SFRS(I) 1-37/IAS 37 onerous contracts instead of SFRS(I) 1-36/IAS 36	No if apply fully retrospective. Para 33 Optional if apply simplified approach C8(c); C10(b)	No

Transition requirements when applying
SFRS(I)/IFRS 9, 15, 16 and 17

	Existing IFRS reporter or subsidiaries choosing to apply IFRS 1 para D16(a)	First time adopter or subsidiaries choosing to apply SFRS(I) 1 para D16(b)
SFRS(I)/IFRS 17, 'Insurance contracts'		
Retrospective application	Transition is the same – fully retrospective (unless impracticable)	

Contact Us

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