



Singapore Illustrative Financial Statements 2017



About KPMG

KPMG is one of the world's leading networks of professional services firms. With more than 189,000 professionals in 152 countries, we work shoulder-to-shoulder with clients to deliver real results and address their most critical challenges. Today, with over 3,000 professionals, KPMG is one of the largest professional services firms in Singapore with a balanced mix of international and local clients.

Why KPMG

Independent, clear and practical advice

Our goal is to provide our clients with clarity and jargon-free advice which helps address challenges in a rapidly changing business environment.

An industry focused approach

Our industry-focused approach helps us to provide an informed perspective on the industry issues and complex market challenges our clients face. This enable us to help our clients transform their business, from strategy through execution.

Global knowledge sharing

We keep up to date with global technical and industry developments to provide our clients with comprehensive advice, regardless of where they do their business.

We listen to you

We listen to our clients' needs, concerns and business objectives before providing advice and making recommendations.

About Singapore Illustrative Financial Statements 2017

This publication is produced by KPMG in Singapore, and the views expressed herein are those of KPMG in Singapore.

It illustrates one possible format for financial statements, based on a fictitious multinational corporation incorporated in Singapore and listed on the SGX. Our fictitious corporation has been applying FRS for some time i.e. it is not a first-time adopter of FRS. We wish to highlight that Singapore-incorporated companies listed on SGX will have to adopt a financial reporting framework identical to International Financial Reporting Standards (the Singapore Financial Reporting Standards (International)) for annual periods beginning on or after 1 January 2018. Such companies will have to apply a standard equivalent to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (SFRS(I) *First-time Adoption of Singapore Financial Reporting Standards (International)*) to transition to the new framework. For more information on adopting IFRS for the first time, see *Insights into IFRS: KPMG's Practical Guide to International Financial Reporting Standards (13th Edition)* ('Insights into IFRS') Chapter 6.1.

This publication reflects FRS in issue at 31 August 2017 that are required to be applied by an entity with an annual reporting period beginning on 1 January 2017 ('currently effective requirements'). The early adoption of FRS that are effective for annual reporting periods beginning after 1 January 2017 ('forthcoming requirements') has not been illustrated.

This publication does not illustrate the requirements of FRS 104 *Insurance Contracts*, FRS 106 *Exploration for and Evaluation of Mineral Resources*, FRS 26 *Accounting and Reporting by Retirement Benefit Plans*, FRS 29 *Financial Reporting in Hyperinflationary Economies* and FRS 34 *Interim Financial Reporting*.

What's new in 2017?

The Accounting Standards Council has issued several amendments to its standards during the past year. Appendix IV provides a comprehensive list of new requirements, distinguishing between those that are 'currently effective requirements', and those that are 'forthcoming requirements'. Appendix IV also provides an overview of these new requirements, with cross-references to the related example disclosures and sources of relevant KPMG guidance where appropriate.

Amendments to FRS 7 *Statement of Cash Flows* are effective for annual periods beginning on or after 1 January 2017. An example of the disclosures is illustrated in Note 16. Other than the amendments to FRS 7, the Group has no transactions that would be significantly affected by the amendments that are 'currently effective requirements'; therefore, these new requirements are not illustrated in these illustrative financial statements.

Note 43 has been included to illustrate an expanded description of management's current assessment of the possible impacts that the adoption of SFRS(I) and IFRS and the new accounting standards for revenue, financial instruments and leases may have on the financial statements to facilitate timely communication with their stakeholders.

Significant changes on the presentation and disclosure of financial information in this publication are highlighted by a thick-line border running down the right margin of the content.

Other significant changes on the presentation and disclosure of financial information in this publication are highlighted by a thick-line border running down the right margin of the content.

Need for judgement

This publication focuses on compliance with FRS. Although it is not exhaustive, this publication illustrates the disclosures required by FRS for one hypothetical corporation; for ease of illustration, the disclosures here are generally presented without regard to materiality.

This guide should not be used as a boiler plate template. The preparation of an entity's own financial statements requires judgement, in terms of the choice of accounting policies, how the disclosures should be tailored to reflect the entity's specific circumstances, and the materiality of disclosures in the context of the organisation. An entity does not need to provide a specific disclosure under FRS if the information resulting from that disclosure is not material.

The accounting policies appropriate for an entity depend on the facts and circumstances of that entity, including the accounting policy choices an entity makes. This may differ from the disclosures presented in these illustrative financial statements. The accounting policies disclosed in these illustrative financial statements reflect the facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of the requirements of FRS and should not be used as a substitute for referring to the standards and interpretations themselves. The recognition and measurement requirements of FRS are discussed in *Insights into IFRS*.

Reporting date

A number of terms are used, either in FRS or in practice, to describe the end of an entity's financial year, including 'reporting date', 'end of the reporting period', 'statement of financial position date', 'year end' and 'financial year end'. Generally, these terms are used interchangeably and have the same meaning.

The annual reporting date may change only in exceptional circumstances. If the annual reporting date does change, then the financial statements for that period will cover either more or less than 12 months. In this case, the entity discloses the reason for the change and the fact that the information is not fully comparable.

References and abbreviations

The illustrative financial statements are presented on the odd-numbered pages while the explanatory comments and notes on the disclosure requirements of FRS are on the even-numbered pages. The illustrative examples, together with the explanatory notes, however, are not intended to be seen as a complete and exhaustive summary of all disclosure requirements that are applicable under FRS.

For an overview of all disclosure requirements that may be applicable under FRS, see [Guide to annual financial statements - Disclosure Checklist](#) that has been prepared based on the disclosure requirements of IFRS. The key differences between FRS and IFRS are set out in Appendix V.

To the left of each item disclosed, references are made to the provisions in the Singapore Companies Act, FRS and interpretations, and the SGX Listing Manual that require or recommend the disclosures. The illustrative financial statements also include references to Insights into IFRS. Examples of references used in this publication are:

S201(10):.....refers to Section 201(10) of the Singapore Companies Act
12th Sch:.....refers to Twelfth Schedule of the Singapore Companies Act
FRS 8.28:.....refers to paragraph 28 of Financial Reporting Standard (FRS) 8
INT FRS 15.5:.....refers to paragraph 5 of the Interpretation to Financial Reporting Standard (INT FRS) 15
SGX 1207(3):.....refers to Rule 1207(3) of the SGX Listing Manual
SSA 700.8:.....refers to paragraph 8 of Singapore Standard on Auditing (SSA) 700
CP:.....refers to current practice or best practice

The following abbreviations are used often in this publication:

CGU:.....Cash-generating unit
EBITDA:.....Earnings before interest, tax, depreciation and amortisation
NCI:.....Non-controlling interests
Notes:.....Notes to the financial statements
OCI:.....Other comprehensive income

Contents

	Page		Page
Financial statements			
Statements of financial position	7	II Directors' statement	339
Consolidated statement of profit or loss and consolidated statement of comprehensive income (two-statement approach)	11	III Currently effective requirements	348
Consolidated statement of changes in equity	15	IV New standards and amendments effective for 2016 and forthcoming requirements	355
Consolidated statement of cash flows	25	V Differences between FRS and IFRS as at 31 August 2017	365
Notes to the financial statements	29		
Supplementary information – SGX Listing Manual disclosure requirements	301		
Appendices			
I Additional illustrative disclosures			
A. Consolidated statement of profit or loss and other comprehensive income (single-statement approach)	307		
B. Consolidated statement of profit or loss (presenting analysis of expenses by nature)	311		
C. Consolidated statement of changes in equity (with changes in OCI items presented in the notes)	315		
D. Consolidated statement of cash flows (direct method)	325		
E. Example disclosures for development properties that are accounted for under INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	327		
F. Example disclosures for entities that require going concern disclosures	333		
G. Example disclosures for government-related entities under FRS 24 <i>Related Party Disclosures</i>	335		

Contents (continued)

	Page		Page
Notes		Notes (continued)	
1. Domicile and activities	29	12. Inventories	129
2. Basis of preparation	29	13. Trade and other receivables	129
2.1 Statement of compliance	29	14. Cash and cash equivalents	131
2.2 Basis of measurement	29	15. Capital and reserves	133
2.3 Functional and presentation currency	29	16. Loans and borrowings	141
2.4 Use of estimates and judgements	29	17. Employee benefits	149
2.5 Changes in accounting policies	33	18. Share-based payment arrangements	157
2.6 Accounting policies for new transactions and events	39	19. Deferred income	165
3. Significant accounting policies	39	20. Provisions	167
3.1 Basis of consolidation	39	21. Trade and other payables, including derivatives	171
3.2 Foreign currency	43	22. Financial instruments	173
3.3 Financial instruments	47	23. Revenue	223
3.4 Property, plant and equipment	55	24. Other income	225
3.5 Intangible assets and goodwill	57	25. Other expenses	225
3.6 Biological assets	59	26. Finance income and finance costs	227
3.7 Investment property	59	27. Profit for the year	229
3.8 Leased assets	61	28. Tax expense	229
3.9 Inventories	61	29. Discontinued operation	233
3.10 Construction contracts in progress	61	30. Earnings per share	237
3.11 Impairment	63	31. Operating segments	241
3.12 Non-current assets held for sale or distribution	67	32. Acquisitions of subsidiary and non-controlling interests	249
3.13 Employee benefits	67	33. Operating leases	257
3.14 Provisions	71	34. Commitments	261
3.15 Revenue	73	35. Contingencies	261
3.16 Government grants	75	36. Related parties	261
3.17 Lease payments	77	37. Subsidiaries	267
3.18 Finance income and finance costs	77	38. Non-controlling interests	269
3.19 Tax	79	39. Involvement with unconsolidated structured entities	273
3.20 Discontinued operations	81	40. Service concession arrangement	273
3.21 Earnings per share	81	41. Subsequent events	277
3.22 Segment reporting	81	42. Comparative information	277
4. Property, plant and equipment	83	43. Full convergence with International Financial Reporting Standards (IFRS) adoption of new standards	279
5. Intangible assets and goodwill	89		
6. Biological assets	99		
7. Investment property	105		
8. Associates and joint venture	109		
9. Other investments, including derivatives	117		
10. Deferred tax assets and liabilities	119		
11. Disposal group held for sale	127		

Reference Statements of financial position^{1, 2, 3}

S201(5), FRS 1.10(a),
10(ea) - (f), 38 - 38A,
40A - B

As at 31 December 2017

Reference	Description	Note	Group			Company ⁵	
			31 Dec 2017 \$'000	31 Dec 2016 \$'000 Restated*	1 Jan 2016 ⁴ \$'000 Restated*	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Assets							
FRS 1.113							
FRS 1.54(a)	Property, plant and equipment	4	16,936	31,049	34,937	5,816	5,618
FRS 1.54(c)	Intangible assets and goodwill	5	5,826	4,661	5,429	-	-
FRS 1.54(f)	Biological assets	6	4,860	6,636	6,279	-	-
FRS 1.54(b), 17.49	Investment property	7	2,070	1,050	950	-	-
FRS 1.55	Subsidiaries	37	-	-	-	7,537	4,950
FRS 1.54(e)	Associates and joint venture	8	7,179	3,638	2,931	-	300
FRS 1.54(d)	Other investments, including derivatives ⁶	9	3,631	3,525	3,269	3,512	3,390
FRS 1.54(o), 56	Deferred tax assets ⁷	10	-	1,376	1,902	-	-
FRS 1.54(h)	Trade and other receivables	13	213	-	-	-	-
	Employee benefits ³	17	635	731	530	-	-
FRS 1.60	Non-current assets⁸		41,350	52,666	56,227	16,865	14,258
FRS 1.54(f)	Biological assets	6	245	140	234	-	-
FRS 1.54(d)	Other investments, including derivatives ⁶	9	662	1,032	821	317	564
FRS 1.54(n)	Current tax assets ⁹		-	228	-	-	-
FRS 1.54(g)	Inventories	12	9,967	12,119	12,716	4,694	5,751
FRS 1.54(h)	Trade and other receivables	13	16,561	17,999	16,479	20,698	13,219
FRS 1.55	Prepayments ³		530	1,400	895	278	975
FRS 1.54(i)	Cash and cash equivalents	14	1,505	1,850	2,529	738	829
			29,470	34,768	33,674	26,725	21,338
FRS 105.38, 40, 1.54(j)	Assets held for sale ¹⁰	11	14,410	-	-	-	-
FRS 1.60	Current assets⁸		43,880	34,768	33,674	26,725	21,338
	Total assets		85,230	87,434	89,901	43,590	35,596

* See note 2.5.

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

Note Reference **Explanatory note**

1.	See explanatory note 5 on page 6.
2.	See explanatory note 3 on page 6.
3.	In our view, derivative assets and liabilities should be presented as separate line items in the statement of financial position if they are significant. If derivative instruments are not significant, then they may be included within other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes. This issue is discussed in <i>Insights into IFRS</i> (7.8.50.50).
4.	<p><i>FRS 12.74</i> Deferred tax liabilities and assets are offset if the entity has a legally enforceable right to offset current tax liabilities and assets (see explanatory note 6 below), and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either:</p> <ul style="list-style-type: none"> • the same taxable entity; or • different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously for each future period in which these differences reverse.
5.	<p><i>FRS 1.60, 61</i> In these illustrative financial statements, we have presented current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such presentation provides reliable and more relevant information. Guide to annual financial statements – Illustrative disclosures for banks provides an example presentation of assets and liabilities in order of liquidity.</p> <p>Whichever method of presentation is adopted, for each asset and liability line item that combines amounts expected to be recovered or settled within (1) no more than 12 months after the reporting date, and (2) more than 12 months after the reporting date, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months.</p>
6.	<p><i>FRS 12.71</i> An entity offsets current tax assets and current tax liabilities only if it has a legally enforceable right to set off the recognised amounts, and intends to realise the asset and settle the liability on a net basis or simultaneously.</p>
7.	<p><i>FRS 105.40</i> Comparatives are not restated to reflect classification as held for sale or distribution at the end of the reporting date.</p> <p><i>FRS 1.66</i> In our view, non-current assets, as well as assets and liabilities of disposal groups classified as held for sale or distribution are classified as current in the statement of financial position. Consequently, presentation of a three-column statement of financial position with the headings 'Assets/Liabilities not for sale', 'Assets/Liabilities held for sale' and 'Total', with the assets and liabilities held for sale or distribution included in non-current line items, would not generally be appropriate. This issue is discussed in <i>Insights into IFRS</i> (5.4.110.30).</p>

Reference

Statements of financial position (continued)

S201(5), FRS 1.10(a),
10(ea) – (f), 38– 38A,
40A - B

As at 31 December 2017

	Note	Group			Company ¹	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000 Restated*	1 Jan 2016 \$'000 Restated*	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Equity						
FRS 1.54(r), 78(e)		19,737	18,050	18,050	19,737	18,050
FRS 1.54(r), 78(e)	15	1,202	449	322	29	(200)
FRS 1.55, 78(e)		8,483	14,046	10,600	5,639	5,525
Equity attributable to owners of the Company		29,422	32,545	28,972	25,405	23,375
FRS 1.54(a)	38	1,512	802	601	-	-
Total equity		30,934	33,347	29,573	25,405	23,375
Liabilities						
FRS 1.54(m)	16	20,133	19,206	26,270	11,708	6,144
FRS 1.55, 1.78(d)	17	982	841	804	-	-
FRS 1.54(k)	21	290	5	-	-	-
FRS 1.55, 20.24	19	1,424	1,462	-	-	-
FRS 1.54(l)	20	1,010	140	682	70	60
FRS 1.54(o), 56	10	2,239	1,567	1,436	1,285	819
FRS 1.60		26,078	23,221	29,192	13,063	7,023
Non-current liabilities⁵						
FRS 1.55	14	334	282	303	-	-
FRS 1.54(m)	16	2,090	4,386	2,017	51	-
FRS 1.54(n)		762	-	25	-	-
FRS 1.54(k)	21	19,784	24,370	27,305	4,943	5,104
FRS 1.55, 11.42(b), 20.24	19	178	168	86	-	-
FRS 1.54(l)	20	660	1,660	1,400	128	94
		23,808	30,866	31,136	5,122	5,198
FRS 105.38, 40, 1.54(p)	11	4,410	-	-	-	-
FRS 1.60		28,218	30,866	31,136	5,122	5,198
Current liabilities⁵						
Total liabilities		54,296	54,087	60,328	18,185	12,221
Total equity and liabilities		85,230	87,434	89,901	43,590	35,596

* See note 2.5.

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

Note Reference **Explanatory note**

1.	See explanatory note 1 on page 12.
2.	<i>FRS 1.99, 100</i> An entity presents an analysis of expenses based on function or nature whichever provides information that is reliable and more relevant. This analysis may be presented in the statement of profit or loss or in the notes. In these illustrative financial statements, this analysis is based on functions within the entity. An illustration of the statement of profit or loss presenting analysis of expenses based on their nature is illustrated in Appendix I-B.
3.	FRS do not specify whether revenue can be presented only as a single line item in the statement of profit or loss, or whether an entity may also include the individual components of revenue in the statement of profit or loss, with a subtotal for revenue from continuing operations.
4.	<i>FRS 1.85</i> The Group has elected to present a sub-total of 'results from operating activities', even though this term is not defined in FRS in the context of comprehensive income, and such disclosure is not required. An entity should ensure that the amount disclosed is representative of activities that would normally be regarded as 'operating', and it would be inappropriate to exclude items clearly related to operations.
5.	Finance costs and finance income should not be presented on a net basis (e.g. as 'net finance costs') in the statement of profit or loss and OCI without presenting an analysis of the finance costs and finance income. However, this does not preclude presentation of finance income immediately followed by finance costs and a subtotal (e.g. 'net finance costs') in the statement of profit or loss and OCI. This issue is discussed in <i>Insights into IFRS</i> (7.8.80.50).
6.	<i>FRS 1.82(ea), 105.33(a), (b)</i> An entity discloses a single amount in the statement of comprehensive income comprising the total of the post-tax profit or loss of discontinued operations and 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 groups constituting the discontinued operation. In addition, an entity analyses the above single amount into revenue, expenses, and the pre-tax profit or loss from discontinued operations, tax on the profit or loss from discontinued operations, gain or loss on the disposal or measurement to fair value less costs to sell, and tax on that gain or loss. In these illustrative financial statements, we have illustrated these analyses in the notes. An entity may also present this analysis in the statement of profit or loss, in a section identified as related to discontinued operations. For example, a columnar format presenting the results from continuing and discontinued operations in separate columns is acceptable.
7.	<i>FRS 33.73</i> Earnings per share based on alternative measures of earnings may also be given if considered necessary, but should be presented in the notes to the financial statements only and not in the statement of profit or loss. This issue is discussed in <i>Insights into IFRS</i> (5.3.560.50).
8.	<i>FRS 33.67, 69</i> Basic and diluted earnings per share are presented even if the amounts are negative (a loss per share). Diluted earnings per share is also presented even if it equals basic earnings per share and this may be accomplished by the presentation of basic and diluted earnings per share in one line item. This issue is discussed in <i>Insights into IFRS</i> (5.3.560.30).

Reference Consolidated statement of profit or loss^{1, 2}

S201(5), FRS 1.10(b),
10A, 38 – 38A, 81A
FRS 1.113

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Continuing operations			
FRS 1.82(a)	23	100,160	96,636
FRS 1.99, 103		(55,592)	(56,186)
FRS 1.103		Gross profit	44,568
INT FRS 117.15	15	2,556	-
FRS 1.85	24	1,021	642
FRS 1.99, 103		(17,984)	(18,460)
FRS 1.99, 103		(17,142)	(15,269)
FRS 1.99, 103, 38.126		(1,109)	(697)
FRS 1.99, 103	25	(976)	(30)
FRS 1.85		Results from operating activities⁴	10,934
FRS 1.85	26	981	480
FRS 1.82(b)	26	(1,527)	(1,646)
FRS 1.85		Net finance costs⁵	(546)
FRS 1.82(c)			
	8	541	708
FRS 1.85		Profit before tax	10,929
FRS 1.82(d), 12.77	28	(3,371)	(1,800)
FRS 1.85		Profit from continuing operations	7,558
Discontinued operation			
FRS 105.33(a), 1.82(ea)	29	379	(422)
	27	Profit for the year	7,937
Profit attributable to:			
FRS 1.81B(a)(ii)		7,413	3,737
FRS 1.81B(a)(i)	38	524	219
		Profit for the year	7,937
Earnings per share⁷			
FRS 33.4			
FRS 33.66	30	2.25	1.07
FRS 33.66	30	2.11	1.07
Earnings per share - Continuing operations			
FRS 33.66	30	2.12	1.21
FRS 33.66	30	1.99	1.20

* See notes 2.5, 29 and 42.

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

Note Reference **Explanatory note**

- 1.** *FRS 1.7, 81A* Total comprehensive income is the changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Entities have a choice of presenting all items of income and expense recognised in a period either in:
- one statement (i.e. a statement of profit or loss and OCI); or
 - two statements (i.e. a separate statement of profit or loss and a statement beginning with profit or loss and displaying components of OCI).

FRS 1.10A When an entity elects to present two statements, the separate statement of profit or loss is part of a complete set of financial statements and is presented immediately before the statement of comprehensive income.

FRS 1.81A This analysis is based on a two-statement approach. The single-statement approach is illustrated in Appendix I-A.

- 2.** See explanatory note 1 on page 6.

- 3.** *FRS 1.10A* *Presentation of Items of Other Comprehensive Income* (Amendments to FRS 1), which is effective for annual periods beginning on or after 1 July 2012, do not change the existing option to present total comprehensive income in one or two statements.

- 4.** *FRS 1.82A* An entity is required to present items of OCI, classified by nature (including share of OCI of equity-accounted investees), separately:
- (a) those that may be reclassified to profit or loss in the future if certain conditions are met; and
 - (b) those that would never be reclassified to profit or loss.

- 5.** *FRS 1.92, 94* An entity may present reclassification adjustments directly in the statement(s) of profit or loss and OCI or in the notes. In these illustrative financial statements, we have illustrated the presentation directly in the statement of comprehensive income.

FRS 1.93 The reclassification adjustment is included with the related component of OCI in the period that the adjustment is reclassified to profit or loss.

- 6.** *FRS 1.90-91* Individual components of OCI may be presented either net of related tax effects, or before related tax effects, with an aggregate amount presented for tax.

In these illustrative financial statements, we have illustrated the latter approach. Consequently, disclosures related to tax on each component of OCI are presented in the notes.

Reference

Consolidated statement of comprehensive income^{1, 2, 3, 4}

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Profit for the year		7,937	3,956
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
<i>FRS 1.82A</i>			
<i>FRS 1.82A(a)(i), 85</i>	4	200	-
<i>FRS 1.82A(a)(i), 85</i>	17	72	(15)
<i>FRS 1.82A(a)(i), 91(b)</i>	28	(90)	5
		182	(10)
Items that are or may be reclassified subsequently to profit or loss:			
<i>FRS 1.82A</i>			
<i>FRS 1.82A(a)(ii), 85</i>		(3)	(8)
<i>FRS 1.82A(a)(ii), 21.52(b)</i>		500	330
<i>FRS 1.82A(a)(ii), 85, 92</i>	32	(20)	-
<i>FRS 1.82A(b)(ii)</i>		21	-
<i>FRS 107.23(c), 1.82A(a)(ii)</i>		(62)	77
<i>FRS 107.23(d), 1.82A(a)(ii), 92</i>		(31)	(11)
<i>FRS 107.20(a)(ii), 1.82A(a)(ii)</i>		199	94
<i>FRS 107.20(a)(ii), 1.82A(a)(ii), 92</i>		(64)	-
<i>FRS 1.82A(a)(ii), 91(b)</i>	28	(14)	(53)
		526	429
<i>FRS 1.81A(b)</i>		708	419
<i>FRS 1.81A(c)</i>		8,645	4,375
Total comprehensive income for the year, net of tax			
Total comprehensive income for the year			
Total comprehensive income attributable to:			
<i>FRS 1.81B(b)(ii)</i>		8,094	4,134
<i>FRS 1.81B(b)(i)</i>	38	551	241
Total comprehensive income for the year		8,645	4,375

* See notes 2.5, 29 and 42.

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

Note Reference **Explanatory note**

- | | |
|-------------------------------|---|
| 1. <i>FRS 1.80</i> | An entity without share capital (e.g. a partnership) discloses information equivalent to that required for other entities, disclosing movements during the period in each category of equity interest, and the rights, preferences, and restrictions attaching to each category of equity interest. |
| 2. <i>FRS 1.106(b)</i> | When a change in accounting policy, either voluntarily or as a result of the initial application of a standard, has an effect on the current period or any prior period, an entity presents the effects of retrospective application or retrospective restatement recognised in accordance with FRS 8 in the statement of changes in equity. The illustrative examples to FRS 1 demonstrate this in relation to a change in accounting policy, as does <i>Insights into IFRS</i> (2.8.80.80) in relation to an error. |
| 3. <i>FRS 1.106A</i> | An entity may present the disaggregation of changes in each component of equity arising from transactions recognised in OCI either in the statement of changes in equity or in the notes. In these illustrative financial statements, we have illustrated the presentation of this information in the statement of changes in equity. See Appendix I-C for an illustrative example in which this information is presented in the notes. |

Reference Consolidated statement of changes in equity

FRS 1.10(c), 108-109 Year ended 31 December 2017

Reference	Description	Note	Attributable to owners of the Company								Total equity \$'000	
			Share capital ¹ \$'000	Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000		Non- controlling interests \$'000
	At 1 January 2016, as previously stated		18,050	(129)	434	17	-	-	10,567	28,939	601	29,540
FRS 1.106(b)	Impact of change in accounting policy ²	2.5	-	-	-	-	-	-	33	33	-	33
	At 1 January 2016, as restated		18,050	(129)	434	17	-	-	10,600	28,972	601	29,573
	Total comprehensive income for the year											
FRS 1.106(d)(i)	Profit for the year (restated)		-	-	-	-	-	-	3,737	3,737	219	3,956
	Other comprehensive income											
FRS 1.106(d)(iii)	Foreign currency translation differences		-	308	-	-	-	-	-	308	22	330
FRS 21.52(b)	Net loss on hedge of net investment		-	(8)	-	-	-	-	-	(8)	-	(8)
FRS 21.52(b)	in foreign operation		-	(8)	-	-	-	-	-	(8)	-	(8)
FRS 107.23(c)	Effective portion of changes in fair value of cash flow hedges		-	-	77	-	-	-	-	77	-	77
FRS 107.23(d)	Net change in fair value of cash flow hedges reclassified to profit or loss		-	-	(11)	-	-	-	-	(11)	-	(11)
FRS 107.20(a)(ii)	Net change in fair value of available-for-sale financial assets		-	-	-	94	-	-	-	94	-	94
	Defined benefit plan remeasurements	17	-	-	-	-	-	-	(15)	(15)	-	(15)
	Tax on other comprehensive income	10	-	-	(22)	(31)	-	-	5	(48)	-	(48)
FRS 1.106A	Total other comprehensive income³		-	300	44	63	-	-	(10)	397	22	419
FRS 1.106(a)	Total comprehensive income for the year (restated)		-	300	44	63	-	-	3,727	4,134	241	4,375

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

Note Reference **Explanatory note**

1. *FRS 32.33* An entity presents its own shares purchased as a deduction from equity. Consideration received when own shares (treasury shares) held are reissued is presented as a change in equity, and no gain or loss is recognised. Neither FRS nor the Singapore Companies Act mandate a specific method for presenting treasury shares or allocating the consideration received within equity. In these illustrative financial statements:

- the total costs of own shares purchased are shown as a separate component of equity; and
- the surplus arising on the reissue of own shares is presented as a non-distributable capital reserve.

2. FRS 102 does not address specifically how share-based payment transactions to be settled using the Company's equity instruments are presented within equity, e.g. whether an increase in equity in connection with a share-based payment transaction is presented in a separate component within equity or within retained earnings. In our view, either approach would be allowed under FRS. In these illustrative financial statements, the increase in equity recognised in connection with a share-based payment transaction is presented within retained earnings. This issue is discussed in *Insights into IFRS* (4.5.900.30).

When equity instruments of a subsidiary have been granted to a party other than the parent in a share-based payment arrangement, an entity presents the credit entry in equity in the consolidated financial statements of the parent as part of NCI. This is because NCI in FRS 110 is defined as 'the equity in a subsidiary not attributable, directly or indirectly, to a parent.' This issue is discussed in *Insights into IFRS* (4.5.900.40).

Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2017

FRS 1.113

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Own shares acquired ¹	15	-	-	-	-	(280)	-	(280)	-	(280)
Dividends declared	15	-	-	-	-	-	(531)	(531)	(40)	(571)
Share-based payment transactions ²	18	-	-	-	-	-	250	250	-	250
Total transactions with owners		-	-	-	-	(280)	(281)	(561)	(40)	(601)
At 31 December 2016 (restated)		18,050	171	478	80	(280)	14,046	32,545	802	33,347

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

This page has been left blank intentionally.

Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2017

Reference	Description	Note	Attributable to owners of the Company								Total equity \$'000	
			Share capital \$'000	Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000		Non- controlling interests \$'000
	At 1 January 2017		18,050	171	478	80	-	(280)	14,046	32,545	802	33,347
	Total comprehensive income for the year											
FRS 1.106(d)(i)	Profit for the year		-	-	-	-	-	-	7,413	7,413	524	7,937
	Other comprehensive income											
FRS 1.106(d)(ii)	Foreign currency translation differences		-	453	-	-	-	-	-	453	27	480
FRS 21.52(b)	Share of foreign currency translation differences of equity-accounted investees		-	21	-	-	-	-	-	21	-	21
FRS 21.52(b)	Net loss on hedge of net investment in foreign operation		-	(3)	-	-	-	-	-	(3)	-	(3)
FRS 16.77(f)	Revaluation of property, plant and equipment	4	-	-	-	-	200	-	-	200	-	200
FRS 107.23(c)	Effective portion of changes in fair value of cash flow hedges		-	-	(62)	-	-	-	-	(62)	-	(62)
FRS 107.23(d)	Net change in fair value of cash flow hedges reclassified to profit or loss		-	-	(31)	-	-	-	-	(31)	-	(31)
FRS 107.20(a)(ii)	Net change in fair value of available-for-sale financial assets		-	-	-	199	-	-	-	199	-	199
FRS 107.20(a)(iii)	Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	-	-	(64)	-	-	-	(64)	-	(64)
	Defined benefit plan remeasurements	17	-	-	-	-	-	-	72	72	-	72
	Tax on other comprehensive income	10	-	-	31	(45)	(66)	-	(24)	(104)	-	(104)
FRS 1.106A	Total other comprehensive income		-	471	(62)	90	134	-	48	681	27	708
FRS 1.106(a)	Total comprehensive income for the year		-	471	(62)	90	134	-	7,461	8,094	551	8,645

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

This page has been left blank intentionally.

Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2017

FRS 1.113

FRS 1.106(d)(iii)

**Transactions with owners,
recognised directly in equity
Contributions by and distributions
to owners**

Issue of ordinary shares related to
business combination

Issue of ordinary shares

Issue of convertible notes, net of tax

Own shares sold

Dividends declared

Non-cash distribution to owners
of the Company

Share-based payment transactions

Share options exercised

**Total contributions by and
distributions to owners**

Note	Attributable to owners of the Company										
	Share capital	Capital reserves	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	87	-	-	-	-	-	-	-	87	-	87
15	1,550	-	-	-	-	-	-	-	1,550	-	1,550
16	-	109	-	-	-	-	-	-	109	-	109
15	-	10	-	-	-	-	20	-	30	-	30
15	-	-	-	-	-	-	-	(1,213)	(1,213)	(30)	(1,243)
15	-	-	-	-	-	(27)	-	(12,473)	(12,500)	-	(12,500)
18	-	-	-	-	-	-	-	755	755	-	755
15	50	-	-	-	-	-	-	-	50	-	50
	1,687	119	-	-	-	(27)	20	(12,931)	(11,132)	(30)	(11,162)

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

This page has been left blank intentionally.

Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2017

FRS 1.113

FRS 1.106(d)(iii)

Note	Attributable to owners of the Company										Total equity \$'000	
	Share capital \$'000	Capital reserves \$'000	Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total	Non- controlling interests \$'000		
									\$'000	\$'000		
	Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests without a change in control	32	-	-	8	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with non-controlling interests	32	-	-	-	-	-	-	-	-	-	304	304
Total changes in ownership interests in subsidiaries		-	-	8	-	-	-	-	(93)	(85)	189	104
Total transactions with owners		1,687	119	8	-	-	(27)	20	(13,024)	(11,217)	159	(11,058)
At 31 December 2017		19,737	119	650	416	170	107	(260)	8,483	29,422	1,512	30,934

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

Note Reference **Explanatory note**

1. *FRS 7.50* An entity is encouraged, but not required, to disclose:

- the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;
- the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and
- the amount of cash flows arising from the operating, investing and financing activities of each reportable segment, if the entity presents segment information.

2. *FRS 7.22* Cash flows from operating, investing or financing activities may be reported on a net basis if the cash receipts and payments are on behalf of customers and the cash flows reflect the activities of the customer, or when the cash receipts and payments for items concerned turn over quickly, the amounts are large and the maturities are short.

3. *FRS 7.18-9* In these illustrative financial statements, we have presented cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows. An entity may also, and is encouraged to, present operating cash flows using the direct method, disclosing major classes of gross cash receipts and payments related to operating activities.

An example statement of cash flows presenting operating cash flows using the direct method is included in Appendix I-D.

4. *FRS 7.18, 20, App A* For an entity that elects to present operating cash flows using the indirect method, there is often confusion about the correct starting point: should it be profit or loss? Can a different figure, such as profit before tax, be used?

FRS 7 refers to profit or loss, but the example provided in the appendix to the standard starts with a different figure (i.e. profit before taxation). Because the appendix is illustrative only and therefore does not have the same status as the standard, it would be more appropriate to follow the standard. This issue is discussed in *Insights into IFRS* (2.3.30.20).

5. *FRS 7.35* Taxes paid are classified as operating activities unless it is practicable to identify them with, and therefore classify them as, financing or investing activities. This issue is discussed in *Insights into IFRS* (2.3.50.20 - 35).

Reference

Consolidated statement of cash flows^{1, 2}

FRS 1.10(d), 38
FRS 1.113

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Cash flows from operating activities³			
Profit for the year ⁴		7,937	3,956
Adjustments for:			
Gain on distribution to owners of the Company		(2,556)	-
Depreciation		5,001	5,122
Amortisation of intangible assets		785	795
(Reversal of) impairment losses on property, plant and equipment		(393)	1,123
Impairment losses on intangible assets and goodwill		116	285
Reversal of impairment losses on intangible assets		(100)	-
Impairment losses on re-measurement of disposal group		25	-
Change in fair value of biological assets		(576)	71
Net change in biological assets due to births/deaths		(11)	(15)
Change in fair value of investment property		(20)	(60)
Impairment loss on trade receivables		150	30
Net finance costs		546	1,166
Share of profit of equity-accounted investees, net of tax		(541)	(708)
Gain on sale of property, plant and equipment		(26)	(100)
Gain on sale of discontinued operation, net of tax		(516)	-
Gain on curtailment		(100)	-
Equity-settled share-based payment transactions		755	250
Tax expense		3,346	1,756
		13,822	13,671
Changes in:			
- inventories		(352)	765
- current biological assets due to sales		127	63
- intangible assets – service concession arrangement		(95)	-
- trade and other receivables		(9,790)	(1,696)
- prepayments		870	(505)
- trade and other payables		5,014	(2,865)
- provisions and employee benefits – excluding gain on curtailment		226	(461)
- deferred income, including government grant		(28)	1,544
Cash generated from operations		9,794	10,516
Tax paid ⁵		(428)	(1,527)
Net cash from operating activities		9,366	8,989

FRS 7.35

FRS 7.10

* See note 2.5.

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

Note Reference **Explanatory note**

- 1.** *FRS 7.31* FRS do not specify the classification of cash flows from interest and dividends received and paid, and an entity is required to choose its own policy for classifying interest and dividends paid as either operating or financing activities, and interest and dividends received as either operating or investing activities. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry, if applicable, and the method selected is applied consistently. This issue is discussed in *Insights into IFRS* (2.3.50.20).
- 2.** *FRS 105.33(c)* In these illustrative financial statements, we have presented a consolidated statement of cash flows that includes an analysis of all cash flows, i.e. including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in the notes (see note 29). However, in our view, there are numerous ways in which cash flows from discontinued operations may be presented. This issue is discussed in *Insights into IFRS* (5.4.220.50).
- 3.** *FRS 7.16, 39* Aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses are presented separately as investing activities. However, in some cases significant judgement may be required to classify certain cash flows that relate to business combinations, such as in respect of transaction costs, deferred consideration and contingent consideration. This issue is discussed in *Insights into IFRS* (2.3.20.14–18).
- 4.** *FRS 7.43* An entity discloses, outside the statement of cash flows, non-cash investing and financing transactions in a way that provides all relevant information about these investing and financing activities. In these illustrative financial statements, this information is disclosed in notes 4 and 15.
- 5.** *FRS 7.16* When a hedging instrument is accounted for as a hedge of an identifiable position, the cash flows of the hedging instrument are classified in the same manner as the cash flows of the position being hedged.

If hedge accounting is not applied to a derivative instrument that is entered into as an economic hedge, then in our view, derivative gains and losses may be shown in the statement of profit or loss as either operating or financing items depending on the nature of the item being economically hedged. In our view, the possibilities for the presentation in the statement of profit or loss also apply to the presentation in the consolidated statement of cash flow. These issues are discussed in *Insights into IFRS* (7.8.225.70).
- 6.** In our view, an entity should choose an accounting policy, to be applied consistently, to classify cash flows related to capitalised interest as follows:

 - as cash flows from investing activities if the other cash payments to acquire the qualifying asset are reflected as investing activities; or
 - consistently with interest cash flows that are not capitalised (which has been applied by the Group).

This issue is discussed in *Insights into IFRS* (2.3.50.38).

Reference Consolidated statement of cash flows (continued)

FRS 1.10(d), 38
FRS 1.113

Year ended 31 December 2017

	<i>Note</i>	2017	2016
		\$'000	\$'000
			Restated*
Cash flows from investing activities			
FRS 7.31 Interest received ¹		211	155
FRS 7.31 Dividends received ¹		369	330
FRS 24.18(a) Dividends from equity-accounted investees	8	21	-
FRS 7.16(b) Proceeds from sale of property, plant and equipment		1,177	481
FRS 7.21 Proceeds from sale of investments		891	2,034
FRS 7.39 Disposal of discontinued operation, net of cash disposed of ²	29	10,890	-
FRS 7.39 Acquisition of subsidiary, net of cash acquired ³	32	(1,799)	-
FRS 7.39 Formation of equity-accounted investees	8	(3,600)	-
FRS 7.16(a) Acquisition of property, plant and equipment		(15,657)	(2,228)
FRS 7.16(a) Acquisition of investment property		(300)	(40)
FRS 7.21 Plantations and acquisitions of non-current biological assets		(305)	(437)
FRS 7.16(a) Acquisition of other investments		(319)	(2,411)
FRS 7.21 Development expenditure		(1,235)	(503)
Deposits pledged		35	(28)
FRS 7.10 Net cash used in investing activities ⁴		(9,621)	(2,647)
Cash flows from financing activities			
FRS 7.17(a) Proceeds from issue of share capital		1,550	-
FRS 7.17(c) Proceeds from issue of convertible notes		5,000	-
FRS 7.17(c) Proceeds from issue of redeemable preference shares		2,000	-
FRS 7.21 Proceeds from sale of own shares		30	-
FRS 7.21 Proceeds from exercise of share options		50	-
FRS 7.16(h) Proceeds from settlement of derivatives ⁵		5	11
FRS 7.21 Payment of transaction costs related to loans and borrowings		(343)	-
FRS 7.42A Acquisition of non-controlling interests	32	(200)	-
FRS 7.17(b) Repurchase of own shares		-	(280)
FRS 7.17(c) Proceeds from borrowings		122	60
FRS 7.17(d) Repayment of borrowings		(5,117)	(4,505)
FRS 7.17(e) Payment of finance lease liabilities		(454)	(394)
FRS 7.31, 34 Dividends paid to owners of the Company ¹		(1,213)	(531)
Dividends paid to non-controlling interests		(30)	(40)
FRS 7.31, 32 Interest paid ^{1, 6}		(1,424)	(1,324)
FRS 7.10 Net cash used in financing activities	16	(24)	(7,003)
Net decrease in cash and cash equivalents			
		(279)	(661)
		1,312	1,998
FRS 7.28 Cash and cash equivalents at 1 January		(83)	(25)
Cash and cash equivalents at 31 December	14	950	1,312

* See note 2.5.

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

Note Reference **Explanatory note**

1. *FRS 1.113 - 114* Notes are presented in a systematic manner and are cross-referenced to/from items in the primary statements. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

[*Guide to annual financial statements – Illustrative disclosures*](#) provides another example of presenting related information together in cohesive sections, where the notes are sorted from most to least important, as viewed by management. FRS 1 provides other examples of systematic ordering or grouping of the notes. Entities have the flexibility about the ordering of the notes and where they disclose accounting policies in the financial statements.

2. *FRS 10.17* An entity discloses the date that the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after their issue, then an entity discloses that fact.

3. *FRS 1.138 (a)* An entity discloses the principal place of business instead of the address of its registered office, if different from the registered office.

4. *FRS 1.36* When the entity changes its end of reporting date and annual financial statements are presented for a period longer or shorter than one year, an entity discloses the reason for the change and the fact that comparative amounts presented are not entirely comparable.

5. *FRS 1.19, 20, 23* In extremely rare circumstances in which management concludes that compliance with a requirement of a standard or an interpretation would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework for Financial Reporting*, an entity may depart from the requirement if the relevant regulatory framework requires or otherwise does not prohibit such a departure. Extensive disclosures are required in these circumstances.

6. *FRS 1.25, 10.16(b)* An entity discloses any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, regardless of whether they arise during the period or after the reporting date. An entity may wish to explain other uncertainties, as illustrated. See Appendix I-F for example disclosures for entities that require going concern disclosures.

7. *FRS 21.53* If the financial statements are presented in a currency different from the parent entity's functional currency, then an entity discloses that fact, its functional currency, and the reason for using a different presentation currency.

FRS 21.54 If there is a change in the functional currency of either the entity or a significant foreign operation, then the entity discloses that fact together with the reason for the change.

8. *FRS 1.122-4* An entity discloses the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The examples that are provided in paragraphs 123 and 124 of FRS 1 indicate that such disclosure is based on qualitative information.

FRS 1.125-9 An entity discloses information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The examples that are provided in paragraph 129 of FRS 1 indicate that such disclosure is based on quantitative data (e.g. appropriate discount rates).

<i>Reference</i>	Notes to the financial statements¹
<i>FRS 1.10(e)</i>	These notes form an integral part of the financial statements.
<i>FRS 10.17</i>	The financial statements were authorised for issue by the Board of Directors on [date]. ²
	1. Domicile and activities
<i>FRS 1.51(a)-(c), 138(a), (b)</i>	[Name] (the 'Company') is a company incorporated in Singapore. The address of the Company's registered office is [address]. ³
	The financial statements of the Group as at and for the year ended 31 December 2017 ⁴ comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.
	The Group is primarily involved in the manufacture of paper and paper-related products, the cultivation of trees and the sale of wood.
<i>FRS 1.112(a), 116</i>	2. Basis of preparation
<i>FRS 1.16</i>	2.1 Statement of compliance The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS). ⁵
	2.2 Basis of measurement
<i>FRS 1.117(a)</i>	The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.
<i>FRS 107.19</i>	As explained in note 16, the Group exceeded its maximum leverage threshold in the third quarter of 2017 but management has obtained a waiver from the bank in October 2017 for a period of 18 months. Subsequent to the reporting date, the bank revised the debt covenant ratio (debt to quarterly revenue from continuing operations) from 2.5 to 3.5 times and the waiver was lifted. On the basis of the new covenant and management forecasts, management believes that the risk of the new covenant being breached is low and therefore that the Group will continue as a going concern for the foreseeable future. ⁶
	2.3 Functional and presentation currency⁷
<i>FRS 1.51(d), (e)</i>	These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.
	2.4 Use of estimates and judgements⁸
	The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
	Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

This page has been left blank intentionally.

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

FRS 1.122

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 7 – classification of investment property;
- Note 8 – classification of joint arrangement;
- Note 16 – accounting for an arrangement containing a lease;
- Note 23 – commission revenue: determination of whether the Group acts as an agent in the transaction rather than as a principal;
- Note 33 – lease classification; and
- Note 37 – consolidation: whether the Group has de facto control over an investee.

FRS 1.125, 129,
130

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Notes 6, 7 and 11 – determination of fair values of biological assets, investment property and disposal group held for sale on the basis of significant unobservable inputs;
- Note 10 – utilisation of tax losses;
- Note 17 – measurement of defined benefit obligations: key actuarial assumptions;
- Notes 20 and 35 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 32 – acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

FRS 113.93(g)

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of FRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note Reference **Explanatory note**

1. <i>FRS 113.6(a)</i>	The Group has included in the list the reference to the disclosures about measurement of fair values for share-based payment arrangements. However, the measurement and disclosure requirements of FRS 113 do not apply to these arrangements.
2.	The Group has disclosed information about the fair value measurement of assets acquired in a business combination, although the disclosure requirements of FRS 113 do not apply to the fair value of these assets if they are subsequently measured at other than fair value. This disclosure is provided for illustrative purposes only.
3.	When a change in accounting policy is the result of the adoption of a new, revised or amended FRS, an entity applies the specific transitional requirements in that FRS. However, in our view, an entity nonetheless should comply with the disclosure requirements of FRS 8 to the extent that the transitional requirements do not include disclosure requirements. This issue is discussed in <i>Insights into IFRS</i> (2.8.60).
4. <i>FRS 1.10(f), 8.28, 29</i>	When a change in accounting policy, either voluntarily or as a result of the adoption of a new, revised or amended FRS, has an effect on the current period or any prior period, an entity discloses, among other things and to the extent practicable, the amount of the adjustment for the current period and each prior period presented for each financial statement line item affected.
<i>FRS 8.49</i>	If any prior period errors are corrected in the current year's financial statements, then an entity discloses: <ul style="list-style-type: none"> • the nature of the prior period error; • to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented; • the amount of the correction at the beginning of the earliest prior period presented; and • if retrospective restatement is impracticable for a particular prior period, then the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
5.	<p>The description of the nature and effect of the changes in accounting policies presented is only illustrative, and may not be representative of the nature and effect of the changes for individual entities. It should not be relied on for a complete understanding of amendments to FRS, completeness of new standards applicable for the period and effects on the financial statements, and should not be used as a substitute for referring to those standards and interpretations themselves.</p> <p>See Appendix IV for a list of new standards that either are effective for the first time for annual periods beginning on 1 January 2017 or are available for early adoption for the period.</p> <p>In addition, we have illustrated the requirements of FRS 8 in a tabular format; however, other forms of presentation may be possible.</p>
6.	See explanatory note 1 on page 34.
7.	See explanatory note 2 on page 34.
8.	See explanatory note 3 on page 34.

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Measurement of fair values (continued)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

FRS 113.95

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – biological assets;
- Note 7 – investment property;
- Note 11 – disposal group held for sale;
- Note 18 – share-based payment arrangements¹;
- Note 22 – financial instruments; and
- Note 32 – acquisition of subsidiary².

2.5 Changes in accounting policies^{3, 4, 5}

FRS 8.29

(i) Accounting for investment property

On 1 January 2017, the Group changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these types of assets.

This change in accounting policy was applied retrospectively. Further details of the effects of the changes are set out in notes 2.5 (ii) – (iii).

Revised standards⁶

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7)*;
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12)*; and
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016)*.

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

(ii) Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 16).⁷

(iii) Summary of quantitative impact⁸

The following tables summarise the material impacts on the Group's consolidated statements of financial position, profit or loss and comprehensive income. There is no material impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for the years ended 31 December 2017 and 31 December 2016.

Note Reference **Explanatory note**

- 1.** *FRS 8.28* New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised or disclosed in the financial statements.

For illustrative purposes, the Group has listed all the disclosures of new and revised standards that are effective from 1 January 2017, regardless of whether these have any impact on the Group's financial statements. However, an alternative is to only list and address those that have an impact on the entity's accounting policies and amounts recognised or disclosed in the financial statements.

- 2.** *FRS 7.60* The Amendments to FRS 7 – Disclosure Initiative are effective for annual periods beginning on or after 1 January 2017. When the entity first applies these amendments, it is not required to provide comparative information for preceding periods.

In these illustrative financial statements, the Group has elected not to present comparative information.

- 3.** *FRS 8.28(f)(i),
29(c)(i)* In these illustrative financial statements, it is assumed that the Group's change in accounting policy relating to investment property does not have a material impact to the Group's statement of cash flows and earnings per share. If the change in accounting policy has a material impact to the Group's statement of cash flows, the amount of the adjustment to each financial statement line item affected should be disclosed. Similarly, the amount of adjustment for basic and diluted earnings per share needs to be disclosed.

Reference Notes to the financial statements

2. Basis of preparation (continued)
2.5 Changes in accounting policies (continued)
(iii) Summary of quantitative impact (continued)

FRS 8.29

Consolidated statement of financial position
1 January 2016

	Impact of change in accounting policy		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Investment property	900	50	950
Others	88,951	-	88,951
Total assets	89,851	50	89,901
Deferred tax liabilities	(1,419)	(17)	(1,436)
Others	(58,892)	-	(58,892)
Total liabilities	(60,311)	(17)	(60,328)
Retained earnings	(10,567)	(33)	(10,600)
Others	(18,973)	-	(18,973)
Total equity	(29,540)	(33)	(29,573)

FRS 8.29

31 December 2016

	Impact of change in accounting policy		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Investment property	930	120	1,050
Others	86,384	-	86,384
Total assets	87,314	120	87,434
Deferred tax liabilities	(1,527)	(40)	(1,567)
Others	(52,520)	-	(52,520)
Total liabilities	(54,047)	(40)	(54,087)
Retained earnings	(13,966)	(80)	(14,046)
Others	(19,301)	-	(19,301)
Total equity	(33,267)	(80)	(33,347)

31 December 2017

	Impact of change in accounting policy \$'000
Increase in investment property	140
Increase in total assets	140
Increase in deferred tax liabilities	(47)
Increase in total liabilities	(47)
Increase in retained earnings	(93)
Increase in total equity	(93)

This page has been left blank intentionally.

Reference Notes to the financial statements

2. Basis of preparation (continued)
2.5 Changes in accounting policies (continued)
(iii) Summary of quantitative impact (continued)

Consolidated statement of profit or loss
Year ended 31 December 2016

	Impact of change in accounting policy		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Other income	582	60	642
Administrative expenses	(15,279)	10	(15,269)
Tax expense	(1,777)	(23)	(1,800)
Others	20,383	-	20,383
Profit for the year	3,909	47	3,956
Profit attributable to:			
- Owners of the Company	3,690	47	3,737
- Non-controlling interests	219	-	219
Profit for the year	3,909	47	3,956

Year ended 31 December 2017

	Impact of change in accounting policy \$'000
Increase in other income	10
Decrease in administrative expenses	10
Increase in tax expense	(7)
Increase in profit for the year	13
Increase in profit attributable to owners of the Company	13

Consolidated statement of comprehensive income
Year ended 31 December 2016

	Impact of change in accounting policy		
	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Total comprehensive income for the year	4,328	47	4,375
Total comprehensive income attributable to:			
- Owners of the Company	4,087	47	4,134
- Non-controlling interests	241	-	241
Total comprehensive income for the year	4,328	47	4,375

Year ended 31 December 2017

	Impact of change in accounting policy \$'000
Increase in total comprehensive income attributable to owners of the Company	13

Note Reference **Explanatory note**

1. *FRS 8.16* Neither the application of an accounting policy for transactions or events that did not occur previously, nor the application of an accounting policy to previously immaterial items, is a change in accounting policy. In these illustrative financial statements, distributions of non-cash assets to owners is an example of a new transaction or event for which an accounting policy was not previously required. Consequently the application of the relevant FRS has not been disclosed as a change in accounting policy.

2. *FRS 1.117(b)* The accounting policies describe each specific accounting policy that is relevant to an understanding of the financial statements.

FRS 8.5 Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.

3. The accounting policies disclosed in these illustrative financial statements reflect the facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of FRS and should not be used as a substitute for referring to the standards and interpretations themselves. The accounting policy disclosures appropriate for an entity depend on the facts and circumstances of that entity, including the accounting policy choices an entity makes, and may differ from the disclosures illustrated in these illustrative financial statements. The recognition and measurement requirements of FRS are discussed in *Insights into IFRS*.

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.6 Accounting policies for new transactions and events¹

Distributions of non-cash assets to owners of the Company

From 1 January 2017, the Group has applied INT FRS 117 *Distributions of Non-cash Assets to Owners* in accounting for distributions of non-cash assets to owners of the Company. The new accounting policy (see note 3.3(iii)) has been applied prospectively.

FRS 1.112(a),
116, 117(b)

3. Significant accounting policies^{2, 3}

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

FRS 1.41

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 42). In addition, the comparative statement of profit or loss and statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 29).

3.1 Basis of consolidation

(i) Business combinations

FRS 103.4

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

FRS 103.32

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

FRS 103.34

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

FRS 103.B52

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

FRS 103.40, 58

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

FRS 103.30, B57-61

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Note Reference **Explanatory note**

- | | |
|-----------------------------|---|
| 1. <i>FRS 112.11</i> | If the financial statements of a subsidiary used to prepare consolidated financial statements are of a date or for a period that is different from that of the consolidated financial statements, then the entity discloses: <ul style="list-style-type: none">• the reporting date of the subsidiary; and• the reason for using a different date or period. |
| 2. | The accounting for common control transactions in the absence of specific guidance in FRS is discussed in <i>Insights into IFRS</i> (5.13). These illustrative financial statements illustrate one possible method to account for common control transactions. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)

FRS 103.19 NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

FRS 103.53 Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

FRS 110.23, B96 Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries¹

FRS 110.6, 20 Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

FRS 110.B87, B94 The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from entities under common control²

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

FRS 110.25, B98-99 Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Note Reference **Explanatory note**

- | | |
|-----------|--|
| 1. | Equity-accounted investees include associates and joint ventures. An equity-accounted investee may have accounting policies for items that are not applicable to the investor, for example when the investor's financial statements do not include line items in respect of the investee's financial statement items. If disclosure of the accounting policies of the investee is considered necessary for an understanding of equity-accounted earnings, or the carrying amount of such investees in the statement of financial position, then in our view this information should be included in the accounting policy note regarding equity-accounted investees. This issue is discussed in <i>Insights into IFRS</i> (5.10.140.150). |
| 2. | FRS does not specify whether the elimination of unrealised gains and losses resulting from transactions with equity-accounted investees is presented as a reduction of the investment or as a reduction in the underlying asset, e.g. inventory. In our view, either approach is acceptable and the entity should disclose the accounting policy adopted. This issue is discussed in <i>Insights into IFRS</i> (3.5.430.30). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(v) Investments in associates and joint ventures (equity-accounted investees)¹

FRS 28.3, 5, 111.16 Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

FRS 28.10, 27 Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

FRS 28.38-39 When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Joint operations

FRS 111.4, 6, 15, 20 A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

(vii) Transactions eliminated on consolidation

FRS 28.28, 110.B86(c) Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.² Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Subsidiaries, associates and joint ventures in the separate financial statements

FRS 27.10, 28.44 Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

FRS 21.21, 23(a) Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

FRS 21.23,
39.95(a), 102(a),
AG83

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in OCI arising on the translation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii) below); or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

FRS 21.39

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

FRS 21.41, 48 - 48D
110.B94

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

FRS 21.15

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

(iii) Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

FRS 39.102

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in OCI to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Note Reference **Explanatory note**

- | | |
|-----------|---|
| 1. | Subject to certain exceptions, an entity is not permitted to classify any investments as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount in relation to the total amount of held-to-maturity investments before maturity. This issue is discussed in <i>Insights into IFRS</i> (7.4.80.50). |
| 2. | <i>INT FRS 112.24</i> A financial asset recognised in a service concession arrangement is accounted for in accordance with FRS 39 as a loan or receivable, an available-for-sale financial asset or, if so designated upon initial recognition (and conditions for that classification are met), a financial asset at fair value through profit or loss. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

FRS 107.21

3.3 Financial instruments

(i) Non-derivative financial assets

FRS 39.14,
AG53 - 56

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

FRS 39.17, 25

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

FRS 32.42

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

FRS 39.45

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

FRS 39.43, 46, 55(a),
107.B5(e)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held for trading comprise equity securities actively managed by the Group's treasury department to address short-term liquidity needs.

FRS 107.B5(a)

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets¹

FRS 39.43, 46(b)

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

FRS 39.43, 46(a)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding construction contract in progress).²

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Cash and cash equivalents

FRS 7.8, 45, 46

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also note 3.5(iii)).

Available-for-sale financial assets

FRS 39.43, 46,
107.B5(b)

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 3.2(ii)), are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) Non-derivative financial liabilities

FRS 39.14,
AG53-56,
103.58

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

FRS 39.39

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

FRS 32.42

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Note Reference **Explanatory note**

- | | |
|-----------|--|
| 1. | Issues related to the classification of preference share capital as debt or equity are discussed in <i>Insights into IFRS</i> (7.3.310). The disclosures illustrated here are not intended to be a complete description of accounting policies that may be applicable to preference share capital. |
|-----------|--|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Share capital

Ordinary shares

FRS 32.35

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference share capital¹

FRS 32.AG25-26

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Repurchase, disposal and reissue of share capital (treasury shares)

FRS 32.33

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Distribution of non-cash assets to owners of the Company

INT FRS 117.11

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(iv) Compound financial instruments

FRS 32.28-32

Compound financial instruments issued by the Group comprise convertible notes denominated in Singapore dollars that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

FRS 32.38, AG31,
39.43

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Note Reference **Explanatory note**

1. In these illustrative financial statements, we illustrate hedge accounting applied to cash flow hedges and hedges of net investments in foreign operations. If fair value hedging is also used by an entity, then the accounting policies and disclosures are amended accordingly. Below is an example of an accounting policy for fair value hedging:

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated in a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

2. *FRS 39.98 - 9* If a hedge of a forecast transaction subsequently results in the recognition of a non-financial item, or a forecast transaction for a non-financial item becomes a firm commitment for which fair value hedge accounting is applied, then an entity has an accounting policy choice, to be applied consistently, to either:
- remove the associated gains or losses that were recognised in OCI and include them in the initial cost or other carrying amount of the non-financial item; or
 - retain the associated gains or losses in OCI and reclassify them to profit or loss in the same period or periods during which the non-financial item affects profit or loss.

This issue is discussed in *Insights into IFRS* (7.7.80.40). In these illustrative financial statements, we have illustrated the second approach.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iv) Compound financial instruments (continued)

FRS 39.47 Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest and gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(v) Derivative financial instruments, including hedge accounting¹

FRS 39.11 The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

FRS 39.88 On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

FRS 39.46 Derivatives are initially measured at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

FRS 39.95 When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

FRS 39.97 - 101 When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss.² In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(v) Derivative financial instruments, including hedge accounting (continued)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(vi) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

FRS 39.43, 47(c)

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.4 Property, plant and equipment

(i) Recognition and measurement

FRS 16.73(a)

FRS 16.30

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

FRS 16.16

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

FRS 16.45

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

FRS 16.71

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

FRS 16.13

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

FRS 16.44, 53

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

(iii) Depreciation (continued)

FRS 16.58, 73(b) Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

FRS 16.55 Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

FRS 16.73(c) The estimated useful lives for the current and comparative years are as follows:

- buildings 40 years
- plant and equipment 5-12 years
- fixtures and fittings 5-10 years
- major components, spares and servicing equipment 3-5 years

FRS 16.51 Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) Reclassification to investment property

FRS 40.62 When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

FRS 28.32, 38.107-108 Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Research and development

FRS 38.54-55 Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

FRS 38.57, 66 Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

FRS 38.74 Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Note Reference **Explanatory note**

- | | |
|---|---|
| 1. <i>FRS 41.54(a),
(b)</i> | If biological assets are measured at cost less any accumulated depreciation and accumulated impairment losses because their fair value cannot be estimated reliably, then an entity discloses a description of such biological assets and an explanation of why their fair value cannot be measured reliably. |
| 2. <i>FRS 40.75(c)</i> | If the classification of property is difficult, then an entity discloses the criteria developed to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. |
| 3. <i>FRS 40.79(a),
(b), (e)</i> | If an entity accounts for investment property using the cost model, then it discloses: <ul style="list-style-type: none">• the depreciation method;• the useful lives or the depreciation rates used; and• the fair value of such investment property. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.5 Intangible assets and goodwill (continued)

(iii) Service concession arrangements

INT FRS 112.17

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

(iv) Other intangible assets

FRS 38.74

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditure

FRS 38.18

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(vi) Amortisation

FRS 38.8

Amortisation is calculated based on the cost of the asset, less its residual value.

FRS 38.97,
118(a), (b)

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- patents and trademarks 10-20 years
- capitalised development costs 5-7 years
- customer relationships 4-5 years
- service concession arrangement 20 years

FRS 38.104

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

3.6 Biological assets

FRS 41.12, 13

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.¹ Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Standing timber is transferred to inventory at its fair value less costs to sell at the date of harvest.

3.7 Investment property

FRS 40.7, 33,
35, 75(a)

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.² Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.³

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Note Reference **Explanatory note**

1. *INTFRS 27.10* (b) An entity discloses the accounting treatment applied to any fee received in an arrangement in the legal form of a lease to which lease accounting is not applied because the arrangement does not, in substance, involve a lease.

2. Although these amounts are required to be disclosed separately, there is no guidance on the characterisation of the assets or liabilities related to construction contracts in progress. One approach is to present assets as an accounts receivable or, in the case of liabilities, as deferred revenue. This issue is discussed in *Insights into IFRS* (4.2.260.40).

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.7 Investment property (continued)

FRS 16.41 Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

FRS 40.60 When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

3.8 Leased assets¹

FRS 17.8, 20, 27 Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

FRS 17.8 Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

FRS 2.9, 25, 36(a) Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

FRS 2.6 Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

FRS 2.20 The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

3.10 Construction contracts in progress²

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. They are measured at cost plus profit recognised to date (see note 3.15(iv)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

FRS 11.43, 44 Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position. Customer advances are presented as deferred income in the statement of financial position.

Note Reference **Explanatory note**

1. In our view, an entity should establish criteria that it applies consistently to determine whether a decline in a quoted market price is 'significant' or 'prolonged'. FRS does not contain any specific quantitative thresholds for significant or prolonged. In our view, for equity securities that are quoted in an active market, the general concepts of significance and materiality should apply. We believe a decline in excess of 20% generally should be regarded as significant and a decline in a quoted market price that persists for nine months generally should be considered to be prolonged. However, it may be appropriate to consider a shorter period. This issue is discussed in *Insights into IFRS* (7.6.430.40 – 130).

In our view, apart from significant or prolonged thresholds, an entity can establish additional events triggering impairment. These can include, among other things, a combination of significant and prolonged thresholds based on the particular circumstances and nature of that entity's portfolio. For example, a decline in the fair value in excess of 15% persisting for six months could be determined by an entity to be an impairment trigger. This issue is discussed in *Insights into IFRS* (7.6.430.40 – 50).

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Impairment

(i) Non-derivative financial assets

FRS 28.40, 39.58,
59, 107.B5(f)

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline¹ in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables and held-to-maturity investment securities

FRS 39.63-64

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

FRS 39.63, 65,
107.B5(d)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Note Reference **Explanatory note**

- | | |
|----|--|
| 1. | Although FRS 28 requires an entity to apply FRS 39 in determining if there is an indication of impairment, the standard is silent in respect of reversals of impairment. In our view, an entity applies FRS 36 to determine if there is an indication that an impairment should be reversed, because there is no exception that provides for a different treatment. This issue is discussed in <i>Insights into IFRS</i> (3.10.586.20). |
| 2. | FRS does not specify the line item in the statement of profit or loss in which an impairment loss is presented. If an entity classifies expenses based on their function, then any impairment loss is allocated to the appropriate function. In our view, in the rare cases that an impairment loss cannot be allocated to a function, then it should be included in 'other expenses' as a separate line item if it is significant (e.g. impairment of goodwill), with additional information provided in the notes. This issue is discussed in <i>Insights into IFRS</i> (3.10.430.20). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

FRS 39.67 - 70

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Associates and joint venture¹

FRS 28.40 - 42

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.11(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

FRS 36.9, 10, 59

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

FRS 36.6, 18,
30, 80

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

FRS 36.102

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

FRS 36.104

Impairment losses are recognised in profit or loss.² Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Impairment (continued)

(ii) Non-financial assets (continued)

FRS 36.117,
122, 124

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.12 Non-current assets held for sale or distribution

FRS 105.6, 15,
15A, 18 - 23

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale (held for distribution) are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute). Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

FRS 28.20,
105.25

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale or distribution.

3.13 Employee benefits

(i) Defined contribution plans

FRS 19.8, 28, 51

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Defined benefit plans

FRS 19.8, 57,
123, 124

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

Note Reference **Explanatory note**

- | | |
|-----------|--|
| 1. | The obligation for estimated future payments is measured on a discounted basis. The obligation is discounted using a high quality corporate bond rate or a government bond rate if there is an insufficiently deep high-quality corporate bond market. The currency and maturity of the bonds should match the currency and maturity of the defined benefit obligation. This issue is discussed in <i>Insights into IFRS</i> (4.4.510.10). |
| 2. | FRS 19 does not specify where service cost and net interest on the net defined benefit liability (asset) are presented. It also does not specify whether an entity presents service cost and net interest separately or as components of a single item of income or expense. An entity therefore chooses an approach, to be applied consistently, to the presentation of service cost and net interest on the net defined benefit liability (asset) in profit or loss. This issue is discussed in <i>Insights into IFRS</i> (4.4.1100.10). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.13 Employee benefits (continued)

(ii) Defined benefit plans (continued)

FRS 19.83 The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA from rating agency [y] that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.¹

FRS 19.64, 67, INT FRS 114.23–24 The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

FRS 19.122, 127-130 Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI and all expenses related to defined benefit plans in employee benefits expense in profit or loss.²

FRS 19.103 When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

FRS 19.109, 110 The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

(iii) Other long-term employee benefits

FRS 19.155, 156 The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, that have a credit rating of at least AA from rating agency [y], that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

FRS 19.165 Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(v) Short-term employee benefits

FRS 19.11 Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Note Reference **Explanatory note**

- | |
|---|
| <p>1. <i>FRS 102.IG19</i> FRS does not specify whether the remeasurement of the liability in a cash-settled share-based payment arrangement is presented as an employee cost or as finance income or finance cost. In our view, both presentations are permitted and an entity should choose an accounting policy to be applied consistently. This issue is discussed in <i>Insights into IFRS</i> (4.5.970.20).</p> |
|---|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.13 Employee benefits (continued)

(vi) Share-based payment transactions

FRS 102.14-15,
19-21A

The grant date fair value of equity-settled share-based payment awards granted to employee is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

FRS 102.30, 32

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefits expense in profit or loss.¹

3.14 Provisions

FRS 37.14, 45,
47,
INT FRS 101.8

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

FRS 37.39

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

FRS 37.72

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Site restoration

FRS 37.21

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(iv) Onerous contracts

FRS 37.66, 68

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

This page has been left blank intentionally.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.14 Provisions (continued)

(v) Levies

INT FRS 121.8-12

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3.15 Revenue

(i) Sale of goods

FRS 18.14, 35(a)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

FRS 18.15 – 16

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of timber and paper products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading the goods onto the relevant carrier at the port. Generally for such products, the customer has no right of return. For sales of livestock, transfer occurs upon receipt by the customer.

(ii) Loyalty programme

FRS 18.13

INT FRS 113.6-7

The Group has a customer loyalty programme whereby customers are awarded credits known as 'loyalty credits' entitling customers to the right to purchase paper products at a discount from the Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is estimated by reference to the fair value of the right to purchase paper products at a discount. The fair value of the right to purchase paper products at a discount is estimated based on the amount of the discount, adjusted to take into account the amount of discounts that otherwise would be offered to customers that have not earned the award credits and the expected forfeiture rate. Such amount is deferred and revenue is recognised when the loyalty credits are redeemed and the Group has fulfilled its obligations to supply the discounted paper products. The amount of revenue recognised in those circumstances is based on the number of loyalty credits that have been redeemed in exchange for discounted paper products, relative to the total number of loyalty credits that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the loyalty credits will be redeemed.

(iii) Rendering of services

FRS 18.20, 35(a)

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

The Group is involved in managing forest resources, as well as performing related services. When the services under a single arrangement are rendered in different reporting periods, the consideration is allocated on a relative fair value basis between the services.

Note Reference **Explanatory note**

1. *FRS 20.24* An entity may also present government grants related to assets as a deduction in arriving at the carrying amount of the asset.

A government grant may take the form of a transfer of a non-monetary asset. This issue is discussed in *Insights into IFRS* (4.3.50 and 5.7.70).

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.15 Revenue (continued)

(iv) Construction contracts

FRS 11.11, 22,
39(b)

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see note 3.10).

FRS 11.32, 36,
39(c)

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

FRS 11.40, 42

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'construction contracts in progress' and included under 'trade and other receivables'. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as 'billings in advance of work completed' and included under 'deferred income'. Amounts received before the related work is performed are shown as 'customer advances' and included under 'deferred income'.

(v) Commissions

FRS 18.8

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(vi) Rental income

FRS 17.50

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as 'other income'.

(vii) Service concession arrangements

INT FRS 112.13

Revenue related to construction or upgrade services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

3.16 Government grants

FRS 20.7, 39(a),
41.34

An unconditional government grant related to a biological asset is recognised in profit or loss as 'other income' when the grant becomes receivable.

FRS 20.26, 41.35

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset.¹ Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

Note Reference **Explanatory note**

- | | |
|---------------------------|---|
| 1. | FRS does not contain specific guidance on how to account for rent that was considered contingent at inception of the lease but is confirmed subsequently. The treatment of contingent rent is discussed in <i>Insights into IFRS</i> (5.1.390.30). |
| 2. | There is no guidance in FRS on what is included in 'finance income' and 'finance costs' and the Group has disclosed as part of its accounting policy which items constitute 'finance income' and 'finance costs'. This issue is discussed in <i>Insights into IFRS</i> (7.8.80.20). |
| 3. | If one of an entity's principal sources of revenue is interest or dividend income, then interest or dividend income is presented as revenue separately in the statement of profit or loss and OCI. This issue is discussed in <i>Insights into IFRS</i> (7.8.80.40). |
| 4. <i>FRS 1.35</i> | Gains and losses arising from a group of similar transactions are reported on a net basis, e.g. foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, such gains and losses are reported separately if they are material. |
| 5. | An entity may present foreign currency gains and losses on financial assets and liabilities that arise from operating activities (e.g. payables arising on the purchase of goods) as part of income and expenses before finance costs, and foreign currency gains and losses related to financing activities as part of 'finance income' and 'finance costs'. This issue is discussed in <i>Insights into IFRS</i> (7.6.700.10-20). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.17 Lease payments

*FRS 17.33,
INT FRS 15.3* Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

FRS 17.25 Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments¹ are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

INT FRS 104.6, 10 At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

INT FRS 104.12-15 At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

FRS 107.20, 24 **3.18 Finance income and finance costs²**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income³, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in OCI. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in OCI.

FRS 23.8 Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.^{4, 5}

Note Reference **Explanatory note**

- | | |
|---|---|
| 1. <i>FRS 12.26(d),
29(a)(iii)</i> | <i>Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to FRS 12</i> clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the reporting date, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. When determining whether sufficient future taxable profits are available to recognise deferred tax assets, an entity excludes the effects deductible temporary differences have on the taxable profits. |
| <i>FRS 12.29A</i> | The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.19 Tax

FRS 12.58 Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

FRS 12.12, 46 Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

FRS 12.15, 22(c), 24, 39, 44 Deferred tax¹ is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

FRS 12.47, 51, 51C The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

FRS 12.74 Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

FRS 12.56 A deferred tax¹ asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Note Reference **Explanatory note**

- | | |
|-----------|--|
| 1. | It is not clear whether a business that will be disposed of by distribution to owners could be classified as a discontinued operation before its disposal. Although FRS 105 was amended to extend the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, the cross-referencing in the amendments does not extend to discontinued operations. In our view, although the definition of a discontinued operation has not been extended explicitly, classification of non-current assets or disposal groups held for distribution to owners as a discontinued operation is appropriate if the remaining criteria of FRS 105 are met. This issue is discussed in <i>Insights into IFRS</i> (5.4.130.30). |
|-----------|--|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.20 Discontinued operations¹

FRS 105.32, 34

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3.21 Earnings per share

FRS 33.10, 31

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.22 Segment reporting

FRS 108.5

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

FRS 108.25

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

FRS 108.24(b)

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Note Reference **Explanatory note**

1. *FRS 16.73(d), (e)* An entity is required to present a reconciliation of the carrying amount of property, plant and equipment from the beginning to the end of the reporting period. The separate reconciliations of the gross carrying amount and accumulated depreciation illustrated in these illustrative financial statements are not required and a different format may be used. However, an entity is required to disclose the gross carrying amount and accumulated depreciation at the beginning and at the end of the reporting period.

FRS 16.74(d) An entity discloses the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.

FRS 16.77 If an entity uses the revaluation model to account for property, plant and equipment, then it discloses the following in addition to the disclosures required by FRS 113:

- the effective date of the revaluation;
- whether an independent valuer was involved;
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e. not revalued); and
- the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.

2. *FRS 16.8* Spare parts, stand-by equipment and servicing equipment are to be classified as property, plant and equipment and measured in accordance with FRS 16 if these items meet the definition of property, plant and equipment, i.e. tangible items that are expected to be used for more than one period in the production or supply of goods and services, or for rental to others.

Such items that do not meet the definition of property, plant and equipment are to be classified as inventory.

Reference Notes to the financial statements

4. Property, plant and equipment¹

FRS 16.73(d), (e)	Note	Freehold land and buildings \$'000	Plant, equipment and spares ² \$'000	Fixtures and fittings \$'000	Under construc- tion \$'000	Total \$'000
Group						
Cost						
FRS 16.73(d)		7,328	29,509	5,289	-	42,126
FRS 16.73(e)(i)		193	1,540	675	-	2,408
FRS 16.73(e)(ii)		-	(1,081)	-	-	(1,081)
FRS 16.73(e)(viii)		-	316	171	-	487
FRS 16.73(d)		7,521	30,284	6,135	-	43,940
FRS 16.73(d)		7,521	30,284	6,135	-	43,940
FRS 16.73(e)(iii)	32	185	1,580	190	-	1,955
FRS 16.73(e)(i), 74(b)		1,750	9,544	657	4,100	16,051
FRS 16.73(e)(ix)		(300)	-	-	-	(300)
FRS 16.73(e)(ix)		200	-	-	-	200
FRS 16.73(e)(ix)	7	(800)	-	-	-	(800)
FRS 16.73(e)(ix)	15	(3,900)	(7,243)	-	-	(11,143)
FRS 16.73(e)(ii)	11	-	(9,222)	-	-	(9,222)
FRS 16.73(e)(ii)		-	(11,972)	(2,100)	-	(14,072)
FRS 16.73(e)(viii)		-	91	50	-	141
FRS 16.73(d)		4,656	13,062	4,932	4,100	26,750
Accumulated depreciation and impairment losses						
FRS 16.73(d)		693	5,557	939	-	7,189
FRS 16.73(e)(vii)		73	4,290	759	-	5,122
FRS 16.73(e)(v)		-	1,123	-	-	1,123
FRS 16.73(e)(ii)		-	(700)	-	-	(700)
FRS 16.73(e)(viii)		-	98	59	-	157
FRS 16.73(d)		766	10,368	1,757	-	12,891
FRS 16.73(d)		766	10,368	1,757	-	12,891
FRS 16.73(e)(vii)		105	4,170	726	-	5,001
FRS 16.73(e)(vi)		-	(393)	-	-	(393)
FRS 16.73(e)(ix)		(300)	-	-	-	(300)
FRS 16.73(e)(ix)	15	-	(1,493)	-	-	(1,493)
FRS 16.73(e)(ii)	11	-	(1,058)	-	-	(1,058)
FRS 16.73(e)(ii)		-	(3,808)	(1,127)	-	(4,935)
FRS 16.73(e)(viii)		-	63	38	-	101
FRS 16.73(d)		571	7,849	1,394	-	9,814
FRS 1.78(a)		6,635	23,952	4,350	-	34,937
		6,755	19,916	4,378	-	31,049
		4,085	5,213	3,538	4,100	16,936

Note *Reference* **Explanatory note**

- | | |
|------------------------------------|---|
| <p>1. <i>FRS 36.131</i></p> | <p>In respect of the aggregate amount of impairment losses or reversals that are not disclosed because they are not considered material, an entity discloses:</p> <ul style="list-style-type: none">• the main classes of assets affected by impairment losses or reversals; and• the main events and circumstances that led to the losses or reversals. |
|------------------------------------|---|

Reference Notes to the financial statements

4. Property, plant and equipment (continued)

<i>FRS 16.73(d), (e)</i>		Freehold land and buildings \$'000	Plant, equipment and spares \$'000	Fixtures and fittings \$'000	Total \$'000
	Company				
	Cost				
<i>FRS 16.73(d)</i>	At 1 January 2016	631	5,653	3,356	9,640
<i>FRS 16.73(e)(i)</i>	Additions	-	-	54	54
<i>FRS 16.73(d)</i>	At 31 December 2016	<u>631</u>	<u>5,653</u>	<u>3,410</u>	<u>9,694</u>
<i>FRS 16.73(d)</i>	At 1 January 2017	631	5,653	3,410	9,694
<i>FRS 16.73(e)(i)</i>	Additions	-	1,203	122	1,325
<i>FRS 16.73(d)</i>	At 31 December 2017	<u>631</u>	<u>6,856</u>	<u>3,532</u>	<u>11,019</u>
	Accumulated depreciation and impairment losses				
<i>FRS 16.73(d)</i>	At 1 January 2016	99	2,548	522	3,169
<i>FRS 16.73(e)(vii)</i>	Depreciation	12	615	280	907
<i>FRS 16.73(d)</i>	At 31 December 2016	<u>111</u>	<u>3,163</u>	<u>802</u>	<u>4,076</u>
<i>FRS 16.73(d)</i>	At 1 January 2017	111	3,163	802	4,076
<i>FRS 16.73(e)(vii)</i>	Depreciation	12	827	288	1,127
<i>FRS 16.73(d)</i>	At 31 December 2017	<u>123</u>	<u>3,990</u>	<u>1,090</u>	<u>5,203</u>
<i>FRS 1.78(a)</i>	Carrying amounts				
	At 1 January 2016	<u>532</u>	<u>3,105</u>	<u>2,834</u>	<u>6,471</u>
	At 31 December 2016	<u>520</u>	<u>2,490</u>	<u>2,608</u>	<u>5,618</u>
	At 31 December 2017	<u>508</u>	<u>2,866</u>	<u>2,442</u>	<u>5,816</u>

Impairment loss and subsequent reversal¹

During 2016, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment and recognised an impairment loss of \$1,123,000 with respect to plant and equipment. In 2017, \$393,000 of the loss was reversed. Further information about the impairment loss and subsequent reversal is included in note 5(ii).

Note *Reference* **Explanatory note**

- | | |
|---------------------------|---|
| 1. <i>FRS 8.40</i> | If the amount of the effect in subsequent periods is not disclosed because estimating it is impracticable, then the entity discloses that fact. |
|---------------------------|---|

Reference Notes to the financial statements

4. Property, plant and equipment (continued)
Leased plant and machinery

FRS 17.31(a), (e) The Group leases production equipment under a number of finance leases. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on its terms and conditions (see note 16). The leased equipment secures lease obligations. At 31 December 2017, the net carrying amount of leased plant and equipment was \$1,900,000 (2016: \$1,972,000).

FRS 7.43, 17.31(e) During 2017, the Group acquired equipment with a carrying amount of \$200,000 (2016: \$180,000) under a finance lease (see note 16). Some leases provide the Group with the option to purchase the equipment at a beneficial price.

Security

FRS 16.74(a) At 31 December 2017, properties of the Group with carrying amounts of \$1,440,000 (2016: \$2,010,000) are pledged as security to secure bank loans (see note 16).

Property, plant and equipment under construction

FRS 16.74(b) During 2017, the Group acquired a piece of land for \$3,100,000, with the intention of constructing a new factory on the site.

FRS 23.26 The Group has started construction and costs incurred up to 31 December 2017 totalled \$1,000,000 (2016: nil). Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of \$194,000 (2016: nil), calculated using a capitalisation rate of 5.2% (2016: not applicable).

Transfer to investment property

During 2017, one building was transferred to investment property, because it was no longer used by the Group and it was decided that the building would be leased to a third party.

FRS 113.93(d) Immediately before the transfer, the Group remeasured the property to fair value and recognised a gain of \$200,000 in OCI. The valuation techniques and significant unobservable inputs used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see note 7(ii)).

Change in estimates

FRS 8.39, 16.76 During 2017, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after 5 years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows:¹

	2017	2018	2019	2020	2021	Later
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

Note Reference **Explanatory note**

- 1.** *FRS 38.122* An entity discloses the following:
- for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity describes the factor(s) that played a significant role in determining that the asset has an indefinite useful life;
 - a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements;
 - for intangible assets acquired by way of a government grant and recognised initially at fair value:
 - the fair value recognised initially for these assets; and
 - their carrying amount; and
 - whether they are measured after recognition under the cost model or the revaluation model;
 - the existence and carrying amounts of intangible assets whose title is restricted, and the carrying amounts of intangible assets pledged as security for liabilities; and
 - the amount of contractual commitments for the acquisition of intangible assets.

FRS 38.118, 103.61, B67(d)(iii)-(v) In presenting a reconciliation of the carrying amount of intangible assets and goodwill, an entity also discloses, if applicable:

- assets classified as held for sale or included in a disposal group classified as held for sale in accordance with FRS 105 and other disposals;
- decreases and increases in the carrying amount of intangible assets during the period resulting from impairment losses recognised or reversed in OCI; and
- adjustments to goodwill resulting from the recognition of deferred tax assets subsequent to a business combination.

FRS 38.118(c), (e) Although FRS 38 only requires the reconciliation of the carrying amount at the beginning and at the end of the reporting period, the Group has also provided separate reconciliations of the gross carrying amount and accumulated amortisation. These additional reconciliations are not required and a different format may be used.

FRS 38.124 If an entity uses the revaluation model to account for intangible assets, then it discloses:

- the effective date of the revaluation for each class of the intangible assets;
- the carrying amount of each class of revalued intangible assets;
- the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model; and
- the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

- 2.** *FRS 28.32* In our view, it is not necessary to provide the disclosures for goodwill arising in a business combination in respect of goodwill on equity-accounted investees. This issue is discussed in *Insights into IFRS* (3.5.660.10).

Reference Notes to the financial statements

5. Intangible assets and goodwill¹

	<i>Note</i>	Goodwill² \$'000	Patents and trade- marks \$'000	Develop- ment costs \$'000	Other \$'000	Total \$'000
Group Cost						
<i>FRS 38.118(c), 103.B67(d)(i)</i>	At 1 January 2016	3,545	1,264	4,111	-	8,920
<i>FRS 38.118(e)(i)</i>	Acquisitions – internally developed	-	-	515	-	515
<i>FRS 38.118(e)(vii)</i>	Effect of movements in exchange rates	-	(171)	(75)	-	(246)
<i>FRS 38.118(c), 103.B67(d)(viii)</i>	At 31 December 2016	3,545	1,093	4,551	-	9,189
<i>FRS 38.118(c), 103.B67(d)(i)</i>	At 1 January 2017	3,545	1,093	4,551	-	9,189
<i>FRS 38.118(e)(i), 103.B67(d)(ii)</i>	Acquisitions through business combinations	32 541	170	-	80	791
<i>FRS 38.118(e)(i)</i>	Service concession	40 -	-	-	95	95
<i>FRS 38.118(e)(viii)</i>	Distributed to owners of the Company	15 (400)	-	-	-	(400)
<i>FRS 38.118(e)(i)</i>	Other acquisitions – internally developed	-	-	1,272	-	1,272
<i>FRS 38.118(e)(vii)</i>	Effect of movements in exchange rates	-	186	100	-	286
<i>FRS 38.118(c), 103.B67(d)(viii)</i>	At 31 December 2017	3,686	1,449	5,923	175	11,233
Accumulated amortisation and impairment losses						
<i>FRS 103.B67(d)(i), 38.118(c)</i>	At 1 January 2016	138	552	2,801	-	3,491
<i>FRS 38.118(e)(vi)</i>	Amortisation	-	118	677	-	795
<i>FRS 38.118(e)(iv)</i>	Impairment loss	-	-	285	-	285
<i>FRS 38.118(e)(vii)</i>	Effect of movements in exchange rates	-	(31)	(12)	-	(43)
<i>FRS 103.B67(d)(viii), 38.118(c)</i>	At 31 December 2016	138	639	3,751	-	4,528
<i>FRS 38.118(c), 103. B67(d)(i)</i>	At 1 January 2017	138	639	3,751	-	4,528
<i>FRS 38.118(e)(vi)</i>	Amortisation	-	129	641	15	785
<i>FRS 103. B67(d)(v)</i>	Impairment loss	116	-	-	-	116
<i>FRS 38.118(e)(iv)</i>	Reversal of impairment loss	-	-	(100)	-	(100)
<i>FRS 38.118(e)(vii)</i>	Effect of movements in exchange rates	-	61	17	-	78
<i>FRS 38.118(c), 103. B67(d)(viii)</i>	At 31 December 2017	254	829	4,309	15	5,407
Carrying amounts						
<i>FRS 38.118(c)</i>	At 1 January 2016	3,407	712	1,310	-	5,429
<i>FRS 38.118(c)</i>	At 31 December 2016	3,407	454	800	-	4,661
<i>FRS 38.118(c)</i>	At 31 December 2017	3,432	620	1,614	160	5,826

Amortisation

FRS 38.118(d) The amortisation of patents, trademarks and development costs is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold; the amortisation of other intangible assets is included in 'cost of sales'.

Note Reference **Explanatory note**

1. *FRS 36.126* If an entity classifies expenses based on their function, then any loss is allocated to the appropriate function. In our view, in the rare case that an impairment loss cannot be allocated to a function, then it should be included in other expenses as a separate line item if significant (e.g. impairment of goodwill), with additional information given in a note. This issue is discussed in *Insights into IFRS* (3.10.430.20).

2. *FRS 36.132* An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets and CGUs, and this publication illustrates the disclosure of the discount rate and terminal growth rate. Paragraph 134 of FRS 36 only requires these disclosures for CGUs containing goodwill or indefinite life intangibles, which this CGU does not have.

3. *FRS 36.130(f)* If the recoverable amount of an individual asset, including goodwill, or a CGU is determined based on its fair value less costs of disposal, and a material impairment loss is recognised or, in the case of intangible assets other than goodwill (a reversal is prohibited for goodwill impairments) is reversed during the period, then an entity discloses:

- the level of the fair value hierarchy (see FRS 113) within which the fair value measurement of the asset or CGU is categorised in its entirety (without taking into account whether the 'costs of disposal' are observable);
- for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy, a description of the valuation technique(s) used to measure fair value less costs of disposal. If there has been a change in valuation technique, the entity discloses that change and the reason(s) for making it; and
- for fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy, each key assumption on which management has based its determination of fair value less costs of disposal. Key assumptions are those to which the asset's or CGU's recoverable amount is most sensitive. The entity also discloses the discount rate(s) used in the current measurement and previous measurement if fair value less costs of disposal is measured using a present value technique.

FRS 36.130(c) If a material impairment loss is recognised for an individual asset, then an entity discloses:

- the nature of the asset; and
- if the entity reports segment information in accordance with FRS 108, then the reportable segment to which the asset belongs.

FRS 36.130 (d)(iii) If a material impairment loss is recognised for a CGU, and the aggregation of assets for identifying the CGU has changed since the previous estimate of recoverable amount, then an entity describes the current and former way of aggregating assets, and the reasons for changing the way in which the CGU is identified.

FRS 36.130(a) If an impairment loss, or a reversal thereof, is material, then an entity discloses the events and circumstances that led to the recognition or reversal of the impairment loss.

FRS 36.126(c), (d) If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in OCI during the period.

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)
Impairment test

Impairment loss and subsequent reversal were recognised in relation to the manufacture of a new product in the Standard Papers segment and the goodwill in the Timber Products cash-generating unit (CGU) as follows:

	Note	Group	
		2017 \$'000	2016 \$'000
FRS 36.130(d)(ii) Standard Papers			
Plant and equipment and development costs	(ii)	(493)	1,408

FRS 36.126(a)-(b) The impairment loss and subsequent reversal in relation to the Standard Papers segment were included in 'cost of sales'.¹

	Note	Group	
		2017 \$'000	2016 \$'000
FRS 36.130(d)(ii) Timber Products			
Goodwill	(iii)	116	-

FRS 36.126(a)-(b) The impairment loss on goodwill in the Timber Products CGU was included in 'other expenses'.¹

(i) Recoverability of development costs²

FRS 36.132 Included in the carrying amount of development costs at 31 December 2017 is an amount of \$400,000 related to a development project for a new process in one of the Group's factories in the Standard Papers segment. The regulatory approval that would allow this new process was delayed; consequently, the benefit of the new process will not be realised as soon as previously expected and management has carried out an impairment test.

The recoverable amount of the CGU that included these development costs (the factory using the process) was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use), assuming that the regulation would be passed by July 2018 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2021. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

FRS 1.125, 129 Management considers it reasonably possible that the regulatory approval may be delayed by a further year to July 2019. Such further delay would result in an impairment of approximately \$100,000 in the carrying amount of the factory.

(ii) Impairment loss and subsequent reversal in relation to a new product²

FRS 36.130(a), (d)(i) During 2016, a regulatory inspection revealed that a new product in the Standard Papers segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2017; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

FRS 36.130(e) Accordingly, management estimated the recoverable amount of the CGU (the product line) in 2016. The recoverable amount was estimated based on its value in use³, assuming that the production line would go live in August 2018.

Note Reference **Explanatory note**

- 1.** *FRS 36.84, 85, 96, 133* When goodwill allocated to a CGU arose in a business combination in the reporting period, then that goodwill is tested for impairment before the end of that reporting period. However, when the acquisition accounting can be determined only provisionally, it may also not be possible to complete the allocation of goodwill to CGUs before the end of the annual period in which the business combination occurred. In such cases, an entity discloses the amount of unallocated goodwill, together with the reasons for not allocating the goodwill to CGUs. However, the allocation of goodwill to CGUs should be completed before the end of the first annual reporting period beginning after the date of acquisition. This issue is discussed in *Insights into IFRS* (3.10.480.20).
- 2.** *FRS 36.99* Instead of calculating recoverable amount, an entity may use its most recent previous calculation of the recoverable amount of a CGU containing goodwill, if all of the following criteria are met:

 - there have been no significant changes in the assets and liabilities making up the unit since the calculation;
 - the calculation resulted in a recoverable amount that exceeded the carrying amount of the unit by a substantial margin; and
 - based on an analysis of the events and circumstances since the calculation, the likelihood that the current recoverable amount would be less than the current carrying amount of the unit is remote.
- 3.** *FRS 36.134* Estimates used to measure recoverable amounts are disclosed separately for each CGU containing goodwill or indefinite-lived intangible assets, if the allocated carrying amount is significant in comparison with the total carrying amount of goodwill or indefinite-lived intangible assets.
- 4.** In our experience, the most common technique used in determining fair value less costs of disposal is a discounted cash flow model. In that case, the assumptions used in determining fair value are consistent with those that a market participant would make; therefore, the special rules in FRS 36 for estimating the cash flows used in a value in use calculation are not applicable (e.g. cash flows related to a restructuring discussed in explanatory note 2 on page 102). This issue is discussed in *Insights into IFRS* (2.4.820).

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)
Impairment test (continued)

(ii) Impairment loss and subsequent reversal in relation to a new product (continued)

In 2017, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

FRS 36.130(g), 132 The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2016: 9.8%) and a terminal value growth rate of 3% from 2022 (2016: 3% from 2021).

FRS 36.126(a), (b),
130(b), (d)(ii) The impairment loss and its subsequent reversal were allocated *pro rata* to the individual assets constituting the production line (part of the Standard Papers segment) as follows:

	Note	Group	
		2017 \$'000	2016 \$'000
Plant and equipment	4	(393)	1,123
Development costs		(100)	285
(Reversal of) impairment loss		(493)	1,408

FRS 36.130(e) At 31 December 2017, the recoverable amount of the CGU was as follows:

	Group	
	2017 \$'000	2016 \$'000
Recoverable amount	1,576	1,083

(iii) Impairment testing for CGUs containing goodwill^{1, 2, 3}

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	Group	
	2017 \$'000	2016 \$'000
Southeast Asia paper manufacturing and distribution	2,276	2,135
Timber products	960	1,076
	3,236	3,211
Multiple units without significant goodwill	196	196
	3,432	3,407

Southeast Asia paper manufacturing and distribution

FRS 36.134(c), (e) The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2.4).

FRS 36.134(e)(iiB) In the past year, there have been minimal transactions between competing businesses in the same sector and/or generally similar size companies in the industry due to current credit conditions. As a result, management has determined that using an Enterprise to EBITDA ratio to value the business is no longer appropriate, and fair value less costs of disposal has been estimated using discounted cash flows.⁴

Note Reference **Explanatory note**

- | | |
|--|---|
| <p>1. FRS 36.134,
(d)(iv)-(v),
(e)(iv)-(v), (f)</p> | <p>FRS 36 specifically requires quantitative disclosures (i.e. in values) in respect of the discount rates and growth rates used to develop cash flow projections, narrative disclosures are sufficient for other key assumptions, unless a reasonably possible change in the assumption would result in an impairment; in that case, the value of the assumption is disclosed. This issue is discussed in <i>Insights into IFRS</i> (3.10.680.40).</p> |
| <p>2. FRS 36.46-47</p> | <p>In determining fair value less costs of disposal, a restructuring would be taken into account to the extent that a market participant acquiring the CGU would restructure. However, in determining value in use, cash flows related to a restructuring are excluded from the cash flow forecast until the entity is committed to the restructuring – i.e. when it meets the criteria to recognise a restructuring provision.</p> |

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)
Impairment test (continued)

(iii) Impairment testing for CGUs containing goodwill (continued)

Southeast Asia paper manufacturing and distribution (continued)

FRS 36.134(e)(i) The key assumptions¹ used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2017	2016
	%	%
FRS 36.134(f)(ii) Group		
FRS 36.134(e)(v) Discount rate	8.7	n/a
FRS 36.134(e)(iv) Terminal value growth rate	1.0	n/a
FRS 36.134(e)(i), (f)(ii) Budgeted EBITDA growth rate (average of next five years)	5.2	n/a

FRS 36.134(e)(ii) The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible range of debt leveraging of 40% at a market interest rate of 7%.

FRS 36.134(e)(ii)-(iii) The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

FRS 36.134(e)(ii) Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in a number of Southeast Asia countries in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years.
- Estimated cash flows related to a restructuring that is expected to be carried out in 2018 were reflected in the budgeted EBITDA.²

FRS 36.134(f) The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$300,000 (2016: \$250,000). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2017	2016
	%	%
FRS 36.134(f)(iii) Group		
FRS 36.134(f)(iii) Discount rate	1.6	n/a
FRS 36.134(f)(iii) Budgeted EBITDA growth rate	(4.4)	n/a

Note Reference **Explanatory note**

- | | |
|----|---|
| 1. | See explanatory note 1 on page 94. |
| 2. | <i>FRS 36.50(b), 55, A20</i> FRS 36 prima facie requires value in use to be determined using pre-tax cash flows and a pre-tax discount rate. However, in our experience it is more common to use post-tax cash flows and a post-tax discount rate such as weighted-average cost of capital. Challenges arise in following a post-tax approach appropriately so that the resulting value in use is consistent with the pre-tax principle. There are no such requirements for the calculation of fair value less costs of disposal. This issue is discussed in <i>Insights into IFRS</i> (3.10.310.10-20). |
| 3. | The risk-free rate is generally obtained from the yield on government bonds that are in the same currency and have the same or a similar duration as the cash flows of the asset or CGU, often leading to 10- or 20-year government bonds being considered. This issue is discussed in <i>Insights into IFRS</i> (3.10.300.120). |
| 4. | <i>FRS 36.33, 35</i> The value in use calculation is based on reasonable and supportable assumptions concerning projections of cash flows approved by management (as part of the budget) and adjusted to the requirements of FRS. These cash flow forecasts should cover a maximum of five years unless a longer period can be justified. The cash flows after the forecast period are extrapolated into the future over the useful life of the asset or CGU using a steady or declining growth rate that is consistent with that of the product, industry or country, unless there is clear evidence to suggest another basis. These cash flows form the basis of what is referred to as the terminal value. This issue is discussed in <i>Insights into IFRS</i> (3.10.230.10). |

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)

Impairment test (continued)

(iii) Impairment testing for CGUs containing goodwill (continued)

Timber products

FRS 1.125,
36.130(e),
36.134(c), (d)

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of \$960,000 (2016: \$1,076,000) and an impairment loss of \$116,000 (2016: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'other expenses'.

FRS 36.134(d)(i)

Key assumptions¹ used in the estimation of value in use were as follows:

FRS 36.134(d)(v)
FRS 36.134(d)(iv)
FRS 36.134(d)(i)

Group

Discount rate
Terminal value growth rate
Budgeted EBITDA growth rate (average of next five years)

	2017 %	2016 %
Discount rate	9.6	10.0
Terminal value growth rate	1.8	2.0
Budgeted EBITDA growth rate (average of next five years)	8.0	9.0

FRS 36.134(d)(ii)

The discount rate was a pre-tax measure² based on the rate of 10-year government bonds³ issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

FRS 36.134(d)(ii)-(iii)

Five years of cash flows were included in the discounted cash flow model.⁴ A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales price would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

Following the impairment loss recognised in the Group's timber products CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Development costs

FRS 23.26 (a), (b)

Included in capitalised development costs is an amount of \$37,000 (2016: \$12,000), that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2016: 5.4%).

Note Reference **Explanatory note**

- 1.** *FRS 41.43* Entities are encouraged, but not required, to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets. The basis for making such distinctions is disclosed in that case.
- FRS 41.54 (a)-(f)* When fair value cannot be determined reliably, an entity discloses:
- a description of the biological assets;
 - an explanation of why fair value cannot be measured reliably;
 - the depreciation method and useful lives used;
 - if possible, the range of estimates within which fair value is highly likely to lie; and
 - the gross carrying amount and the accumulated depreciation, aggregated with accumulated impairment losses, at the beginning and end of the reporting period.
- FRS 41.55* When biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, an entity discloses separately any gain or loss recognised on the disposal of such biological assets, and a reconciliation of changes in their carrying amount at the beginning and at the end of the reporting period, including impairment losses, reversals of impairment losses and depreciation.
- FRS 41.56* If the fair value of biological assets measured previously at cost less accumulated depreciation and accumulated impairment losses becomes reliably measurable, then an entity discloses:
- a description of the biological assets;
 - an explanation of why fair value has become reliably measurable; and
 - the effect of the change.
- FRS 41.49(a)* An entity discloses the existence and carrying amounts of biological assets whose title is restricted, and the carrying amount of biological assets pledged as security for liabilities.
- FRS 41.49(b)* An entity discloses the amount of commitments for the development or acquisition of biological assets.
- FRS 41.50(e)* An entity discloses increases in biological assets due to business combinations.
- FRS 41.53* If an agricultural activity is exposed to climatic, disease and other natural risks, and an event occurs that gives rise to a material item of income and expense, then an entity discloses the nature and amount of the item of income and expense.

- 2.** *FRS 41.43* This is an example of encouraged disclosures providing a quantified description of each group of biological assets, distinguished between mature and immature biological assets (for standing timber), and about the basis for making such distinctions.

Reference Notes to the financial statements

6. Biological assets¹
Reconciliation of carrying value

		Standing		
		timber	Livestock	Total
		\$'000	\$'000	\$'000
Group				
<i>FRS 41.50, FRS 113.93(e)</i>	At 1 January 2016	5,713	800	6,513
<i>FRS 41.50(b), FRS 113.93(e)(iii)</i>	Purchases	415	22	437
<i>FRS 41.50(c), FRS 113.93(e)(iii)</i>	Sales of livestock	-	(63)	(63)
<i>FRS 41.50(g)</i>	Net increase due to births/deaths	-	15	15
<i>FRS 41.40, 50(a)</i>	Change in fair value less costs to sell:			
<i>FRS 41.51</i>	- Due to price changes	(101)	8	(93)
<i>FRS 41.51</i>	- Due to physical changes	15	7	22
<i>FRS 41.50(d), FRS 113.93(e)(iii)</i>	Harvested timber transferred to inventories	(168)	-	(168)
<i>FRS 41.50(f)</i>	Effect of movements in exchange rates	68	45	113
<i>FRS 41.50</i>	At 31 December 2016	<u>5,942</u>	<u>834</u>	<u>6,776</u>
	Non-current	5,907	729	6,636
	Current	35	105	140
		<u>5,942</u>	<u>834</u>	<u>6,776</u>
<i>FRS 41.50, FRS 113.93(e)</i>	At 1 January 2017	5,942	834	6,776
<i>FRS 41.50(b), FRS 113.93(e)(iii)</i>	Purchases	294	11	305
<i>FRS 41.50(c), FRS 113.93(e)(iii)</i>	Sales of livestock	-	(127)	(127)
<i>FRS 41.50(g)</i>	Net increase due to births/deaths	-	11	11
<i>FRS 41.40, 50(a)</i>	Change in fair value less costs to sell:			
<i>FRS 113.93(f)</i>	- Due to price changes	(8)	18	10
<i>FRS 41.51</i>	- Due to physical changes	415	151	566
<i>FRS 41.50(d), FRS 113.93(e)(iii)</i>	Harvested timber transferred to inventories	(2,480)	-	(2,480)
<i>FRS 41.50(f), FRS 113.93(e)(iii)</i>	Effect of movements in exchange rates	30	14	44
<i>FRS 41.50, FRS 113.93(e)</i>	At 31 December 2017	<u>4,193</u>	<u>912</u>	<u>5,105</u>
	Non-current	4,083	777	4,860
	Current	110	135	245
		<u>4,193</u>	<u>912</u>	<u>5,105</u>

FRS 41.41, 43, 46(b)(i)-(iii) At 31 December 2017, standing timber comprised approximately 2,160 hectares of hardwood tree plantations (2016: 3,230 hectares), which ranged from newly established plantations to plantations that were 30 years old. \$601,000 (2016: \$776,000) of the standing timber was less than one year old and considered to be immature assets. During the year, the Group harvested approximately 74,242 tonnes of wood (2016: 5,295 tonnes).²

FRS 41.41, 43, 46(b)(i)-(iii) At 31 December 2017, livestock comprised 3,765 goats (2016: 4,160 goats). During the year, the Group sold 472 goats (2016: 235 goats).²

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | Because the entity classifies the entire category of standing timber as Level 3 in the fair value hierarchy, this table illustrates only those disclosures that are incremental to the information in the reconciliation of carrying value provided in this note (note 6). |
|-----------|--|

Reference Notes to the financial statements

6. Biological assets (continued)
Measurement of fair values

(i) Fair value hierarchy

FRS 113.93(b)

The fair value measurements for the standing timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. The fair value measurements of livestock have been categorised as Level 2 fair values based on observable market sales data (see note 2.4).

(ii) Level 3 fair values

The following table shows a breakdown of the total gains/(losses) recognised in respect of Level 3 fair values (standing timber).¹

	2017	2016
	\$'000	\$'000
Group		
Gain included in 'other income'		
- Change in fair value (realised)	160	28
- Change in fair value (unrealised)	247	(114)
Gain included in OCI		
Effect of movements in exchange rate	30	68

FRS 113.93(e)(i)

FRS 113.93(f)

FRS 113.93(e)(ii)

FRS 113.93(e)(ii)

Note *Reference* **Explanatory note**

- 1.** *FRS 113.93(d)* A description of the valuation technique(s) and the inputs used in the fair value measurement is required for fair value measurements in Levels 2 and 3.
- 2.** *FRS 113.93(h)* Required for fair value measurements in Level 3.
- 3.** *FRS 113.93(d)* The entity is not required to create quantitative information for inputs of fair value measurements categorised in Level 3 if the unobservable inputs are not developed by the entity when measuring fair value. However, when providing this disclosure, the entity does not ignore quantitative unobservable inputs that are significant to the fair value measurement that are reasonably available.

Reference Notes to the financial statements

6. Biological assets (continued)
Measurement of fair values (continued)
(ii) Level 3 fair values (continued)

FRS 1.125, 129
FRS 113.93(d),
93(h), 99

Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique ¹	Significant unobservable inputs ^{1, 3}	Inter-relationship between key unobservable inputs ²
Standing timber			
Standing timber older than 25 years (the age at which it becomes marketable)	<i>Discounted cash flows:</i> The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for [5] years. The expected net cash flows are discounted using a risk-adjusted discount rate.	<ul style="list-style-type: none"> Estimated future timber market prices per tonne (\$30-36 (2016: \$28-33), weighted average \$33 (2016: \$31)). Estimated yields per hectare (6-10 (2016: 5-9), weighted average of 8 (2016: 8)). Estimated harvest and transportation costs (6-8% (2016: 6-8%), weighted average 7.5% (2016: 7.3%)). Risk-adjusted discount rate (8-9% (2016: 7-9%), weighted average 8.6% (2016: 8.3%)). 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> the estimated timber prices per tonne were higher (lower); the estimated yields per hectare were higher (lower); the estimated harvest and transportation costs were lower (higher); or the risk-adjusted discount rates were lower (higher).
Younger standing timber	<p><i>Cost technique and discounted cash flows:</i> The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the profit that would apply this activity.</p> <p>Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.</p>	<ul style="list-style-type: none"> Estimated costs of infrastructure per hectare (\$2-3 (2016: \$2-3), weighted average \$2.7 (2016: \$2.6)). Estimated costs of cultivation and preparation per hectare (\$0.4-1 (2016: \$0.3-1), weighted average \$0.7 (2016: \$0.7)). Estimated costs of buying and planting young trees (\$2-3 (2016: \$2-3), weighted average of \$2.4 (2016: \$2.3)). Estimated future timber market prices per tonne (\$32-38 (2016: \$30-32)). Estimated yields per hectare (6-11 (2016: 6-10), weighted average of 8.6 (2016: 8)). Risk-adjusted discount rate (8-9% (2013: 8-9%), weighted average 9.4% (2013: 9.2%)). 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> the estimated costs of infrastructure, cultivation and preparation and buying and planting trees were higher (lower); the estimated timber prices per tonne were higher (lower); the estimated yields per hectare were higher (lower); or the risk-adjusted discount rates were lower (higher).
Livestock			
Livestock comprises goat, characterised as commercial or breeders	<i>Market comparison technique:</i> The fair values are based on the market price of livestock of similar age, weight, breed and genetic make-up.	Not applicable.	Not applicable.

Note Reference **Explanatory note**

<p>1. FRS 40.75 (f)-(h)</p>	<p>An entity discloses:</p> <ul style="list-style-type: none"> • rental income and direct operating expenses arising from investment property that generated rental income separately from those arising from investment property that did not generate rental income; • the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used; • the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal; and • any material contractual obligations to buy, construct or develop investment property or for repairs, maintenance or enhancements.
<p>FRS 40.76</p>	<p>In presenting a reconciliation of carrying amounts from the beginning to the end of the reporting period, an entity that applies the fair value model discloses changes in the carrying amounts of investment property resulting from:</p> <ul style="list-style-type: none"> • additions, identifying separately subsequent expenditure; • acquisitions through business combinations; • amounts classified as held for sale; • net gains or losses from fair value adjustments; • translation differences; • transfers to and from inventories and owner-occupied property; • disposals; and • foreign currency differences.
<p>FRS 40.78</p>	<p>For items for which fair value cannot be measured reliably, an entity discloses:</p> <ul style="list-style-type: none"> • a description of the investment property; • an explanation of why fair value cannot be measured reliably; • if possible, the range of estimates within which fair value is highly likely to lie; and • on disposal of investment property not carried at fair value, the fact that the entity has disposed of investment property not carried at fair value, the carrying amount at the time of sale, and the gain or loss recognised.
<p>2.</p>	<p>The disclosure requirements of FRS 113 apply to the fair value of investment property, either under the fair value model or for disclosure purposes. The disclosures under FRS 113 are made for each class of asset, which may require an entity's investment property portfolio to be disaggregated instead of being disclosed as a single class of asset. This issue is discussed in <i>Insights into IFRS</i> (3.4.260.30).</p>
<p>3.</p>	<p>Because FRS 40 makes no reference to making disclosures on a class-by-class basis, it could be assumed that the minimum requirement is to make the disclosures on an aggregate basis for the whole investment property portfolio. If investment property represents a significant portion of the assets, then we prefer entities to disclose additional analysis – e.g. portfolio by types of investment property. This issue is discussed in <i>Insights into IFRS</i> (3.4.260.40).</p>

Reference Notes to the financial statements

6. Biological assets (continued)

FRS 41.49(c)

Risk management strategy related to agricultural activities

The Group is exposed to the following risks related to its hardwood tree plantations:

Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of hardwood. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Climate and other risks

The Group's hardwood tree plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and typhoons.

7. Investment property^{1, 2, 3}

FRS 40.76,
FRS 113.93(e)
FRS 40.76(a),
FRS 113.93(e)(iii)
FRS 40.76(f),
FRS 113.93(e)(iii)
FRS 40.76(c)
FRS 40.76(d),
FRS 113(f)
FRS 40.76,
FRS 113.93(e)

At 1 January

Acquisitions

Reclassification from property, plant and equipment

Distributed to owners of the Company

Change in fair value

At 31 December

Note	Group	
	2017 \$'000	2016 \$'000 Restated*
	1,050	950
	300	40
4	800	-
15	(100)	-
24	20	60
	2,070	1,050

* See note 2.5.

FRS 17.56(c)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. No contingent rents are charged. See note 33 for further information.

FRS 113.93(e)(i), (f)

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

FRS 1.122

The Group has sublet a vacated warehouse, but has decided not to treat this property as investment property because it is not the Group's intention to hold it for the long term, capital appreciation or rental. Accordingly, the property is still treated as a lease of property, plant and equipment.

Security

At 31 December 2017, investment properties of the Group with carrying amounts of \$1,715,000 (2016: \$1,000,000) are pledged as security to secure bank loans (see note 16).

Note Reference **Explanatory note**

<p>1. <i>FRS 40.32, 75(e)</i></p> <p><i>FRS 40.77</i></p>	<p>An entity is encouraged, but not required, to determine fair value by reference to a valuation by an independent valuer who holds a recognised and relevant professional qualification, and who has recent experience in the location and category of the investment property being valued. An entity discloses the extent to which the fair value is based on a valuation by an appropriate independent valuer. If there has been no such valuation, then that fact is disclosed.</p> <p>When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, an entity discloses a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back and any other significant adjustments.</p>
<p>2.</p>	<p>See explanatory note 1 on page 102.</p>
<p>3.</p>	<p>See explanatory note 2 on page 102.</p>
<p>4.</p>	<p>See explanatory note 3 on page 102.</p>

Reference Notes to the financial statements

7. Investment property (continued)

Measurement of fair value

(i) Fair value hierarchy

FRS 40.75(e)

The fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.¹

FRS 113.93(b)

The fair value measurement for all of the investment properties of \$2,070,000 (2016: \$1,050,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

FRS 1.125, 129

(ii) Valuation technique and significant unobservable inputs

FRS 113.93(d),

(h)(i), 99

The following table shows the Group's valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs ^{2, 4}	Inter-relationship between key unobservable inputs and fair value measurement ³
<p><i>Discounted cash flows:</i> The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.</p>	<ul style="list-style-type: none"> • Expected market rental growth (2 - 3% (2016: 2 - 3%), weighted average 2.6% (2016: 2.7%)). • Void periods (average 6 months (2016: 6 months) after the end of each lease). • Occupancy rate (90 - 95% (2016: 92 - 97%), weighted average 92% (2016: 93%)). • Rent-free periods (1-year (2016: 1-year) period on new leases). • Risk-adjusted discount rates (5 - 6% (2016: 5 - 6%), weighted average 5.8% (2016: 5.7%)). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • expected market rental growth was higher (lower); • void periods were shorter (longer); • the occupancy rate was higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were lower (higher).

Note Reference **Explanatory note**

1. For additional disclosure examples and explanatory notes on IFRS 12 *Disclosure of Interests in Other Entities*, see [Guide to annual financial statements – IFRS 12 supplement](#).

2. *FRS 112.5A, FRS 112.B17* *Clarification of the scope of FRS 112* clarifies that the disclosure requirements in FRS 112 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates.

In these illustrative financial statements, there are no subsidiaries, joint ventures and associates that are classified as held for sale, held for distribution or discontinued operations.

3. *FRS 28.18, 36A* *Measuring an Associate or Joint Venture at Fair Value - Improvements to FRSs (December 2016)* clarifies that:

- a venture capital organisation, or other qualifying entity may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis; and
- a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

This amendment is effective for annual periods beginning on or after 1 January 2018. In these illustrative financial statements, it is assumed that the entity and its subsidiaries are not venture capital organisations or other qualifying entities, and its associates and joint ventures are not investment entities. Hence the amendment is not expected to have an impact on the Group's financial statements.

Reference Notes to the financial statements

8. Associates and joint venture^{1, 2, 3}

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interests in associates	5,162	2,790	-	300
Interest in joint venture	2,017	848	-	-
At 31 December	7,179	3,638	-	300

SGX 717

SGX 718

KPMG LLP is the auditor of all significant Singapore-incorporated associates and joint ventures. Other member firms of KPMG International are auditors of significant foreign-incorporated associates and joint ventures. For this purpose, an associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

Associates

FRS 112.21(b)(i)

The Group has three (2016: two) associates that are material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following are for the material associates:

FRS 112.21(a)(i)

FRS 112.21(a)(ii)

FRS 112.21(a)(iii)

FRS 112.21(a)(iv)

FRS 112.21(b)(iii),
113.97

	Papyrus Pty Limited (Papyrus)	Cellulose Limited (Cellulose)	Paper Web Pte Ltd (Paper Web)
Nature of relationship with the Group	Strategic timber supplier providing access to patented technology and customers in Australia	Wood supplier providing access to customers in Asia	Web-based marketing operation providing marketing services
Principal place of business/Country of incorporation	Australia	Singapore	Singapore
Ownership interest/ Voting rights held	* (2016: 25%)	20% (2016: 20%)/ 18% (2016: 18%)	49% (2016: nil)
Fair value of ownership interest (if listed)	n/a	\$175,000 (2016: \$240,000)**	n/a

* On 31 March 2017, the Group's equity interest in Papyrus increased from 25% to 90% and Papyrus became a subsidiary from that date (see note 32).

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

Note Reference **Explanatory note**

1. In this example, the Group discloses summarised financial information of material associates and the Group's interests in individually immaterial associates in the same table to show the reconciliation to the carrying amount of associates. An alternative is to present a separate table for individually immaterial associates as the extent of disclosures required by FRS 112 are different.

FRS 112.21(c), B16 An entity provides the disclosures in aggregate for all individually immaterial joint ventures and, separately, in aggregate for all individually immaterial associates – they are not combined.

For individually immaterial associates, an entity may present the summarised financial information as follows.

Immaterial associates

FRS 112.21(c), B16 The Group has interests in a number of individually immaterial associates. The following table summarises, in aggregate, the carrying amount and share of profit and OCI of these associates that are accounted for using the equity method:

	2017	2016
	\$'000	\$'000
<i>FRS 112.B16</i> Carrying amount of interests in immaterial associates	[]	[]
Group's share of:		
<i>FRS 112.B16(a)</i> - Profit (loss) from continuing operations	[]	[]
<i>FRS 112.B16(b)</i> - Post-tax profit (loss) from discontinued operations	[]	[]
<i>FRS 112.B16(c)</i> - OCI	[]	[]
<i>FRS 112.B16(d)</i> - Total comprehensive income	[]	[]

2. *FRS 112.21(b)(iii)* In January 2015, the IFRS Interpretations Committee issued a final agenda decision observing that a reporting entity should present the summarised financial information about a joint venture or an associate that is material to the reporting entity based on the consolidated financial statements of the joint venture or associate. If the joint venture or associates does not have subsidiaries, then the presentation should be based on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted. The Committee noted that these views are consistent with paragraph B14(a) which states that 'the amounts included in the IFRS financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies'.

In November 2014, the Committee issued a final agenda decision noting that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised financial information on an individual basis for each joint venture or associate that is material to the reporting entity. It also noted that there is no provision in IFRS 12 that permits the non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.

3. See explanatory note 1 on page 112.

4. See explanatory note 2 on page 112.

5. See explanatory note 3 on page 112.

6. See explanatory note 4 on page 112.

Reference Notes to the financial statements

8. Associates and joint venture (continued)
Associates (continued)

FRS 112.21(b)(iii),
B14(a) The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and OCI of the remaining individually immaterial associates.^{1, 2, 3, 4}

	Papyrus \$'000	Cellulose \$'000	Paper Web \$'000	Immaterial associates \$'000	Total \$'000
2017					
FRS 112.B12(b)(v) Revenue	4,375	32,635	-		
FRS 112.B12(b)(vi) Profit (loss) from continuing operations	426	(850)	(1,207)		
FRS 112.B12(b)(vii) Post-tax loss from discontinued operations	-	(65)	-		
FRS 112.B12(b)(viii) OCI	88	-	(2)		
FRS 112.B12(b)(ix) Total comprehensive income	514	(915)	(1,209)		
Attributable to NCI	-	(75)	-		
Attributable to investee's shareholders	514	(840)	(1,209)		
FRS 112.B12(b)(ii) Non-current assets	-	7,265	7,592		
FRS 112.B12(b)(i) Current assets	-	6,210	9,582		
FRS 112.B12(b)(iv) Non-current liabilities	-	(1,855)	(8,185)		
FRS 112.B12(b)(iii) Current liabilities	-	(1,220)	(2,850)		
Net assets	-	10,400	6,139		
Attributable to NCI	-	50	-		
Attributable to investee's shareholders	-	10,350	6,139		
Group's interest in net assets of investee at beginning of the year⁵	472	2,238	-	80	2,790
Group's share of:					
FRS 112.B16(a) - profit (loss) from continuing operations	106	(155)	(591)	4	(636)
FRS 112.B16(b) - post-tax loss from discontinued operations	-	(13)	-	*	(13)
FRS 112.B16(c) - OCI	22	-	(1)	*	21
FRS 112.B14(b), B16(d) - total comprehensive income	128	(168)	(592)	4	(628)
FRS 112.B14(b) Elimination of unrealised profit on downstream sales ⁶	*	*	*		*
FRS 112.B14(b) Group's contribution during the year	-	-	3,600	-	3,600
FRS 112.B14(b) Carrying amount of interest in associate acquired as subsidiary	(600)	-	-	-	(600)
FRS 112.B12(a) Dividends received during the year	*	*	*	-	*
FRS 112.B14(b) Goodwill ³	*	*	*	-	*
FRS 112.B14(b), B16 Carrying amount of interest in investee at end of the year	-	2,070	3,008	84	5,162

* Amount less than \$1,000

Note Reference **Explanatory note**

1. *FRS 112.B14(a)* FRS 112 indicates that the amounts included in the summarised financial information are those prepared in accordance with FRS, modified to reflect adjustments made by the entity in applying equity accounting; fair value adjustments and accounting policy alignments are noted as examples.

Fair value adjustments

Although the standard refers to fair value adjustments at the date of acquisition, this would include the effect of the subsequent accounting since that date.

There is no guidance on whether the fair value adjustments should be made on a net basis (reflecting only the investor's interest) or grossed up to relate to the investee as a whole.

In this example, such adjustments have been grossed up and are embedded in the summarised financial information. An alternative would be to multiply the financial information by the investor's interest and then adjust for fair value adjustments; this approach might result in a more complex disclosure.

Goodwill

There is no guidance on how goodwill that forms part of the carrying amount of an investment in an associate or joint venture is incorporated into the summarised financial information. Although it can be argued that goodwill is an adjustment made in applying equity accounting, the determination of goodwill is very specific to the particular transaction between the parties. Therefore, in this example goodwill has been included in the reconciliation to the carrying amount of the investee in the statement of financial position, rather than being embedded in the summarised financial information of the associate.

2. *FRS 112.B15* The summarised financial information may be presented on the basis of the associate's or joint venture's financial statements if:
- the investee is accounted for at fair value; and
 - the investee does not prepare FRS financial statements and preparation on that basis would be impracticable or cause undue cost.

3. *FRS 112.B14(b)* FRS 112 requires the summarised financial information, which comprises financial position and financial performance, to be reconciled to the carrying amount in the statement of financial position.

One method of reconciliation, illustrated in the [Guide to annual financial statements – Illustrative disclosures](#) (note 23), is to focus the reconciliation on the financial position of equity-accounted investees

This example incorporates both elements – financial performance and financial position – into the reconciliation, which is then adjusted for reconciling items at the group level.

4. *FRS 112.B11, B14, 28.26,28* In respect of summarised financial information for subsidiaries with material NCI, FRS 112 specifies that such information should be before inter-company eliminations. However, it is silent on transactions with associates and joint ventures.

In this example, the elimination of unrealised gains or losses is presented as part of the reconciliation. An alternative would be to present the summarised financial information after such eliminations because they are adjustments made in applying equity accounting (see explanatory note 1).

The accounting for transactions with equity-accounted investees is discussed in *Insights into IFRS* (3.5.430).

Reference Notes to the financial statements

8. Associates and joint venture (continued)
Associates (continued)

	Papyrus \$'000	Cellulose \$'000	Immaterial associates \$'000	Total \$'000
2016				
FRS 112.B12(b)(v)	27,400	26,600		
FRS 112.B12(b)(vi), (ix)	Profit from continuing operations and total comprehensive income			
	550	1,440		
	-	5		
	550	1,435		
FRS 112.B12(b)(ii)	1,810	7,032		
FRS 112.B12(b)(i)	1,470	6,220		
FRS 112.B12(b)(iv)	(720)	(810)		
FRS 112.B12(b)(iii)	(670)	(1,250)		
	Net assets			
	1,890	11,192		
	-	2		
	1,890	11,190		
	Group's interest in net assets of investee at beginning of the year³			
	334	1,961	59	2,354
FRS 112.B14(b), B16(a)	Profit from continuing operations attributable to the Group			
	138	287		
FRS 112.B14(b)	Elimination of unrealised profit on downstream sales ⁴			
	-	(10)		
FRS 112.B14(b), B16(d)	Group's share of profit from continuing operations and total comprehensive income			
	138	277	21	436
FRS 112.B12(a)	Dividends received during the year			
	*	*	-	*
FRS 112.B14(b)	Goodwill ¹			
	*	*	-	*
FRS 112.B14(b), B16	Carrying amount of interest in investee at end of the year			
	472	2,238	80	2,790

* Amount less than \$1,000

FRS 112.22(a) Cellulose's non-current liabilities include a bank loan (repayable in 2019) that is subject to covenants that include restrictions on the payment of dividends to shareholders unless a certain level of interest cover is achieved from continuing operations.

FRS 112.7(b), 9(e), 1.122 Although the Group has 20% ownership in the equity interests of Cellulose, it has less than 20% of the voting rights. However, the Group has determined that it has significant influence because it has representation on the board of Cellulose.

On 31 March 2017, the Group's equity interest in one of its associates, Papyrus increased from 25% to 90% and Papyrus became a subsidiary from that date (see note 32). Accordingly, the information presented in the above table includes the results of Papyrus only for the period from 1 January 2016 to 31 March 2017.

During the year the Group, together with other companies in the paper industry, established Paper Web, a web-based marketing operation. The Group's contribution to set up the investment was \$3,600,000 and resulted in the Group obtaining a 49% investment in Paper Web. This contribution represented start-up costs and as a result there is no goodwill included in the \$3,600,000 investment.

FRS 112.22(c) The Group has not recognised losses totalling \$15,000 (2016: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2017, the Group repaid a loan of \$1,000 received from one of its associates (see note 16).

Note Reference **Explanatory note**

<p>1. FRS 112.7(c), 21(a)</p>	<p>Unlike joint ventures, FRS 112 requires only limited quantitative disclosures for joint operations, including information about significant judgements and assumptions made in determining the classification of a joint arrangement that is structured through a separate entity. The issue of classifying joint arrangements is discussed in <i>Insights into IFRS</i> (3.6.70).</p> <p>In this example, a joint venture is illustrated. Below is an example of an accounting policy for a joint operation.</p> <p>Joint operation</p> <p>FRS 111.15 A joint operation is a joint arrangement whereby parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.</p> <p>FRS 111.20 A joint operator recognises in its consolidated and separate financial statements, its interest in the joint operation as follows:</p> <ul style="list-style-type: none"> • its assets, including its share of any assets held jointly; • its liabilities, including its share of any liabilities incurred jointly; • its revenue from the share of its 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. <p>Illustrative notes to the financial statements - Joint operation</p> <p>FRS 112.21(a) The Group is a 50% partner in Palladium, a joint arrangement formed with DEF Inc to develop a new material related to the processing of paper pulp that will be used in the operations of the partners. Palladium’s principal place of business is the UK.</p> <p>FRS 1.122, 112.7(c) Although Palladium is legally separated from the parties, the Group has classified it as a joint operation. This is on the basis that the partners are legally obliged to take the entire output produced by Palladium and will be the only source of funding to settle its liabilities.</p>
<p>2.</p>	<p>See explanatory note 1 on page 112.</p>
<p>3.</p>	<p>See explanatory note 2 on page 112.</p>
<p>4. FRS 112.B13</p>	<p>The minimum line item disclosures required for each material joint venture are more extensive than for material associates. In this example, the additional information is presented in the form of footnotes to the tables summarising financial performance and financial position.</p>
<p>5.</p>	<p>See explanatory note 3 on page 112.</p>
<p>6.</p>	<p>See explanatory note 4 on page 112.</p>

Reference Notes to the financial statements

8. Associates and joint venture (continued)

Joint venture¹

FRS 112.21(a) Paletel Co. Ltd (Paletel) is an unlisted joint venture in which the Group has joint control via investors' agreement and 40% (2016: 40%) ownership interest. Paletel was founded by the Group and XYZ, and is one of the Group's strategic partners, based in the People's Republic of China, principally engaged in the production of paper pulp.

FRS 112.7(c),
B14(i), 1.122 Paletel is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Paletel as a joint venture, which is equity-accounted.

FRS 112.21(b)(iii),
B14(a) The following table summarises the financial information of Paletel, based on its financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.^{2, 3, 4}

	2017 \$'000	2016 \$'000
FRS 112.B12(b)(v) Revenue	25,796	21,405
FRS 112.B12(b)(vi) Profit from continuing operations ^a	3,205	690
FRS 112.B12(b)(viii) OCI	-	-
FRS 112.B12(b)(ix) Total comprehensive income	3,205	690
FRS 112.B13(d) ^a Includes:		
FRS 112.B13(f) - depreciation and amortisation of \$445,000 (2016: \$350,000)		
FRS 112.B13(g) - interest expense of \$396,000 (2016: \$218,000)		
FRS 112.B13(g) - income tax expense of \$1,275,000 (2016: \$290,000).		
FRS 112.B12(b)(ii) Non-current assets	5,953	3,259
FRS 112.B12(b)(i) Current assets ^b	589	321
FRS 112.B12(b)(iv) Non-current liabilities ^c	(1,716)	(1,320)
FRS 112.B12(b)(iii) Current liabilities ^d	(543)	(1,130)
Net assets	4,283	1,130
FRS 112.B13(a) ^b Includes cash and cash equivalents of \$200,000 (2016: \$150,000).		
FRS 112.B13(c) ^c Includes non-current financial liabilities (excluding trade and other payables and provisions) of \$1,211,000 (2016: \$986,000).		
FRS 112.B13(b) ^d Includes current financial liabilities (excluding trade and other payables and provisions) of \$422,000 (2016: \$930,000).		
Group's interest in net assets of investee at beginning of the year⁵	452	176
FRS 112.B14(b) Share of total comprehensive income	1,282	276
FRS 112.B12(a) Dividends received during the year	(21)	-
FRS 112.B14(b) Elimination of unrealised profit on downstream sales ⁶	(96)	(4)
FRS 112.B14(b) Goodwill ²	400	400
FRS 112.B14(b) Carrying amount of interest in investee at end of the year	2,017	848

FRS 112.23(a),
B18-19 In accordance with the agreement under which Paletel is established, the Group and XYZ have agreed to make additional contributions in proportion to their interests to make up any losses, if required, up to a maximum amount \$6,000,000. This commitment has not been recognised in the Group's consolidated financial statements.

Note Reference **Explanatory note**

<p>1. <i>FRS 107.30</i></p>	<p>If investments in unquoted equity instruments or derivatives linked to, and to be settled in, such equity instruments are measured at cost because their fair value cannot be measured reliably, then an entity discloses that fact; a description of the financial instruments; their carrying amount; an explanation of why fair value cannot be measured reliably; information about whether and how the entity intends to dispose of the financial instruments; information about the market for the financial instruments; and when the financial assets are derecognised the fact that they have been derecognised; their carrying amount at the time of derecognition; and the gain or loss recognised.</p>
<p>2. <i>FRS 107.42B, 42D</i></p>	<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. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, then it discloses information that enables users of its financial statements:</p> <ul style="list-style-type: none"> • to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and • to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. <p>To meet the above objectives, an entity discloses 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"> • the nature of the assets, the nature of the risks and rewards of ownership retained; • a description of the nature of the relationship between the assets and the associated liabilities, including restrictions on use; • when recourse for the associated liabilities is limited to the transferred assets, a schedule that sets out the fair value of the assets, the fair value of the associated liabilities and the net position; • the carrying amount of the asset and associated liabilities, when the asset remains recognised in its entirety; and • the carrying amount of the original asset, the amount that continues to be recognised and the carrying amount of the associated liabilities, when the asset remains recognised to the extent of continuing involvement. <p><i>FRS 107.42E, 42G</i> When an entity derecognises transferred financial assets in their entirety but has continuing involvement in them, it discloses at each reporting date for each type of continuing involvement:</p> <ul style="list-style-type: none"> • the carrying amount and fair value; • 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; • undiscounted cash flows to repurchase derecognised financial assets or other amounts payable; • a maturity analysis of the above; and • qualitative information that explains the above and the gain or loss recognised at the date of transfer and income and expenses recognised in the reporting period and cumulatively.
<p>3. <i>FRS 107.14</i></p>	<p>If an entity has pledged any financial asset as collateral, then it discloses:</p> <ul style="list-style-type: none"> • the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities; and • the terms and conditions related to the pledge.
<p><i>FRS 107.15</i></p>	<p>If an entity has accepted collateral that it is permitted to sell or repledge in the absence of a default by the owner of the collateral, then it discloses the fair value of collateral accepted (financial and non-financial assets); the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and the terms and conditions associated with its use of this collateral.</p>
<p><i>FRS 107.12</i></p>	<p>If an entity has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value, then it discloses the amount of the reclassification and the reason for that reclassification.</p>

Reference Notes to the financial statements

9. Other investments, including derivatives^{1, 2, 3}

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current investments				
<i>FRS 107.8(b)</i>	Held-to-maturity financial assets:			
	- Debt securities			
	2,436	2,256	2,436	2,256
<i>FRS 107.8(d)</i>	Available-for-sale financial assets:			
	- Debt securities			
	118	373	118	373
	- Equity securities			
	710	511	710	511
<i>FRS 107.8(a)</i>	Financial assets designated at fair value through profit or loss			
	- Equity securities			
	251	254	248	250
<i>FRS 107.22(b)</i>	Interest rate swaps used for hedging ²			
	116	131	-	-
	3,631	3,525	3,512	3,390
Current investments				
<i>FRS 107.8(a)</i>	Financial assets classified as held for trading			
	- Equity securities			
	243	568	197	514
<i>FRS 107.22(b)</i>	Forward exchange contracts used for hedging			
	297	375	-	-
	Other forward exchange contracts ²			
	122	89	120	50
	662	1,032	317	564

FRS 107.7 Debt securities classified as available-for-sale investments of the Group and the Company with a carrying amount of \$118,000 at 31 December 2017 (2016: \$373,000) have stated interest rates of 5.2% to 7.0% (2016: 6.5% to 8.0%) and mature between 1 to 2 years.

Debt securities classified as held-to-maturity investments of the Group and the Company with carrying amounts of \$2,436,000 at 31 December 2017 (2016: \$2,256,000) have stated interest rates of 6.3% to 7.8% (2016: 7.5% to 8.3%) and mature in 2 to 5 years.

FRS 107.B5(a)(i), (iii) Some equity securities have been designated at fair value through profit or loss because they are managed on a fair value basis and their performance is actively managed.

Credit and market risks, and fair value measurement

Information about the Group's and the Company's exposures to credit and market risks, and fair value measurement, is included in note 22.

Note Reference **Explanatory note**

- 1.** *FRS 12.81(g)* An entity is required to disclose, in respect of each *type* of temporary difference, the amount of deferred tax assets and liabilities recognised in the statement of financial position. FRS is unclear as to what constitutes a type of a temporary difference. Disclosures presented in these illustrative financial statements are based on the statement of financial position captions related to the temporary differences. Another possible interpretation is to present disclosures based on the reason for the temporary difference, e.g. depreciation.

In our view, it is not appropriate to disclose the tax effects of gross deferred tax assets if there are unrecognised amounts because, under FRS, it is *recognised* deferred tax assets that are required to be disclosed.

These issues are discussed in *Insights into IFRS* (3.13.640.60 - 70).

- 2.** *FRS 12.26(d), 29(a)(ii)* *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to FRS 12* clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the reporting date, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. When determining whether sufficient future taxable profits are available to recognise deferred tax assets, an entity excludes the effects deductible temporary differences have on the taxable profits.

FRS 12.29A The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

In these illustrative financial statements, it is assumed to have no impact.

- 3.** *FRS 12.82* An entity discloses the nature of the evidence supporting the recognition of a deferred tax asset when:
- 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
 - the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Reference Notes to the financial statements

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities^{1, 2}

FRS 12.81(g)(i)

Deferred tax assets and liabilities are attributable to the following:

	Assets ³		Liabilities	
	2017 \$'000	2016 \$'000 Restated*	2017 \$'000	2016 \$'000 Restated*
Group				
Property, plant and equipment	(235)	(373)	2,195	843
Intangible assets	(61)	(94)	824	495
Biological assets	-	-	345	127
Investment property	-	-	175	148
Held-to-maturity investments	(7)	-	-	-
Available-for-sale financial assets	-	-	160	115
Financial assets at fair value through profit or loss	-	-	167	73
Derivatives	(9)	(4)	177	197
Inventories	(83)	(41)	-	-
Loans and borrowings	-	-	136	-
Employee benefits	-	-	99	149
Share-based payment transactions	(583)	(317)	-	-
Provisions	(557)	(528)	-	-
Other items	(68)	(213)	-	-
Tax loss carry-forwards	(436)	(386)	-	-
Deferred tax (assets) liabilities	(2,039)	(1,956)	4,278	2,147
Set off of tax	2,039	580	(2,039)	(580)
Net deferred tax (assets) liabilities	-	(1,376)	2,239	1,567

* See note 2.5.

	Assets ²		Liabilities	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Company				
Property, plant and equipment	-	-	1,272	1,067
Held-to-maturity investments	(7)	-	-	-
Available-for-sale financial assets	-	-	160	115
Financial assets at fair value through profit or loss	-	-	167	73
Derivatives	(5)	-	-	-
Inventories	(33)	(7)	-	-
Loans and borrowings	-	-	38	-
Provisions	(51)	(28)	-	-
Tax loss carry-forwards	(256)	(401)	-	-
Deferred tax (assets) liabilities	(352)	(436)	1,637	1,255
Set off of tax	352	436	(352)	(436)
Net deferred tax (assets) liabilities	-	-	1,285	819

Note Reference **Explanatory note**

- | |
|---|
| <p>1. <i>FRS 12.81(g)(ii)</i> When the amount of deferred tax recognised in profit or loss in respect of each type of temporary difference is apparent from the changes in the amounts recognised in the statement of financial position, this disclosure is not required.</p> |
|---|

Reference Notes to the financial statements

10. Deferred tax assets and liabilities (continued)

FRS 12.81(g)(iii)

Movement in deferred tax balances¹**Group**

	Balance as at 1 Jan 2016 \$'000 Restated*	Recognised in profit or loss \$'000 Restated*	Recognised in other comprehen- sive income \$'000	Exchange diffe- rences \$'000	Balance as at 31 Dec 2016 \$'000 Restated*	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Recognised in other comprehen- sive income \$'000	Acquired in business com- binations (note 32) \$'000	Other (see note 11, 15 and 29) \$'000	Exchange diffe- rences \$'000	Balance as at 31 Dec 2017 \$'000
Property, plant and equipment	(320)	663	-	127	470	1,811	-	66	35	(422)	-	1,960
Intangible assets	98	303	-	-	401	294	-	-	38	-	30	763
Biological assets	106	21	-	-	127	216	-	-	-	-	2	345
Investment property	115	33	-	-	148	37	-	-	-	(13)	3	175
Held-to-maturity investments	-	-	-	-	-	(7)	-	-	-	-	-	(7)
Available-for-sale financial assets	84	-	31	-	115	-	-	45	-	-	-	160
Financial assets at fair value through profit or loss	47	26	-	-	73	94	-	-	-	-	-	167
Derivatives	163	8	22	-	193	5	-	(31)	-	-	1	168
Inventories	-	(41)	-	-	(41)	(5)	-	-	3	(40)	-	(83)
Loans and borrowings	-	-	-	-	-	77	22	-	9	-	28	136
Employee benefits	194	(40)	(5)	-	149	(70)	-	24	-	-	(4)	99
Share-based payment transactions	(211)	(106)	-	-	(317)	(266)	-	-	-	-	-	(583)
Provisions	(438)	(90)	-	-	(528)	(23)	-	-	(6)	-	-	(557)
Other items	(158)	(55)	-	-	(213)	145	-	-	-	-	-	(68)
Tax loss carry-forwards	(146)	(240)	-	-	(386)	(50)	-	-	-	-	-	(436)
	(466)	482	48	127	191	2,258	22	104	79	(475)	60	2,239

* See note 2.5.

This page has been left blank intentionally.

Reference Notes to the financial statements

10. Deferred tax assets and liabilities (continued)
Movement in deferred tax balances (continued)**Company**

	Balance as at 1 Jan 2016 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Balance as at 31 Dec 2016 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Recognised in other comprehen- sive income \$'000	Balance as at 31 Dec 2017 \$'000
Property, plant and equipment	702	365	-	1,067	205	-	-	1,272
Held-to-maturity investments	-	-	-	-	(7)	-	-	(7)
Available-for-sale financial assets	84	-	31	115	-	-	45	160
Financial assets at fair value								
through profit or loss	47	26	-	73	94	-	-	167
Derivatives	-	-	-	-	(5)	-	-	(5)
Inventories	-	(7)	-	(7)	(26)	-	-	(33)
Loans and borrowings	-	-	-	-	16	22	-	38
Provisions	(17)	(11)	-	(28)	(23)	-	-	(51)
Tax loss carry-forwards	(181)	(220)	-	(401)	145	-	-	(256)
	635	153	31	819	399	22	45	1,285

Note Reference **Explanatory note**

- | | |
|---------------------------------------|---|
| 1. <i>FRS 12.81(f),
87</i> | FRS 12 requires an entity to disclose the aggregate amount of temporary differences for unrecognised deferred tax liabilities arising from investment in subsidiaries, branches and associates and interests in joint ventures as it is not often practicable to compute the deferred tax liability. Nevertheless, where practicable, entities are encouraged to disclose the amounts of unrecognised deferred tax liabilities. In these illustrative financial statements, both the unrecognised deferred tax liability and temporary differences have been disclosed. |
| 2. | The Group does not plan to dispose of its investments in associates in the foreseeable future, and therefore has measured deferred tax relating to these investments using the tax rates applicable to dividends, which are zero because dividends from these associates are tax-exempt. As a result, no deferred tax has been recognised. This issue is discussed in <i>Insights into IFRS</i> (3.13.300). |
| 3. | In our view, the ability of a joint venturer to veto the payment of dividends is sufficient to demonstrate control for the purpose of recognising deferred tax. This issue is discussed in <i>Insights into IFRS</i> (3.13.310.10). |

Reference Notes to the financial statements

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax liabilities¹

FRS 12.81(f), 87

At 31 December 2017, a deferred tax liability of \$50,000 (2016: \$29,000) for temporary differences of \$500,000 (2016: \$287,000) related to investments in a subsidiary and a joint venture^{2,3} were not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint venture – i.e. the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied they will not reverse in the foreseeable future.

FRS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax exempt, provided that the gains are not distributed. At 31 December 2017, the total tax exempt reserves amounted to \$600,000 (2016: \$540,000) which would result in a tax liability of \$198,000 (2016: \$178,000) should the subsidiaries pay dividends from these reserves.

FRS 12.81(e)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deductible temporary differences	103	200	-	-
Tax losses	272	380	-	-
	375	580	-	-

Tax losses carried forward

FRS 12.81(e)

Tax losses of \$100,000 (2016: \$200,000) expire in 2019 – 2021 (2016: 2019 – 2020). The remaining tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

FRS 1.125, 129, 12.82

In 2017, one of the Group's Singapore subsidiaries, ABC Private Ltd, successfully launched a new type of paper and entered into a number of long-term supply contracts. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of \$40,000 of previously unrecognised tax losses because management considered it probable that future taxable profits would be available against which such losses can be used.

In 2016, the Group's Indonesian subsidiary, PT Mermaid, launched a new production line that would allow it to reduce costs significantly going forward and improve profitability. As a result, management revised its estimates of future taxable profits and the Group recognised the tax effect of \$200,000 of previously unrecognised tax losses because management considered it probable that future taxable profits would be available against which such losses can be used. In 2017, PT Mermaid achieved its planned profitability; therefore, management continues to consider it probable that future taxable profits would be available against which the related deferred tax asset can be realised.

In 2017, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of \$55,000, increasing cumulative tax losses to \$100,000 (2016: \$45,000). Management has determined that the recoverability of cumulative tax losses, which expire in 2019, is uncertain due to the surplus capacity/supply depressing paper prices in Romania. Based on the five-year business plan and taking into account the reversal of existing taxable temporary differences, Lei Sure Limited is not expected to generate taxable profits until 2020. However, if paper prices improve more quickly than forecast or new taxable temporary differences arise in the next financial year, then additional deferred tax assets and a related income tax benefit of up to \$33,000 could be recognised.

Note Reference **Explanatory note**

1. In these illustrative financial statements, the part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation as per the requirements of Appendix A to FRS 105. This issue is discussed in *Insights into IFRS* (5.4.120). If that part of the manufacturing facility had met the definition of a discontinued operation, then all disclosures as those set out in note 29 need to be made.

FRS 105.42 If there are changes to a plan of sale or distribution and an asset or a disposal group no longer is classified as held for sale or distribution, then the entity discloses, in the period of change:

- a description of the facts and circumstances leading to the decision; and
- the effect of the decision on the results of operations for the period and any prior periods presented

2. *FRS 105.5A, 5B* The disclosure requirements of FRS 105 apply to non-current assets or disposal groups classified as held for sale or distribution, and to discontinued operations. Disclosures required by other FRSs apply when it refers specifically to non-current assets or disposal groups classified as held for sale or to discontinued operations; for example the disclosure of earnings per share for a discontinued operation. Disclosures required by other FRSs may also apply when they relate to assets and liabilities in a disposal group that are not within the measurement scope of FRS 105. Additional disclosures may be necessary to comply with the general requirements of FRS 1, in particular for a fair presentation and in respect of sources of estimation uncertainty.

FRS 112.5A, FRS 112.B17 *Clarification of the scope of FRS 112* clarifies that the disclosure requirements in FRS 112 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates.

In these illustrative financial statements, there are no subsidiaries, joint ventures and associates that are classified as held for sale, held for distribution or discontinued operations. If such interests are classified as held for sale, held for distribution or discontinued operations, the Group would continue to provide disclosures other than the summarised financial information relating to such interests in notes 8 and 37.

3. See explanatory note 7 on page 128.

4. *FRS 113.93(a), (b)* When applicable, the fair value and the hierarchy within which the fair value measurements are categorised are separately disclosed for recurring and non-recurring fair value measurements.

Recurring fair value measurements of assets or liabilities are those that FRS requires or permits in the statement of financial position at the reporting date (for example derivatives). Non-recurring fair value measurements of assets or liabilities are those that FRS requires or permits in the statement of financial position in particular circumstances (for example when an entity measures an asset held for sale at fair value less costs to sell in accordance with FRS 105).

In these illustrative financial statements, it is assumed that the impairment loss of \$25,000 on the remeasurement of the disposal group relates to trade and other receivables that are not within the measurement scope of FRS 105. As the disposal group as a whole is measured at its carrying amount (being lower than its fair value less costs to sell), the disclosure requirements of FRS 113 do not apply in this particular example.

Where the disposal group or non-current assets classified as held for sale or distribution are measured at fair value less costs to sell at the reporting date, the disclosure requirements under FRS 113 for assets and liabilities measured at fair value on a non-recurring basis would apply.

Reference Notes to the financial statements

11. Disposal group held for sale^{1, 2, 3}

FRS 105.41(a),
(b), (d)

In June 2017, management committed to a plan to sell part of a manufacturing facility within the Standard Papers segment. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started, and a sale is expected by May 2018.

FRS 105.41(c)

Impairment losses relating to the disposal group

Impairment losses of \$25,000 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expenses' (see note 25). The impairment losses have been applied to reduce the carrying amount of trade and other receivables within the disposal group.

FRS 105.38

Assets and liabilities of disposal group held for sale

At 31 December 2017, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:³

	Note	Group 2017 \$'000
Property, plant and equipment	4	8,164
Inventories		2,750
Trade and other receivables		3,496
Assets held for sale		<u>14,410</u>
Trade and other payables		4,270
Deferred tax liabilities	10	140
Liabilities held for sale		<u>4,410</u>

FRS 105.38

Cumulative income or expenses recognised in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

Measurement of fair values

Fair value hierarchy⁴

FRS 113.93(b)

The non-recurring fair value measurement for the disposal group of \$10,060,000 (before costs to sell of \$60,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

FRS 1.125, 129

Valuation technique and significant unobservable inputs

FRS 113.93(d), 99

The following table shows the Group's valuation technique used in measuring the fair value of the disposal group, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs
<i>Cost approach and discounted cash flows:</i> The Group considers both approaches, and reconciles and weighs the estimates under each technique based on its assessment of the judgement that market participants would apply. The cost approach considers the current replacement costs of replicating the manufacturing facility, including the costs of transportation, installation and start-up. Discounted cash flows consider the present value of the net cash flows expected to be generated from the facility, taking into the account the budgeted EBITDA growth rate and budgeted capital expenditure growth rate; the expected net cash flows are discounted using a risk-adjusted discount rate.	<ul style="list-style-type: none"> Budgeted EBITDA growth rate (4-5% (2016: 4-5%), weighted average 4.7% (2016: 4.5%)). Budgeted capital expenditure growth rate (3-4% (2016: 3-5%), weighted average 3.5% (2016: 3.9%)). Risk-adjusted discounted rate (7-8% (2016: 7-9%) weighted average 7.7% (2016: 7.9%)).

Note Reference **Explanatory note**

- | | |
|-----------------------------------|---|
| 1. <i>FRS 2.39</i> | When an entity presents an analysis of expenses using classification based on the nature of expenses in the statement of profit or loss, it discloses the costs recognised as an expense for raw materials and consumables, labour and other costs, together with the amount of the net change in inventories for the period. |
| <i>FRS 2.36(c)</i> | If the Group includes commodity broker-traders who measure their inventories at fair value less costs to sell, the carrying amounts of inventories carried at fair value less costs to sell should be disclosed. |
| 2. <i>FRS 1.61</i> | In these illustrative financial statements it is assumed that inventories are expected to be recovered no more than 12 months after the reporting date. If it were not the case, then the entity would disclose the amount of inventories that are expected to be recovered after more than 12 months from the reporting date. This issue is discussed in <i>Insights into IFRS</i> (3.8.440.10). |
| 3. <i>FRS 16.8</i> | Spare parts, stand-by equipment and servicing equipment are not classified as inventory if such items meet the definition of property, plant and equipment. |
| 4. | In our view, if an entity presents an analysis of expenses by function in the statement of profit or loss, then write-downs of inventory to net realisable value as well as any reversals of such write-downs should be 'cost of sales'. This issue is discussed in <i>Insights into IFRS</i> (3.8.440.70). |
| 5. <i>FRS 107.9(a)-(d)</i> | When an entity has designated a loan or receivable (or group of loans or receivables) at fair value through profit or loss, it discloses: <ul style="list-style-type: none">• the maximum exposure to credit risk of the loan or receivable (or group of loans or receivables) at the reporting date;• the amount by which any related credit derivative or similar instrument mitigates the maximum exposure to credit risk;• the amount of change during the period and cumulatively in the fair value of the loan or receivable, or group of loans or receivables, that is attributable to changes in credit risk, determined either 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 using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk; and• the amount of the change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated. |
| 6. | Although these amounts are required to be disclosed separately, there is no guidance on the characterisation of assets or liabilities related to construction contracts in progress. One approach is to present assets as an accounts receivable, or in the case of liabilities, as deferred revenue. This issue is discussed in <i>Insights into IFRS</i> (4.2.260.40). |
| 7. <i>FRS 105.38-39</i> | The major classes of assets and liabilities classified as held for sale or distribution can be separately disclosed in the statement of financial position or in the notes. This disclosure is not required if the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition. |

Reference Notes to the financial statements

12. Inventories^{1, 2, 3}

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>FRS 1.78(c), 2.36(b)</i> Raw materials and consumables	3,878	4,320	1,588	2,110
<i>FRS 1.78(c), 2.36(b)</i> Spares	982	1,433	354	347
<i>FRS 1.78(c), 2.36(b)</i> Work in progress	2,543	1,661	1,345	586
<i>FRS 1.78(c), 2.36(b)</i> Finished goods	2,564	4,705	1,407	2,708
	9,967	12,119	4,694	5,751
<i>FRS 2.36(h)</i> Carrying amount of inventories subject to retention of title clauses	1,650	2,090	-	-

FRS 1.98(a), 2.36(d) In 2017, inventories of \$41,698,000 (2016: \$44,273,000) were recognised as an expense during the year and included in 'cost of sales' (see note 27).

FRS 2.36(e)-(g) During 2016, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group tested the related product line for impairment (see note 5 (ii)) and also wrote down the related inventories to their net realisable value, which resulted in a loss of \$42,000. In 2017, following a change in estimates, \$17,000 of the write-down was reversed.

In addition, inventories have been reduced by \$345,000 (2016: \$125,000) as a result of the write-down to net realisable value.

The write-downs and reversals are included in 'cost of sales'.⁴

13. Trade and other receivables⁵

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>FRS 1.78(b)</i> Amount due from related parties, trade		1,236	392	-	-
<i>FRS 1.78(b)</i> Trade receivables		14,930	17,327	4,568	4,843
Service concession receivables	40	260	-	-	-
<i>FRS 24.18(b), 1.78(b)</i> Amounts due from subsidiaries					
- Trade		-	-	4,057	2,646
- Non-trade		-	-	12,073	5,730
Trade and other receivables		16,426	17,719	20,698	13,219
<i>FRS 1.78(b), 11.42(a)</i> Construction contract in progress ⁶		348	280	-	-
		16,774	17,999	20,698	13,219
Non-current		213	-	-	-
Current		16,561	17,999	20,698	13,219
		16,774	17,999	20,698	13,219

Note Reference **Explanatory note**

- | | |
|--------------------|---|
| 1. <i>FRS 7.48</i> | An entity discloses, together with a commentary from management, the amount of significant cash and cash equivalent balances not available for use by the entity. |
| 2. | Since cash equivalents must be investments readily convertible to known amounts of cash, in our view, only debt securities and deposits can generally qualify for inclusion, subject to the other criteria being met. 'Short-term' is not defined, but the standard encourages a cut-off of three-months' maturity from the date of acquisition. In our view, three months should be used as an absolute cut-off and debt securities with a longer maturity should be regarded as part of investing activities. This issue is discussed in <i>Insights into IFRS</i> (2.3.10.30). |

Reference Notes to the financial statements

13. Trade and other receivables (continued)

Construction contract in progress

FRS 11.40(a)-(b) At 31 December 2017, the aggregate amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to \$292,000 (2016: \$226,000) for the Group. Progress billings and advances received from customers under open construction contracts amounted to \$34,000 (2016: \$38,000) for the Group.

FRS 11.40(c) At 31 December 2017, trade receivables of the Group included retentions of \$120,000 (2016: \$80,000) related to construction contracts in progress.

Amounts due from subsidiaries

FRS 24.18(b), (c) Outstanding balances with subsidiaries and related parties are unsecured. There is no allowance for doubtful debts arising from these outstanding balances.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, excluding construction contract in progress, are disclosed in note 22.

FRS 7.45 **14. Cash and cash equivalents¹**

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Bank balances	598	988	467	771
Short-term deposits ²	907	862	271	58
Cash and cash equivalents in the statements of financial position	1,505	1,850	738	829
Bank overdrafts used for cash management purposes	(334)	(282)	-	-
Deposits pledged	(221)	(256)	-	-
Cash and cash equivalents in the statement of cash flows	950	1,312	738	829

FRS 7.48, 107.14(a) Deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities (see note 16).

Note Reference **Explanatory note**

1. *FRS 1.79(a)(iii)* An entity shall disclose the par value per share, or that the shares have no par value, for each class of share capital.

2. *FRS 1.79(a)(ii)* An entity discloses the number of shares issued but not fully paid.

FRS 1.79(a)(vii) An entity discloses details of shares reserved for issue under options and sales contracts, including the terms and amounts.

Reference Notes to the financial statements

15. Capital and reserves
Share capital

FRS 1.79(a)(iv)	Ordinary shares		Non-redeemable preference shares	
	2017	2016	2017	2016
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Company				
In issue at 1 January	3,100	3,100	1,750	1,750
Issued in business combination	8	-	-	-
Issued for cash	130	-	-	-
Exercise of share options	5	-	-	-
In issue at 31 December	3,243	3,100	1,750	1,750

FRS 1.79(a)(v) All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

FRS 1.79(a)(ii), (iii) All issued shares are fully paid, with no par value.^{1, 2}

Ordinary shares

FRS 1.79(a)(v) The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Issue of ordinary shares

FRS 1.79(a) In October 2017, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of \$11.92 per share (2016: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2013 share option programme granted to key management (2016: nil) (see note 18). Options were exercised at an average price of \$10.00 per share.

FRS 7.43 On 31 March 2017, 8,000 ordinary shares were issued as a result of the acquisition of Papyrus (see note 32) (2016: nil).

Non-redeemable preference shares

Holders of non-redeemable preference shares receive a non-cumulative dividend of 25.03 cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. Non-redeemable preference shares do not carry the right to vote.

Note Reference **Explanatory note**

- | | |
|---|---|
| 1. <i>FRS 1.79(b)</i> | An entity is required to disclose a description of the nature and purpose of each reserve within equity, both for the Group-level and Company-level reserves. In these illustrative financial statements, the information on reserves within equity at the Company level is shown in the notes. Alternatively, an entity may choose to disclose such information via presenting a statement of changes in equity for the Company. |
| 2. <i>FRS 16.77(f)</i> | If items of property, plant and equipment are stated at revalued amounts, then the entity discloses the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders. |
| 3. <i>FRS 1.79(a)(vi),
32.34</i> | An entity discloses separately the amount of treasury shares held, either in the statement of financial position or the statement of changes in equity, or in the notes. In these illustrative financial statements, we disclose this information in the notes. |
| 4. <i>FRS 24.18,
32.34</i> | If any of the shares are acquired from the Group's related parties, then an entity discloses details of the transaction in accordance with FRS 24. |

Reference Notes to the financial statements

15. Capital and reserves (continued)

Reserves

The reserves of the Group and the Company comprise the following balances: ¹

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital reserve	119	-	119	-
Translation reserve	650	171	-	-
Hedging reserve	416	478	-	-
Fair value reserve	170	80	170	80
Revaluation reserve	107	-	-	-
Reserve for own shares	(260)	(280)	(260)	(280)
	1,202	449	29	(200)

Capital reserves

FRS 1.79(b)

The capital reserves comprise the following items:

	Note	Group and Company	
		2017 \$'000	2016 \$'000
Equity component of convertible notes, net of tax	16	109	-
Surplus of own shares sold		10	-
		119	-

Translation reserve

FRS 1.79(b)

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Hedging reserve

FRS 1.79(b)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

Fair value reserve

FRS 1.79(b)

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Revaluation reserve²

FRS 1.79(b)

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

Reserve for own shares

FRS 1.79(a)(vi), (b),
32.33 - 34

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2017, the Group held 26,000 of the Company's shares (2016: 28,000) shares.^{3, 4}

Note Reference **Explanatory note**

- | | |
|---------------------------------|--|
| 1. <i>FRS 1.137(b)</i> | An entity discloses the amount of any cumulative preference dividends not recognised. |
| 2. <i>FRS 12.81(i),
87A</i> | An entity discloses the amount of tax consequences of dividends to shareholders that were proposed or declared before the financial statements were authorised for issue, but that are not recognised as a liability in the financial statements. An entity also discloses the important features of the tax system(s) and the factors that will affect the amount of the potential tax consequences of dividends. |

Reference Notes to the financial statements

15. Capital and reserves (continued)

Dividends

FRS 1.107

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2017	2016
	\$'000	\$'000
Paid by the Company to owners of the Company		
25.0 cents per qualifying ordinary share (2016: 3.0 cents)	775	93
25.0 cents per non-redeemable preference share (2016: 25.0 cents)	438	438
	1,213	531

	Group	
	2017	2016
	\$'000	\$'000
Paid by a subsidiary to NCI		
\$1.50 per qualifying ordinary share (2016: \$2.00)	30	40

FRS 1.137(a),
10.13, 12.81(i)

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.^{1,2}

	Group and Company	
	2017	2016
	\$'000	\$'000
28.0 cents per qualifying ordinary share (2016: 25.0 cents)	908	775
25.0 cents per non-redeemable preference share (2016: 25.0 cents)	438	438
	1,346	1,213

Note Reference **Explanatory note**

- | |
|--|
| <p>1. <i>INTFRS 117.14</i> The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss.</p> |
|--|

Reference Notes to the financial statements

15. Capital and reserves (continued)

INT FRS 117.16(a)

Non-current assets and non-current liabilities distributed to owners of the Company

On 15 May 2017, the directors of the Company announced that the Company would distribute all its shares in Papier Pte Ltd, a wholly-owned subsidiary within the Recycled Papers segment, to the Company's shareholders. Upon authorisation of the distribution, the Group and the Company recognised a dividend payable of \$12,500,000, being the fair value of the net assets to be distributed.

On 3 June 2017, the shares were distributed. The net assets comprised assets of \$17,408,000 less liabilities of \$7,464,000 as follows:

	<i>Note</i>	Group and Company 2017 \$'000
Property, plant and equipment	4	9,650
Intangible assets (goodwill)	5	400
Investment property	7	100
Deferred tax asset	10	225
Inventories		2,900
Trade and other receivables		4,133
Loans and borrowings		(3,064)
Provisions	20	(200)
Deferred tax liabilities	10	(450)
Trade and other payables		(3,750)
Carrying amount of net assets distributed		<u>9,944</u>
Dividend to shareholders		12,500
Carrying amount of net assets distributed		(9,944)
Gain on distribution to owners of the Company		<u>2,556¹</u>

The investment property distributed to owners of the Company had a cost of \$60,000, with a \$40,000 revaluation being recognised in the revaluation reserve upon reclassification from property, plant and equipment to investment property (\$27,000 net of tax).

INT FRS 117.16(b)

There was no change in the fair value of the assets to be distributed between the date the distribution was approved and the date that the dividend was settled.

Note Reference **Explanatory note**

1. *FRS 107.8(e)* An entity discloses the carrying amount of financial liabilities designated at fair value through profit or loss separately from the carrying amount of financial liabilities held for trading. While this explanatory note is attached to the loans and borrowings disclosure, this is not meant to indicate that liabilities at fair value through profit or loss would be classified as loans and borrowings.

FRS 107.10,11 An entity discloses the following if a financial liability is designated at fair value through profit or loss:

- the change in fair value of the financial liability, during the period and cumulatively, that is attributable to changes in credit risk, and the method used to comply with this disclosure requirement; if the entity believes that this disclosure does not represent faithfully the change in fair value attributable to changes in credit risk, then it discloses the reasons therefore and the relevant factors; and
- the difference between the carrying amount of the financial liability and the amount that the entity is contractually required to pay at maturity.

2. *FRS 107.18,19* For loans payable recognised at the reporting date, an entity discloses information about any defaults that occurred during the period, or any other breach of the terms of a loan.

FRS 1.74-76 When a breach of a loan agreement occurred during the period, and the breach has not been remedied or the terms of the loan payable have not been renegotiated by the reporting date, the entity determines the effect of the breach on the current/non-current classification of the loan payable.

FRS 107.18 For loans payable recognised at the reporting date, an entity discloses:

- details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
- the carrying amount of the loans payable in default at the reporting date; and
- whether the default was remedied, or that the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

3. *FRS 1.72-73* The current portion of long-term debt is classified as current even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue. However, if at the reporting date an entity expects and is able, solely at its own discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, then it classifies the obligation as non-current even if the loan otherwise would be current This issue is discussed in *Insights into IFRS* (3.1.45.10).

4. *FRS 107.7* An entity discloses information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

These illustrative financial statements illustrate one possible method of disclosing significant information related to loans and borrowings.

Reference Notes to the financial statements

16. Loans and borrowings^{1, 2}

FRS 1.77	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
		Non-current liabilities³			
		5,812	7,093	-	-
		6,136	9,200	5,113	5,113
		4,633	-	4,633	-
		1,939	-	1,939	-
		1,613	1,913	-	-
		-	1,000	-	1,000
		-	-	23	31
		20,133	19,206	11,708	6,144
		Current liabilities			
		1,200	4,000	-	-
		453	57	-	-
	39	71	60	-	-
		51	-	51	-
		315	269	-	-
		2,090	4,386	51	-

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in note 22.

FRS 107.7

Terms and debt repayment schedule⁴

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate %	Year of maturity	2017		2016	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Secured bank loan	IDR	3.90%	2021	1,260	1,260	1,257	1,257
Secured bank loan	USD	4.70%	2019	520	502	550	521
Secured bank loan	SGD	4.50%	2018-2023	4,500	4,500	4,500	4,500
Secured bank loan	EUR	EURIBOR+1%	2017-2018	765	750	4,850	4,815
Unsecured bank loan	AUD	3.80%	2018	479	453	-	-
Unsecured bank loan	SGD	5.50%	2017	-	-	57	57
Amount received from securitisation vehicle	AUD	3.80%	2018	75	71	-	-
Amount received from securitisation vehicle	SGD	5.50%	2017	-	-	60	60
Unsecured bond issues	SGD	SIBOR +1/2%	2021	1,023	1,023	1,023	1,023
Unsecured bond issues	SGD	SIBOR +1%	2022	5,113	5,113	5,113	5,113
Unsecured bond issues	SGD	SIBOR	2019	-	-	3,064	3,064
Loan from associate	SGD	4.80%	2018	-	-	1,000	1,000
Convertible notes	SGD	3.00%	2020	5,000	4,633	-	-
Redeemable preference shares	SGD	4.40%	2023	2,000	1,939	-	-
Dividends on redeemable preference shares	SGD	-	2018	51	51	-	-
Finance lease liabilities	SGD	6.5%-7.0%	2017-2032	2,663	1,928	3,186	2,182
Total interest-bearing liabilities				23,449	22,223	24,660	23,592

FRS 107.7, 14(a)
16.74(a)

The secured bank loans of the Group are secured over land and buildings with carrying amounts of \$1,440,000 (2016: \$2,010,000) (see note 4), investment properties with carrying amounts of \$1,715,000 (2016: \$1,000,000) (see note 7) and deposits pledged of \$221,000 (2016: \$256,000) (see note 14).

Note *Reference* **Explanatory note**

- | |
|--|
| <p>1. <i>FRS 107.17</i> If an entity has issued an instrument that contains both a liability and an equity component and the instrument has multiple embedded derivative features, the values of which are interdependent (such as a callable convertible debt instrument), then an entity discloses the existence of those features.</p> |
|--|

Reference Notes to the financial statements

16. Loans and borrowings (continued)
Terms and debt repayment schedule (continued)

FRS 107.7

	Currency	Nominal interest rate %	Year of maturity \$'000	2017		2016	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Company							
Unsecured bond issues	SGD	SIBOR +1%	2022	5,113	5,113	5,113	5,113
Loan from associate	SGD	4.80%	2018	-	-	1,000	1,000
Convertible notes	SGD	3.00%	2020	5,000	4,633	-	-
Redeemable preference shares	SGD	4.40%	2023	2,000	1,939	-	-
Dividends on redeemable preference shares	SGD	-	2018	51	51	-	-
Total interest-bearing liabilities				12,164	11,736	6,113	6,113

Breach of loan covenant

FRS 107.19

The Group has a secured bank loan with a carrying amount of \$4,500,000 at 31 December 2017 (2016: \$4,500,000). This loan is repayable in tranches within 5 years. However, the loan contains a covenant stating that at the end of each quarter, the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold in the third quarter of 2017 and the threshold was still exceeded as at 31 December 2017. However, the Group has obtained a waiver from the bank in October 2017 for a period of 18 months. Accordingly, the bank loan is not payable on demand at 31 December 2017.

FRS 107.17

Convertible notes¹

	Group and Company 2017 \$'000
Proceeds from issue of convertible notes (125,000 notes at \$40 par value)	5,000
Transaction costs	(282)
Net proceeds	4,718
Amount classified as equity	(131)
Accreted interest	46
Carrying amount of liability at 31 December 2017	4,633

FRS 12.81(a)

The amount of the convertible notes classified as equity of \$131,000 is net of attributable transaction costs of \$8,000. In addition, tax recognised directly in equity in respect of the convertible notes amounted to \$22,000.

The convertible notes were issued on 1 July 2016. They are convertible into 375,000 ordinary shares in June 2020 at the option of the holder, at a rate of three shares for every convertible note. Any unconverted notes become repayable on demand.

Note Reference **Explanatory note**

1. *FRS 17.31(d)* An entity discloses the total minimum lease payments expected to be received under non-cancellable subleases at the reporting date.

FRS 17.31(e)(iii) An entity discloses any restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Reference Notes to the financial statements

16. Loans and borrowings (continued)
Redeemable preference shares

	Group and Company 2017 \$'000
Proceeds from issue of redeemable preference shares	2,000
Transaction costs	(61)
Carrying amount at 31 December 2017	<u>1,939</u>

During 2017, 100,000 redeemable preference shares were issued at \$20 per share (2016: nil). All issued shares are fully paid. The redeemable preference shares are mandatorily redeemable at initial subscription value on 31 May 2023 and the Company is obliged to pay holders of these shares annual dividends of 4.4% of the subscription amount on 31 May each year until and including on maturity. Redeemable preference shares do not carry the right to vote.

Finance lease liabilities

FRS 17.31(b)

Finance lease liabilities are payable as follows:¹

	Future minimum lease payments		Present value of minimum lease payments		Future minimum lease payments		Present value of minimum lease payments	
	2017	2017	2017	2017	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
Within one year	535	220	315	315	531	262	269	269
Between one and five years	1,128	343	785	785	924	385	539	539
More than five years	1,000	172	828	828	1,731	357	1,374	1,374
	<u>2,663</u>	<u>735</u>	<u>1,928</u>	<u>1,928</u>	<u>3,186</u>	<u>1,004</u>	<u>2,182</u>	<u>2,182</u>

FRS 17.31(c),
(e)(i), (ii)

Certain leases provide for additional payments that are contingent on changes in the future price indices. Contingent rents included in profit or loss amounted to \$17,000 (2016: \$15,000).

Lease of equipment not in the legal form of a lease

FRS 1.122,
17.31(e)

During 2016, the Group entered into an arrangement whereby a supplier built equipment that the supplier will use to produce a specific chemical used in manufacturing a new product in the paper manufacturing and distribution division for a minimum period of 16 years. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

INT FRS 27.10(b)

Due to the unusual nature of the product and the manufacturing process, the supplier is unlikely to be able to sell the chemical to other customers. It would not be economically feasible for the supplier to produce the chemical using different equipment. Accordingly, although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment. The lease was classified as a finance lease. At inception of the arrangement, payments were split into lease payments and payments related to the other elements based on their relative fair values. The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (4.85%).

Intra-group financial guarantee

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking facilities amounting to \$3,000,000 (2016: \$3,000,000) granted to a wholly-owned subsidiary which expire on 31 December 2020. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

Note Reference **Explanatory note**

- | | |
|----------------------------|---|
| 1. <i>FRS 7.44D</i> | This illustrates one possible format to meet the disclosure requirement in <i>Disclosure Initiative (Amendments to FRS 7)</i> by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. Other presentation formats are possible. Although it only requires disclosure of a reconciliation of changes in liabilities arising from financing activities, management has voluntarily elected to expand the disclosure to cover changes in equity balances arising from financing activities as well. |
|----------------------------|---|

Reference Notes to the financial statements

16. Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities¹

FRS 7.44A,
44C-44E

	Note	Liabilities					Derivatives (assets)/ liabilities held to hedge long-term borrowings		Equity				Total \$'000
		Bank overdrafts \$'000	Other loans and borrowings \$'000	Convertible notes \$'000	Redeemable preference shares \$'000	Finance lease liabilities \$'000	Interest rate swap and forward exchange contracts used for hedging - assets \$'000	Interest rate swap and forward exchange contracts used for hedging - liabilities \$'000	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Non- controlling interests \$'000	
Restated balance at 1 January 2017		282	21,410	-	-	2,182	(205)	12	18,050	449	14,046	802	57,028
Changes from financing cash flows													
Proceeds from issue of share capital		-	-	-	-	-	-	-	1,550	-	-	-	1,550
Proceeds from issue of convertible notes		-	-	4,861	-	-	-	-	-	139	-	-	5,000
Proceeds from issue of redeemable preference shares		-	-	-	2,000	-	-	-	-	-	-	-	2,000
Proceeds from sale of own shares		-	-	-	-	-	-	-	-	30	-	-	30
Proceeds from exercise of share options		-	-	-	-	-	-	-	50	-	-	-	50
Proceeds from settlement of derivatives		-	-	-	-	-	5	-	-	-	-	-	5
Payment of transaction costs related to loans and borrowings		-	-	(274)	(61)	-	-	-	-	(8)	-	-	(343)
Acquisition of non-controlling interests	32	-	-	-	-	-	-	-	-	8	(93)	(115)	(200)
Proceeds from borrowings		-	122	-	-	-	-	-	-	-	-	-	122
Repayment of borrowings		-	(5,117)	-	-	-	-	-	-	-	-	-	(5,117)
Payment of finance lease liabilities		-	-	-	-	(454)	-	-	-	-	-	-	(454)
Dividend paid to owners of the Company		-	-	-	-	-	-	-	-	-	(1,213)	-	(1,213)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(30)	(30)
Interest paid		-	(1,214)	-	-	(210)	-	-	-	-	-	-	(1,424)
Total changes from financing cash flows		-	(6,209)	4,587	1,939	(664)	5	-	1,600	169	(1,306)	(145)	(24)
Changes arising from obtaining or losing control of subsidiaries or other businesses		-	(2,564)	-	-	-	-	-	87	(27)	(9,917)	304	(12,117)
The effect of changes in foreign exchange rates		-	(128)	-	-	-	-	-	-	494	-	27	393
Change in fair value		-	-	-	-	-	20	16	-	19	-	-	55
Other changes													
Liability-related													
Change in bank overdraft		52	-	-	-	-	-	-	-	-	-	-	52
New finance leases		-	-	-	-	200	-	-	-	-	-	-	200
Capitalised borrowing costs		-	231	-	-	-	-	-	-	-	-	-	231
Interest expense		-	932	46	51	210	-	-	-	-	-	-	1,239
Total liability-related other changes		52	1,163	46	51	410	-	-	-	-	-	-	1,722
Total equity-related other changes		-	-	-	-	-	4	-	-	98	5,660	524	6,286
Balance at 31 December 2017		334	13,672	4,633	1,990	1,928	(176)	28	19,737	1,202	8,483	1,512	53,343

Note Reference **Explanatory note**

1. *FRS 19.93* For defined benefit plans, the accounting requirements are as follows:
Contributions from employees or third parties set out in the formal terms of the plan either reduce service cost (if they are linked to service) or reduce remeasurements of the net defined benefit liability (asset) (e.g. if the contributions are required to reduce a deficit arising from losses on plan assets or actuarial losses). As a practical expedient, if these contributions are linked to service and the amount of the contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered (e.g. if the contributions are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age). In these illustrative financial statements, it is assumed that there are no such contributions from employees or third parties.

FRS 19.70, 93 Employee or third party contributions in respect of service are attributed to periods of service as a negative benefit under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher benefit than in earlier years, then an entity is required to attribute benefits on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on future service); until
- the date when further service will lead to no material amount of further benefits under the plan, other than from further salary increases.

2. *FRS 19.131* An entity shall offset an asset related to one plan against a liability related to another plan when, and only when, an entity:

- has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and
- intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

3. *FRS 1.69, 19.133* Although an entity is not required to distinguish the current and non-current portions of assets and liabilities arising from post retirement employment benefits, it distinguishes between current and non-current portions of obligations arising from long-term employee benefits if it does not have the unconditional right to defer settlement of the liability beyond 12 months from the reporting date.

Reference Notes to the financial statements

17. Employee benefits¹

	Note	Group	
		2017 \$'000	2016 \$'000
Net defined benefit asset (Plan A) ²		(635)	(731)
Total employee benefit asset		(635)	(731)
Net defined benefit liability (Plan B) ²		335	280
Liability for bonus plan		100	100
Liability for long-service leave		107	81
FRS 102.51(b)(i) Cash-settled share-based payment liability	18	440	380
Total employee benefit liabilities		982	841
Non-current ³		962	825
Current		20	16
		982	841

For details on the related employee benefit expenses, see note 27.

FRS 19.139(a)

The Group contributes to the following post-employment defined benefit plans:

- Plan A entitles a retired employee to receive an annual pension payment. Directors and executive officers (see note 36) retire at age 60 and are entitled to receive annual payments equal to 70% of their final salary until the age of 65, at which time their entitlement falls to 50% of their final salary. Other retired employees are entitled to receive annual payments equal to 1/60 of final salary for each year of service that the employee provided.
- Plan B reimburses certain medical costs for retired employees.

The defined benefit plans are administered by a single pension fund that is legally separated from the Group. The board of the pension fund comprises three employee and two employer representatives and an independent chair. The board of the pension fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

FRS 19.139(b)

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

FRS 19.147(a)

Plan A is fully funded by the Group's subsidiaries, except for the obligation for directors and executive officers, which is funded by the Company. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of Plan A is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plans. Plan B is unfunded.

Note Reference **Explanatory note**

- 1.** *FRS 19.138* The Group has more than one defined benefit plan and has generally provided aggregated disclosures in respect of these plans, on the basis that these plans are not exposed to materially different risks. Further disaggregation of some or all of the disclosures – e.g. by geographic locations or by different characteristics – would be required if this were not the case.
- 2.** Although it is not specifically required by FRS 19, the Group has disclosed the subtotals of items recognised in profit or loss and OCI.
- 3.** *FRS 1.88* Administration costs other than the costs of managing plan assets and the costs of handling medical claims are recognised when the related administration services are provided to the entity and in our view they should be treated as an expense within profit or loss. This issue is discussed in *Insights into IFRS* (4.4.980.50).
- 4.** *FRS 21.39* A net obligation under a defined benefit plan may be denominated in a foreign currency from the point of view of the sponsor’s financial statements. In our view, in that case the net defined benefit liability (asset) should first be calculated in the currency in which it is denominated, and the resulting net amount should then be translated into the sponsor’s functional currency. As a result, the foreign exchange gain or loss arising on translation will be recognised together with other foreign exchange gains and losses, rather than as part of the FRS 19 remeasurement. This is different from the situation illustrated above. In this case, the sponsor of the plan is a foreign subsidiary, and therefore the translation difference is recognised in OCI in the usual way. This issue is discussed in *Insights into IFRS* (4.4.1010.10).

Reference Notes to the financial statements

17. Employee benefits (continued)

Funding (continued)

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements for Plan A) of the plans in the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a plan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2017 and 31 December 2016.

FRS 19.147(b)

The Group expects to pay \$350,000 in contributions to its defined benefit plans in 2018.

Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability (asset) and its components.¹

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Group						
FRS 19.140 Balance as 1 January	1,999	1,913	(2,450)	(2,500)	(451)	(587)
Included in profit or loss²						
FRS 19.141(a) Current service cost	494	502	-	-	494	502
FRS 19.141(d) Past service credit	(100)	-	-	-	(100)	-
FRS 19.141(b) Interest cost (income)	162	134	(114)	(111)	48	23
Administrative expenses ³	-	-	2	1	2	1
	556	636	(112)	(110)	444	526
Included in OCI²						
FRS 19.141(c) Remeasurement loss (gain):						
- Actuarial loss (gain) arising from:						
FRS 19.141(c)(iii) - demographic assumptions	(31)	4	-	-	(31)	4
FRS 19.141(c)(iii) - financial assumptions	(21)	8	-	-	(21)	8
FRS 19.141(c)(iii) - experience adjustment	(30)	6	-	-	(30)	6
FRS 19.141(c)(i) - Return on plan assets excluding interest income	-	-	10	(3)	10	(3)
FRS 19.141(e) Effect of movements in exchange rates ⁴	(26)	-	123	-	97	-
	(108)	18	133	(3)	25	15
Other						
FRS 19.141(f) Contributions paid by the employer	-	-	(318)	(405)	(318)	(405)
FRS 19.141(g) Benefits paid	(505)	(568)	505	568	-	-
	(505)	(568)	187	163	(318)	(405)
FRS 19.140 Balance at 31 December	1,942	1,999	(2,242)	(2,450)	(300)	(451)

Represented by:

	2017 \$'000	2016 \$'000
Net defined benefit asset (Plan A)	(635)	(731)
Net defined benefit liability (Plan B)	335	280
	(300)	(451)

This page has been left blank intentionally.

Reference Notes to the financial statements

17. Employee benefits (continued)

Movement in net defined benefit (asset) liability (continued)

FRS 19.139(c) During 2017, the pension arrangements for a number of employees in the United States of America were adjusted to reflect new legal requirements in that country regarding the retirement age. As a result of the plan amendment, the Group's defined benefit obligation decreased by \$100,000 (2016: nil). A corresponding past service credit was recognised in profit or loss in 2017.

Plan assets

FRS 19.140(a)(i), 142 Plan assets comprise:

		Group	
		2017	2016
		\$'000	\$'000
FRS 19.142(b)	Equity securities:		
	- Consumer markets	502	600
	- Pharmaceuticals	175	181
	- Oil and Gas	63	78
	- Telecoms	100	85
	- Financial institutions	62	183
		902	1,127
FRS 19.142(c)	Government bonds	1,044	1,062
FRS 19.142(e)	Derivatives:		
	- Interest rate swaps	8	12
	- Forward foreign currency contracts	54	23
	- Longevity swaps	28	13
		90	48
FRS 19.143	Property occupied by the Group	153	162
FRS 19.143	Company's own ordinary shares	53	51
		2,242	2,450

FRS 19.142 All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are rated AAA or AA, based on rating agency [y] ratings.

FRS 19.146 At each reporting date, an Asset-Liability Matching (ALM) study is performed by the pension fund's asset manager in which the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a strategic asset mix comprising 40 - 50% equity securities, 40 - 50% government bonds and 0 - 10% other investments;
- interest rate risk is managed with the objective of reducing the cash flow interest rate risk by 40% through the use of debt instruments (government bonds) and interest rate swaps;
- currency risk is managed with the objective of reducing the risk by 30% through the use of forward foreign currency contracts; and
- longevity risk is managed with the objective of reducing the risk by 25% through the use of longevity swaps.

Note *Reference* **Explanatory note**

- | |
|---|
| <p>1. <i>FRS 19.147(c)</i> This disclosure may also include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments.</p> |
|---|

Reference Notes to the financial statements

17. Employee benefits (continued)

Plan assets (continued)

Defined benefit obligation

(i) Actuarial assumptions

FRS 1.125

FRS 19.144

The following were the principal actuarial assumptions at the reporting date (expressed as weighted-averages):

	Group	
	2017	2016
Discount rate	5.1%	4.8%
Future salary growth	2.5%	2.5%
Future pension growth	3.0%	2.0%
Medical cost trend rate	4.5%	4.0%

FRS 1.125, 19.144

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

Group	2017		2016	
	Plan A	Plan B	Plan A	Plan B
Longevity at age 65 for current pensioners				
Males	18.5	18.2	18.3	18.0
Females	21.0	19.0	21.0	18.8
Longevity at age 65 for current members aged 45				
Males	19.2	19.0	19.0	18.7
Females	22.9	20.5	22.9	20.0

FRS 19.147(c)

At 31 December 2017, the weighted-average duration of the defined benefit obligation was 17.1 years (2016: 17.5 years).¹

(ii) Sensitivity analysis

FRS 1.125, 129,

19.145

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Group	Defined benefit obligation	
	Increase \$'000	Decrease \$'000
2017		
Discount rate (1% movement)	(335)	350
Future salary growth (1% movement)	180	(172)
Future pension growth (1% movement)	175	(168)
Medical cost trend rate (1% movement)	380	(250)
Future mortality (1% movement)	(70)	67
2016		
Discount rate (1% movement)	(300)	329
Future salary growth (1% movement)	170	(164)
Future pension growth (1% movement)	168	(159)
Medical cost trend rate (1% movement)	366	(239)
Future mortality (1% movement)	(67)	65

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Note *Reference* **Explanatory note**

- | |
|--|
| <p>1. <i>FRS 102.52</i> An entity provides additional disclosures if the required disclosures in FRS 102 are not sufficient to enable the user to understand the nature and extent of the share-based payment arrangements, how the fair value of services have been determined for the period, and the effect on profit or loss.</p> |
|--|

Reference Notes to the financial statements

18. Share-based payment arrangements¹

FRS 102.44

Description of the share-based payment arrangements

At 31 December 2017, the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

FRS 102.45(a)

On 1 January 2013 and 1 January 2016, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2017, a further grant on similar terms was offered to key management personnel and senior employees. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by physical delivery of shares.

Grant date/employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
Options granted to key management personnel			
On 1 January 2013	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2016	200	Same as above	10 years
On 1 January 2017	225	Same as above	10 years
Options grant to senior employees			
On 1 January 2017	100	3 years' service from grant date	10 years
Total share options	925		

Replacement awards (equity-settled)

In connection with the acquisition of Papyrus, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for 150,000 equity-settled share-based payment awards of the Group with a contractual life of nine years from the vesting date (the replacement awards) (see note 32).

Share purchase plan (equity-settled)

FRS 102.44, 45(a)

On 1 January 2017, the Group offered 26 of its employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees are required to save an amount of 5% of their gross monthly salary, up to a maximum of \$300 per month, for a period of 36 months. Under the terms of the plan, at the end of the 36-month period, the employees are entitled to purchase shares using funds saved at a price 20% below the market price at the grant date. Only employees that remain in service and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment, do not save the required amount of their gross monthly salary in any month before the 36-month period expires, or elect not to exercise their options to purchase shares - e.g. because the share price is below the exercise price - will be refunded their saved amounts.

Note *Reference* **Explanatory note**

- 1.** *FRS 102.47(b)* In share-based payment transactions where the fair value of goods and services received was determined based on the fair value of equity instruments other than share options, an entity discloses how it determined the fair value of such equity instruments. Such disclosure includes:
- if fair value was not measured on the basis of an observable market price, then how it was determined;
 - whether and how expected dividends were incorporated into the measurement of fair value; and
 - whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

FRS 102.47(c) An entity discloses how it determined the incremental fair value of any share-based payment arrangements that were modified during the period.

Reference Notes to the financial statements

18. Share-based payment arrangements (continued)

Description of the share-based payment arrangements (continued)

Share appreciation rights (cash-settled)

FRS 102.45(a)

On 1 January 2014 and 1 January 2017, the Group granted 100,000 and 300,000 share appreciation rights (SARs), respectively, to employees that entitle them to a cash payment after three years of service. The SARs expire at the end of a five-year period after the grant date. The amount of the cash payment is determined based on the increase in the share price of the Company between grant date and the time of exercise.

Details of the liabilities arising from SARs were as follows:

	Note	Group	
		2017 \$'000	2016 \$'000
FRS 102.51(b)(i) Total carrying amount of liabilities for SARs	17	440	380
FRS 102.51(b)(ii) Total intrinsic value of liabilities for vested benefits		-	380

The liabilities at 31 December 2016 were settled during 2017.

Measurement of fair values

Equity-settled share-based payment arrangements

FRS 102.46,
47(a)(i), (iii)

The fair value of the employee share purchase plan has been measured using a Monte Carlo simulation. The fair value of the employee share options has been measured using the Black-Scholes formula.¹ Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

FRS 102.47(a)(iii)

The requirement that the employee has to save in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historical behaviour.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Share option programmes				
	Key management personnel		Senior employees	Replacement awards	Share purchase plan
	2017	2016	2017	2017	2017
FRS 102.47(a)(i) Fair value at grant date	\$3.54	\$3.75	\$3.14	\$3.81	\$4.02
Share price at grant date	\$10.10	\$10.50	\$10.10	\$10.88	\$10.10
Exercise price	\$10.10	\$10.50	\$10.10	\$10.30	\$8.08
Expected volatility (weighted-average)	40.1%	40.9%	40.1%	42.4%	43.3%
Expected life (weighted-average)	8.6 years	8.8 years	5.4 years	5.9 years	3.0 years
Expected dividends	3.2%	3.2%	3.2%	3.2%	3.2%
Risk-free interest rate (based on government bonds)	3.9%	3.8%	3.8%	3.9%	3.9%

Note Reference **Explanatory note**

- 1.** *FRS 102.52* Disclosures of the inputs for fair value measurement for cash-settled share based payments, e.g. share appreciation rights, are not required specifically in FRS 102. In our view, the following disclosures should be provided:
- for awards granted during the period, disclosures on measurement of fair value at grant date and at the reporting date; and
 - for awards granted in previous periods but unexercised at the reporting date, disclosures on measurement of fair value at the reporting date.

This issue is discussed in *Insights into IFRS* (4.5.1000.10).

Reference Notes to the financial statements

18. Share-based payment arrangements (continued)

Measurement of fair values (continued)

Equity-settled share-based payment arrangements (continued)

FRS 102.47(a)(ii)

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

At 31 December 2017, a total amount of \$223,000 was invested by the participants in the share purchase plan and has been included in trade and other payables due to related parties (2016: nil) (see note 21).

Cash-settled share-based payment arrangement¹

The fair value of the SARs has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date and measurement date of the SARs were as follows:

FRS 102.52

	Grant date 1 January 2017	Measurement date 31 December 2017
Fair value	\$2.82	\$4.40
Share price	\$10.10	\$12.70
Exercise price	\$10.10	\$10.10
Expected volatility (weighted-average)	40.3%	43.1%
Expected life (weighted-average)	3.6 years	2.8 years
Expected dividends	3.2%	3.3%
Risk-free interest rate (based on government bonds)	4.4%	4.5%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

This page has been left blank intentionally.

Reference Notes to the financial statements

18. Share-based payment arrangements (continued)

Reconciliation of outstanding share options

FRS 102.45(b)

The number and weighted-average exercise prices of share options under share option programme, replacement awards and share purchase plan is as follows:

	Weighted average exercise price 2017	Number of options 2017 '000	Weighted average exercise price 2016	Number of options 2016 '000
FRS 102.45(b)(i) Outstanding at 1 January	\$10.18	550	\$10.00	400
FRS 102.45(b)(iii) Forfeited during the year	\$10.00	(50)	\$10.00	(50)
FRS 102.45(b)(iv) Exercised during the year	\$10.00	(5)	-	-
FRS 102.45(b)(ii) Granted during the year	\$10.16	475	\$10.50	200
FRS 102.45(b)(vi) Outstanding at 31 December	\$10.18	970	\$10.18	550
FRS 102.45(b)(vii) Exercisable at 31 December	\$10.00	295	\$10.00	350

FRS 102.45(d)

The options outstanding at 31 December 2017 have an exercise price in the range of \$10.00 to \$10.50 (2016: \$10.00 to \$10.50) and a weighted-average contractual life of 6.4 years (2016: 5.2 years).

FRS 102.45(c)

The weighted-average share price at the date of exercise for share options exercised in 2017 was \$10.00 (2016: no options exercised).

Expense recognised in profit or loss

For details on the related employee benefit expenses, see note 27.

Note Reference **Explanatory note**

1. There is no guidance on the presentation of assets or liabilities related to construction contracts in progress. One approach is to present assets as trade receivables, or in the case of liabilities, as deferred revenue. This issue is discussed in *Insights into IFRS* (4.2.260.40).

2. Although it is not required by INT FRS 113 *Customer Loyalty Programmes*, the Group has provided certain disclosures for illustrative purposes. Additional disclosure items may be necessary if a customer loyalty programme is significant.

In these illustrative financial statements, it is assumed that there is no restriction on the ability to redeem points and as such deferred income in relation to this programme is presented as current. In practice, there may be customer loyalty programmes with restrictions on the ability to redeem points that could give rise to a non-current presentation of the related deferred income.

3. Deferred income related to a government grant generally is classified as a non-current liability. The portion that will be recognised in profit or loss in the next reporting period is shown as a current liability. This issue is discussed in *Insights into IFRS* (4.3.130.60).

4. *FRS 20.39(c), 41.57(b), (c)* An entity discloses any unfulfilled condition and other contingencies attaching to government grants. For government grants related to agricultural activity, an entity also discloses significant decreases expected in the level of the grants.

5. *FRS 20.24* The Group has elected to present government grants related to assets as deferred income. Alternatively, an entity may present such grants as a deduction in arriving at the carrying amount of the asset.

Reference Notes to the financial statements

19. Deferred income

	Note	Group	
		2017 \$'000	2016 \$'000
Government grants		1,462	1,500
FRS 11.40(b) Customer advances		72	79
FRS 11.42(b) Billing in advance of work completed ¹		18	13
Customer loyalty claims ²	23	50	38
		1,602	1,630
Non-current ³		1,424	1,462
Current		178	168
		1,602	1,630

Government grants

FRS 20.39(b)-(c)

The Group has been awarded two government grants. One of the grants⁴, received by the Group in 2016, amounted to \$1,500,000 and was conditional on the acquisition of factory premises in a specified region. The factory has been in operation since early 2017 and the grant, recognised as deferred income⁵, is being amortised over the useful life of the building. In accordance with the terms of the grant, the Group is prohibited from selling the factory premises for a period of 15 years from the date of the grant. The second grant, received in 2017, was unconditional, amounted to \$201,000 and related to hardwood trees. It was included in 'other income' when it became receivable (see note 24).

Customer loyalty claims

The deferred revenue related to loyalty credits granted of \$50,000 (2016: \$38,000) has been estimated with reference to the fair value of paper products for which they could be redeemed. This is because the fair value of the loyalty credits is not directly observable. The fair value of the right to buy paper products at a discount for which the loyalty credits can be redeemed takes into account the amount of the discount available to customers that have not earned loyalty credits and the expected forfeiture rate.

Note Reference **Explanatory note**

1. *FRS 37.92* In extremely rare cases, disclosure of some or all of the information required in respect of provisions can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following is disclosed:

- the general nature of the dispute;
- the fact that the required information has not been disclosed; and
- the reason why.

2. *FRS 37.84* There is no requirement to disclose comparative information in the reconciliation of provisions.

3. In our view, the reversal of a provision should be presented in the same statement of profit or loss line item as the original estimate. This issue is discussed in *Insights into IFRS* (3.12.850.10).

FRS 1.98(f),(g) An entity discloses separately items of income and expense related to reversals of provisions and litigation settlements.

4. Provisions that will be utilised within one year are classified as current liabilities. This issue is discussed in *Insights into IFRS* (3.12.770.10).

5. *FRS 37.9* FRS 37 applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by FRS 105.

Reference Notes to the financial statements

20. Provisions^{1, 2}

	Warranties \$'000	Restruc- turing \$'000	Site restoration \$'000	Onerous contracts \$'000	Legal \$'000	Total \$'000
Group						
<i>FRS 37.84(a)</i>	400	500	900	-	-	1,800
<i>FRS 103.23</i>	-	-	150	-	20	170
<i>FRS 37.84(b)</i>	280	400	600	160	-	1,440
<i>FRS 37.84(c)</i>	(200)	(500)	(800)	-	-	(1,500)
	(200)	-	-	-	-	(200)
<i>FRS 37.84(d)</i>	-	-	(100)	-	-	(100)
<i>FRS 37.84(e)</i>	-	-	60	-	-	60
<i>FRS 37.84(a)</i>	280	400	810	160	20	1,670
	100	-	810	100	-	1,010
	180	400	-	60	20	660
	280	400	810	160	20	1,670

	Warranties \$'000
Company	
<i>FRS 37.84(a)</i>	154
<i>FRS 37.84(b)</i>	164
<i>FRS 37.84(c)</i>	(120)
<i>FRS 37.84(a)</i>	198
	70
	128
	198

Warranties

FRS 37.85(a) - (c) The provision for warranties relates mainly to paper sold during 2016 and 2017. The provision has been estimated based on historical warranty data associated with similar products and services. The Group and the Company expect to incur the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of \$25,000 (2016: nil) has been included in trade receivables of the Group and the Company following a supplier accepting responsibility for the defective products.

Restructuring⁵

FRS 1.98(b), 125, 37.85(a), (b) During 2016, the Group committed to a plan to restructure one of the product lines in the Southeast Asia paper manufacturing and distribution division due to a decrease in demand as a result of a deterioration in economic conditions. Following the announcement of the plan, the Group recognised a provision of \$500,000 for expected restructuring costs, including contract termination costs, consulting fee and employee termination benefits. Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2017, and \$500,000 of the provision was used during the year.

Note Reference **Explanatory note**

- | |
|--|
| <p>1. <i>INT FRS 105.11</i> An entity discloses its interest in and the nature of any decommissioning, restoration and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets.</p> <p><i>FRS 37.85(c),</i> If a right to receive reimbursement from the fund has been recognised as an asset, then an
<i>INT FRS 105.13</i> entity discloses the amounts of the asset and expected reimbursement.</p> <p><i>FRS 37.86,</i> If an obligation to make contributions to the fund has not been recognised as a liability, then
<i>INT FRS 105.12</i> an entity discloses the estimated financial effect of the obligation, a description of uncertainties related to the amount or timing of contributions, and any possible reimbursement.</p> |
|--|

Reference Notes to the financial statements

20. Provisions (continued)
Restructuring (continued)

During 2017, a provision of \$400,000 was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers segment that will be retained when the remainder of the facility is sold (see note 11). Estimated restructuring costs mainly include employee termination benefits and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2018.

Site restoration¹

FRS 37.85(a)

A provision of \$900,000 was made during 2016 in respect of the Group's obligation to rectify environmental damage in Indonesia. The required work was completed during 2017 at a cost of \$800,000. The unused provision of \$100,000 was reversed and has been included in 'cost of sales' in the statement of profit or loss.

FRS 1.125, 129,
37.85(a), (b)

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2019. During 2017, the Group provided \$600,000 for this purpose.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are available currently. The Group has been provided with a range of reasonably possible outcomes for the total cost which range from \$500,000 to \$700,000, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9%, which is the risk-free rate in the jurisdiction of the liability. The rehabilitation is expected to occur in the next two to three years.

As part of the acquisition of Papyrus, the Group recognised environmental provisions of \$150,000, determined on a provisional basis (see note 32).

Onerous contracts

FRS 37.85(a), (b)

In 2016, the Group entered into a non-cancellable lease for office space. Due to changes in its activities, the Group stopped using the premises on 31 December 2017. The lease will expire in 2020. The facilities have been sublet for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

FRS 1.125,
37.86(a), (b)

Legal

As a result of the acquisition of Papyrus, the Group assumed a contingent liability of \$20,000, determined on a provisional basis (see note 32).

Levies

FRS 37.86(a)

The Group operates in a number of countries in which it is subject to government levies. It assesses the timing of when to accrue environmental taxes imposed by legislation at the end of the tax year (31 March) on entities that manufacture pulp products. The Group recognised a liability to pay environmental taxes on 31 March, when the obligating event as stated in the legislation occurred. It paid that liability in full at a later date.

Therefore, at 31 December 2017, no liability for environmental taxes has been recognised. An expense of \$102,000 has been recognised in profit or loss for the year ended 31 December 2017.

Note Reference **Explanatory note**

- | | |
|-----------|---|
| 1. | In our view, derivative assets and liabilities should be presented separately in the statement of financial position, if they are significant. If derivative instruments are not significant, then they may be included within other financial assets and other financial liabilities, respectively, with additional details disclosed in the notes to the financial statements. This issue is discussed in <i>Insights into IFRS</i> (7.8.120.30). |
|-----------|---|

Reference Notes to the financial statements

FRS 107.8(f) **21. Trade and other payables, including derivatives**

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables					
Current:					
Amount due to related parties, trade		280	151	223	12
Amount due to subsidiaries, trade		-	-	2,893	2,080
Trade payables		19,184	23,725	1,688	2,906
Accrued expenses		312	487	139	106
		<u>19,776</u>	<u>24,363</u>	<u>4,943</u>	<u>5,104</u>
Other payables					
Current:					
Forward exchange contracts used for hedging ¹	22	8	7	-	-
Non-current:					
Interest rate swaps used for hedging ¹	22	20	5	-	-
Contingent consideration	32	270	-	-	-
		<u>298</u>	<u>12</u>	<u>-</u>	<u>-</u>
Trade and other payables					
Non-current		290	5	-	-
Current		19,784	24,370	4,943	5,104
		<u>20,074</u>	<u>24,375</u>	<u>4,943</u>	<u>5,104</u>

Market and liquidity risks

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 22.

Outstanding balances with related parties are unsecured.

Note Reference **Explanatory note**

1. Accounting for financial instruments is complex, and appropriate disclosures will depend on the circumstances of the individual entity. In these illustrative financial statements, the disclosures in respect of financial risk management and financial instruments have been presented to illustrate different potential scenarios and situations that an entity may encounter. An entity tailors its respective disclosures for the specific facts and circumstances relative to its business and risk management practices, and also takes into account the significance of exposure to risks from the use of financial instruments. Issues related to the accounting for financial instruments are discussed in *Insights into IFRS* (Section 7).

2. *FRS 107.31, 32* An entity is required to 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 to at the reporting date. Those risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

FRS 107.33 For each type of risk, an entity discloses:
(1) the exposures to risk and how they arise;
(2) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and
(3) any changes in (1) or (2) from the previous period.

FRS 107.32A An entity makes qualitative disclosures in the context of quantitative disclosures that enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. Interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

3. *FRS 107.3, 5* The disclosure requirements of FRS 107 are limited to financial instruments that fall within the scope of that standard; therefore operational risks that do not arise from the entity's financial instruments are excluded from the requirements, as are commodity contracts that meet the 'own use' exemption detailed in paragraphs 5 - 7 of FRS 39.

4. *FRS 107.34(a)* FRS 107 requires the disclosure of summary quantitative data about an entity's risk exposure based on the information provided internally to key management personnel of the entity, as defined in FRS 24, e.g., the entity's board of directors or chief executive.

However, certain minimum disclosures are also required to the extent that they are otherwise not covered by the disclosures made under the 'management approach' above.

FRS 107.35, IG20 If the quantitative data at the reporting date are not representative of an entity's risk exposure during the year, then an entity provides further information that is representative, e.g., the entity's average exposure to risk during the year. For example, if an entity's business is seasonal and the balance of loans and receivables fluctuates materially during the year, then a sensitivity analysis based solely on the position at the reporting date would not be representative.

5. See explanatory note 1 on page 174.

6. See explanatory note 2 on page 174.

Reference Notes to the financial statements

22. Financial instruments^{1, 2, 3}

Financial risk management

Overview

FRS 107.31

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

FRS 107.33

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

FRS 107.31, 33

Credit risk⁴

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

FRS 107.36(a)

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held.⁵ The Group and the Company do not hold any collateral in respect of their financial assets.⁶

FRS 107.36(b)

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries' liabilities.

The maximum exposure of the Company in respect of the intra-group financial guarantee (see note 16) at the reporting date is if the facility is drawn down by the subsidiary in the amount of \$3,000,000 (2016: \$3,000,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Note Reference **Explanatory note**

1. *FRS 107.36(a)* An entity discloses information about the nature and extent of its exposure to credit risk. The disclosure of the maximum exposure to credit risk ignores any collateral held or other credit enhancement. This disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

FRS 107.B9 The maximum credit risk exposure typically is the gross carrying amount of the financial asset, net of any amounts offset in accordance with FRS 32 and any impairment losses recognised in accordance with FRS 39.

FRS 107.36, B1, B2 The disclosures in respect of credit risk apply to each 'class' of financial asset, which is not defined in FRS 107. Classes are distinct from the categories of financial instruments specified in FRS 39. In determining classes of financial instruments, an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treats as a separate class or classes those financial instruments outside the scope of FRS 107.

FRS 107.IG 21-29 The FRS 107 implementation guidance provides additional guidance on the disclosures without specifying a minimum standard disclosure.

2. *FRS 107.36(b)* An entity discloses 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 risk at the reporting date.

FRS 107.38 For collateral repossessed during the period and held at the reporting date, an entity discloses:

- the nature and carrying amount of such collateral or other credit enhancements; and
- its policy for disposing of those collateral that is not readily convertible into cash.

3. *FRS 107.B8, IG18-19* The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. For example, concentrations of credit risk may arise from industry sectors, credit rating or other measures of credit quality, geographical distribution or a limited number of individual counterparties. Therefore the disclosure of risk concentrations includes a description of the shared characteristics.

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables

FRS 107.34(c)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in note 31.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group limits its exposure to credit risk from trade receivables by establishing maximum payment periods of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

FRS 107.33(c)

As a result of improved economic circumstances in 2017, certain sale limits have been redefined, particularly for customers operating in the Standard and Recycled Papers segments, since the Group's experience is that the economic recovery has had a greater impact in these segments than in the Group's other segments.

FRS 107.36(b)

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

FRS 107.34(a), 36(a)

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:³

	Group		Company	
	Carrying amount 2017 \$'000	Carrying amount 2016 \$'000	Carrying amount 2017 \$'000	Carrying amount 2016 \$'000
Domestic	6,518	8,332	6,153	5,120
Indonesia	3,362	3,450	5,400	2,500
Netherlands	1,931	2,367	2,335	650
United States of America	1,739	2,138	3,525	2,650
Australia	1,329	590	770	198
Others	1,547	842	2,515	2,101
	16,426	17,719	20,698	13,219

Note Reference **Explanatory note**

1. See explanatory note 3 on page 174.

2. *FRS 107.37(a)* An entity discloses an ageing analysis of financial assets that are past due at the reporting date, but not impaired. In these illustrative financial statements, the disclosure has been given for both financial assets that are past due and financial assets that are not past due. Disclosure of the latter is not required by FRS.

This disclosure is required for all classes of financial assets. However, for the purpose of these illustrative financial statements, only trade and receivables include amounts that are past due but not impaired. Therefore, this is the only class of financial asset in respect of which this disclosure requirement is relevant.

3. *FRS 107.36(c)* An entity discloses information about the credit quality of financial assets that are neither past due nor impaired.

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

Exposure to credit risk (continued)

FRS 107.34(a), 36(a)

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:¹

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Wholesale customers	10,371	11,231	16,600	8,640
Retail customers	5,478	5,600	3,500	3,110
End-user customers	239	856	400	1,380
Others	338	32	198	89
	16,426	17,719	20,698	13,219

FRS 107.34(a), 36(a)

The Group's most significant customer, an Indonesian wholesaler, accounts for \$4,712,000 of the trade and other receivables carrying amount at 31 December 2017 (2016: \$3,367,000). There is no concentration of customer risk at the Company level.

Impairment

FRS 107.37(a)

The ageing of trade and other receivables that were not impaired at the reporting date was:²

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Neither past due nor impaired	13,219	14,057	17,891	11,524
Past due 0 - 30 days	1,637	1,912	1,476	903
Past due 31 - 90 days	220	100	170	50
Past due 91 - 180 days	80	-	80	-
	15,156	16,069	19,617	12,477

The Group and the Company believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

FRS 107.36(c)

The credit quality of trade and other receivables is assessed based on a credit policy established by the Risk Management Committee. The Group monitors customer credit risk by grouping trade and other receivables based on their characteristics. An analysis of the credit quality of trade and other receivables that are neither past due nor impaired at the reporting date is as follows:³

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Acceptable risk	10,934	10,138	16,931	10,751
High risk	2,285	3,919	960	773
	13,219	14,057	17,891	11,524

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

Impairment (continued)

FRS 107.16

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Individual impairments \$'000	Group Collective impairments \$'000	Individual impairments \$'000	Company Collective impairments \$'000
At 1 January 2016	10	14	3	5
Impairment loss recognised	6	24	-	2
At 31 December 2016	16	38	3	7
Impairment loss recognised	138	12	32	3
Amounts written off	(4)	-	-	-
At 31 December 2017	150	50	35	10

FRS 107.37(b)

At 31 December 2017, an impairment loss of the Group of \$60,000 related to a customer that was declared bankrupt during the year (2016: nil). In addition, impairment losses of \$52,000 related to trade receivables acquired as part of the acquisition of Papyrus (see note 32). The remainder of the impairment loss for the Group and the impairment loss for the Company as at 31 December 2017 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to financial difficulties.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

Debt securities

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least A1 from [Rating Agency X] and A from [Rating Agency Y]. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for the impaired held-to-maturity investments described below.

Impairment

FRS 107.16

The movement in the allowance for impairment in respect of held-to-maturity investments during the year was as follows:

	Group and Company	
	2017 \$'000	2016 \$'000
At 1 January	20	20
Impairment loss recognised	60	-
At 31 December	80	20

Note *Reference* **Explanatory note**

- | |
|--|
| <p>1. <i>FRS 107.38</i> When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling in on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other FRSs, an entity discloses for such assets held at the reporting date:</p> <ul style="list-style-type: none">• the nature and carrying amount of such collateral or other credit enhancements; and• its policy for disposing of those collateral that is not readily convertible into cash. |
| <p>2. <i>FRS 107.B11F</i> The FRS 107 application guidance provides guidance on an entity's disclosure of how it manages the liquidity risk inherent in the maturity analysis of financial liabilities. In particular, it lists factors that an entity might consider when providing this disclosure.</p> |

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Debt securities (continued)

Impairment (continued)

FRS 107.37(b)

An impairment loss of \$60,000 in respect of held-to-maturity investments was recognised during the current year owing to significant financial difficulties being experienced by the issuer of some of these securities. The Group and the Company has no collateral in respect of these investments.¹

The Group and the Company did not have any held-to-maturity investments that were past due but not impaired at 31 December 2017 (2016: nil).

Derivatives

FRS 107.36(c)

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency [X] ratings.

Cash and cash equivalents

FRS 107.34(a),
36(a), (c)

The Group and the Company held cash and cash equivalents of \$1,505,000 and \$738,000 respectively at 31 December 2017 (2016: \$1,850,000 and \$829,000 respectively) – these figures represent their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated AA- to AA+, based on Rating Agency [X] ratings.

FRS 107.31,33

Liquidity risk²

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

FRS 107.39(c)

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

FRS 7.50(a),

FRS 107.B11F

In addition, the Group maintains the following lines of credit:

- \$5 million overdraft facility that is unsecured. Interest would be payable at the rate of SIBOR plus 160 basis points (2016: SIBOR plus 150 basis points).
- \$10 million facility that is unsecured and can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of SIBOR plus 110 basis points (2016: SIBOR plus 100 basis points).

The Group has contractual commitments to complete the construction of the new factory building, to purchase property, plant and equipment (see note 34) and to incur capital expenditure with regard to its investment in a joint venture (see note 34).

Note Reference **Explanatory note**

1. *FRS 107.34(a), B10A* An entity discloses summary quantitative data about its exposure to liquidity risk, based on information that is provided internally to key management personnel. An entity explains how those data are determined. In addition, if the outflows of cash (or another financial asset) included in the liquidity risk data could either:

- occur significantly earlier than indicated in the data; or
- be of significantly different amounts from those indicated in the data,

then the entity states that fact and provides quantitative information that enables users of its financial statements to evaluate the extent of the liquidity risk, unless that information is included in the contractual maturity analysis.

FRS 107.B11 In preparing the contractual maturity analyses for financial liabilities, an entity uses its judgement to determine an appropriate number of time bands. This issue is further discussed in *Insights into IFRS* (7.8.370.80).

FRS 107.B11B As a minimum, FRS 107 requires the disclosure of a contractual maturity analysis for financial liabilities. This maturity analysis should show the remaining contractual maturities for non-derivative financial liabilities and for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows. The latter would, for example, be the case for all loan commitments and for an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or financial liability.

FRS 107.B11D Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position.

FRS 107.B11E An entity discloses how it manages liquidity risk inherent in its maturity analyses for derivative and non-derivative financial liabilities. An entity also discloses a maturity analysis of financial assets that it holds for managing liquidity risk, if such information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

2. FRS 107 does not define contractual maturities. It therefore leaves open to interpretation the amounts that need to be included in the analysis for certain types of financial liabilities, such as derivatives and perpetual instruments. In our view, both the interest and principal cash flows should be included in the analysis, as this best represents the liquidity risk being faced by the entity. This issue is discussed in *Insights into IFRS* (7.8.370.70).

3. In these illustrative financial statements, it is assumed that disclosure of contractual maturities for derivative financial liabilities held for risk management purposes are essential for an understanding of the timing of the cash flows. In our view, the maturity analysis should include all derivative financial liabilities, but contractual maturities only are required for those essential for an understanding of the timing of the cash flows. This issue is discussed in *Insights into IFRS* (7.8.370.30).

FRS 107.B11D
(d) In these illustrative financial statements, derivative assets are disclosed in the maturity analysis when the Group settles its derivative contracts on a gross basis; this is in order to show the contractual outflow.

4. *FRS 107.B11E* In these illustrative financial statements, net-settled derivative contracts in an asset position as at the reporting date are included in the maturity analysis as the Group uses these contracts to hedge the variability of its floating rate liabilities. This is consistent with the requirement to disclose a maturity analysis of financial assets held for managing liquidity risk, if such information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk

FRS 107.39(a)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:^{1,2}

Group

31 December 2017

FRS 107.39(a),
B11A - D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Secured bank loans	7,012	(7,955)	(151)	(1,360)	(1,647)	(4,332)	(465)
Unsecured bond issues	6,136	(7,295)	(120)	(120)	(240)	(6,815)	-
Unsecured bank loan	524	(564)	(564)	-	-	-	-
Convertible notes	4,633	(5,375)	(75)	(75)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,477)	(44)	(44)	(88)	(264)	(2,037)
Dividend on redeemable preference shares	51	(51)	(51)	-	-	-	-
Finance lease liabilities	1,928	(2,663)	(267)	(268)	(450)	(678)	(1,000)
Trade and other payables*	20,046	(20,376)	(19,776)	-	-	(600)	-
Bank overdraft	334	(334)	(334)	-	-	-	-
	42,603	(47,090)	(21,382)	(1,867)	(2,575)	(17,764)	(3,502)

FRS 107.39(b),
B11A - D

Derivative financial instruments³

Interest rate swaps used for hedging (net-settled)	20	(21)	-	(21)	-	-	-
Forward exchange contracts used for hedging (gross-settled):	8						
- Outflow		(20)	(8)	(12)	-	-	-
- Inflow		10	5	5	-	-	-
Forward exchange contracts used for hedging (gross-settled):	(297)						
- Outflow		(1,978)	(1,078)	(900)	-	-	-
- Inflow		2,304	1,228	1,076	-	-	-
Other forward exchange contracts (gross-settled):	(122)						
- Outflow		(989)	-	(670)	(319)	-	-
- Inflow		1,110	-	752	358	-	-
	(391)	416	147	230	39	-	-

FRS 107.B11E

Interest rate swaps used for hedging (net-settled)⁴

	(116)	140	12	36	27	54	11
	(507)	556	159	266	66	54	11
	42,096	(46,534)	(21,223)	(1,601)	(2,509)	(17,710)	(3,491)

* Excludes derivatives (shown separately).

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Group

31 December 2016

FRS 107.39(a),
B11A - D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Secured bank loans	11,093	(12,494)	(230)	(4,192)	(1,601)	(5,055)	(1,416)
Unsecured bond issues	9,200	(10,620)	(143)	(143)	(286)	(4,756)	(5,292)
Unsecured bank loan	117	(120)	(120)	-	-	-	-
Finance lease liabilities	2,182	(3,186)	(265)	(266)	(358)	(566)	(1,731)
Loan from associate	1,000	(1,096)	(24)	(24)	(1,048)	-	-
Trade and other payables*	24,363	(24,363)	(24,363)	-	-	-	-
Bank overdraft	282	(282)	(282)	-	-	-	-
	48,237	(52,161)	(25,427)	(4,625)	(3,293)	(10,377)	(8,439)

FRS 107.39(b),
B11A - D

Derivative financial instruments

Interest rate swaps used for hedging (net-settled)	5	(5)	-	(5)	-	-	-
Forward exchange contracts used for hedging (gross-settled):	7						
- Outflow		(13)	(7)	(6)	-	-	-
- Inflow		4	2	2	-	-	-
Forward exchange contracts used for hedging (gross-settled):	(375)						
- Outflow		(1,722)	(1,022)	(700)	-	-	-
- Inflow		2,127	1,207	920	-	-	-
Other forward exchange contracts (gross-settled):	(89)						
- Outflow		(861)	-	(542)	(319)	-	-
- Inflow		950	-	598	352	-	-
	(452)	480	180	267	33	-	-

FRS 107.B11E

Interest rate swaps used for hedging (net-settled)	(131)	145	15	14	33	59	24
	(583)	625	195	281	66	59	24
	47,654	(51,536)	(25,232)	(4,344)	(3,227)	(10,318)	(8,415)

* Excludes derivatives (shown separately).

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

31 December 2017

FRS 107.39(a),
B11A - D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Unsecured bond issues	5,113	(6,137)	(102)	(103)	(205)	(5,727)	-
Convertible notes	4,633	(5,375)	(75)	(75)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,477)	(44)	(44)	(88)	(264)	(2,037)
Dividend on redeemable preference shares	51	(51)	(51)	-	-	-	-
Trade and other payables	4,943	(4,943)	(4,943)	-	-	-	-
Recognised financial liabilities	16,679	(18,983)	(5,215)	(222)	(443)	(11,066)	(2,037)
Intra-group financial guarantee	23	(3,000)	(3,000)	-	-	-	-
	16,702	(21,983)	(8,215)	(222)	(443)	(11,066)	(2,037)

FRS 107.39(b),
B11A - D

Derivative financial instruments

Other forward exchange contracts (gross-settled):	(120)						
- Outflow		(969)	-	(656)	(313)	-	-
- Inflow		1,092	-	739	353	-	-
	(120)	123	-	83	40	-	-
	16,582	(21,860)	(8,215)	(139)	(403)	(11,066)	(2,037)

Note Reference **Explanatory note**

- | | |
|-----------|---|
| 1. | When the amount payable is not fixed, the amount to be disclosed is determined with reference to conditions existing at the reporting date. For example, for a floating-rate bond with interest payments indexed to three-month Euribor, in our view the amount to be disclosed should be based on forward rates rather than spot rates prevailing at the reporting date because the spot interest rates do not represent the level of the index based on which the cash flows will be payable. The forward interest rates better describe the level of the index in accordance with the conditions existing at the reporting date. This issue is discussed in <i>Insights into IFRS</i> (7.8.370.110). |
|-----------|---|

Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

31 December 2016

FRS 107.39(a),
B11A - D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Unsecured bond issues	5,113	(6,187)	(89)	(90)	(179)	(537)	(5,292)
Loan from associate	1,000	(1,096)	(24)	(24)	(1,048)	-	-
Trade and other payables	5,104	(5,104)	(5,104)	-	-	-	-
Recognised financial liabilities	11,217	(12,387)	(5,217)	(114)	(1,227)	(537)	(5,292)
Intra-group financial guarantee	31	(3,000)	(3,000)	-	-	-	-
	11,248	(15,387)	(8,217)	(114)	(1,227)	(537)	(5,292)

FRS 107.39(b),
B11A - D

Derivative financial instruments

Other forward exchange contracts (gross-settled):	(50)						
- Outflow		(482)	-	(303)	(179)	-	-
- Inflow		532	-	335	197	-	-
	(50)	50	-	32	18	-	-
	11,198	(15,337)	(8,217)	(82)	(1,209)	(537)	(5,292)

FRS 107.39(b), (c)
B11B - D

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate loans.

FRS 107.B10A

As disclosed in note 16, the Group has a secured bank loan which contains a debt covenant. A breach of this covenant may require the Group to repay the loan earlier than indicated in the table above. In addition, convertible notes will become repayable on demand if the Group's net debt to adjusted equity ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis by the Treasury department and regularly reported to management to ensure compliance with the agreement. The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes. The future cash flows on contingent consideration (see note 32) and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities and the cash flow arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.¹

Note Reference **Explanatory note**

1. *FRS 107.34* FRS 107 requires the disclosure of summary quantitative risk information to be based on the information provided internally to the entity's key management personnel, as defined in FRS 24, e.g., the entity's board of directors or chief executive.

FRS 107.35, IG20 If the quantitative data at the reporting date are not representative of an entity's risk exposure during the year, then an entity provides further information that is representative, e.g., the entity's average exposure to risk during the year. For example, the FRS 107 implementation guidance indicates that if an entity typically has a large exposure to a particular currency but unwinds that position at the reporting date, then it might present a graph that shows the currency exposure at various times during the period, or disclose the highest, lowest and average exposures.

FRS 107 deals only with risks arising from financial instruments. Consequently, purchase and sale contracts for non-financial items that are to be settled in a foreign currency, and some highly probable forecasted transactions etc. are excluded from the scope of FRS 107, even though they may give rise to financial risk for the entity. If an entity manages its financial risk based on its total exposure, i.e., including risk arising from those items not included within the scope of FRS 107, and such exposures are included in reports to key management personnel, then in our view FRS 107 does not prohibit an entity from providing additional disclosures about its total financial risk exposure rather than just the risk arising from financial instruments. However, all such additional disclosures are clearly separated from those required by FRS 107. This issue is discussed in *Insights into IFRS* (7.8.300.30 - 40).

Reference Notes to the financial statements

22. Financial instruments (continued)

FRS 107.33

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk¹

The Group is exposed to currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD), US dollar (USD), Euro (EUR) and Australian dollar (AUD).

FRS 107.22

At any point in time, the Group hedges 75% to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts generally are designated as cash flow hedges.

FRS 107.22

Foreign exchange risks related to the principal amounts of the Group's USD and EUR bank loans, taken out by SGD functional currency Group entities, have been fully hedged using forward contracts that mature on the same dates that the loans are due for repayment. These contracts are designated as cash flows hedges.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily SGD, but also USD and EUR. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

FRS 107.22

The Group's investment in its Indonesian subsidiary is hedged by a IDR-denominated secured bank loan (carrying amount \$1,260,000 (2016: \$1,257,000)), which mitigates the currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2017 was \$1,290,000 (2016: \$1,260,000). The loan is designated as a net investment hedge. No ineffectiveness was recognised from the net investment hedge. The Group's investments in other subsidiaries are not hedged.

Note Reference **Explanatory note**

1. For presentation purposes, the notional amounts of the respective foreign currency exposures are shown in SGD, translated using the spot rate at the reporting date.

In these illustrative financial statements, it is assumed that transactions between respective group entities with the Indonesian subsidiary are conducted in USD. The Indonesian subsidiary's IDR-denominated transactions are conducted only with local market participants.

2. This disclosure is not required by FRS 107, since estimated forecast sales and purchases are not financial instruments. However, in these illustrative financial statements, it is assumed that such information is relevant to an understanding of the Group's exposure to currency risk and that such information is provided internally to the Group's key management personnel.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

FRS 107.34(a)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk (excluding the IDR-denominated secured bank loan that is designated as a hedge of the Group's net investment in its Indonesian subsidiary) as reported to the management of the Group is as follows:¹

	2017				2016			
	SGD \$'000	USD \$'000	EUR \$'000	AUD \$'000	SGD \$'000	USD \$'000	EUR \$'000	AUD \$'000
Group								
Trade receivables	1,977	2,365	1,867	645	3,099	1,250	1,780	590
Secured bank loans	-	(520)	(765)	-	-	(550)	(4,850)	-
Unsecured bank loan	-	-	-	(554)	-	-	-	-
Trade payables	(876)	(2,956)	(2,347)	-	(4,411)	(3,245)	(3,280)	-
Net statement of financial position exposure	1,101	(1,111)	(1,245)	91	(1,312)	(2,545)	(6,350)	590
Next six months' forecast sales ²	1,000	4,500	4,000	-	3,200	5,000	4,000	-
Next six months' forecast purchases ²	(2,000)	(2,000)	(2,500)	-	(1,500)	(2,000)	(2,000)	-
Net forecast transaction exposure	(1,000)	2,500	1,500	-	1,700	3,000	2,000	-
Forward exchange contracts	-	(950)	(450)	-	-	(250)	4,450	-
Net exposure	101	439	(195)	91	388	205	100	590

	2017			2016		
	USD \$'000	EUR \$'000	AUD \$'000	USD \$'000	EUR \$'000	AUD \$'000
Company						
Trade receivables	2,589	1,723	645	1,847	873	198
Trade payables	(2,391)	(2,267)	-	(3,155)	(2,038)	-
Net statement of financial position exposure	198	(544)	645	(1,308)	(1,165)	198
Next six months' forecast sales ²	1,260	2,120	-	3,200	3,800	-
Next six months' forecast purchases ²	(560)	(1,450)	-	(2,800)	(2,320)	-
Net forecast transaction exposure	700	670	-	400	1,480	-
Forward exchange contracts	(800)	(150)	-	800	(300)	-
Net exposure	98	(24)	645	(108)	15	198

Note Reference **Explanatory note**

1. *FRS 107.40(a)* An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the reporting date. Such a sensitivity analysis is disclosed for each type of market risk to which the entity is exposed at the reporting date. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances.

FRS 107.40(b), The entity also discloses:

- (c)*
- the methods and assumptions used in preparing the sensitivity analysis; and
 - changes from the previous period in the methods and assumptions used, and the reasons for such changes.

2. In these illustrative financial statements, the SGD-denominated trade receivables and trade payables included in the table on page 193 are held by subsidiaries whose functional currencies are USD and EUR. For the purposes of the sensitivity analysis disclosures, the effects on profit or loss and equity of a reasonably possible strengthening (weakening) of the SGD against the respective functional currencies of the subsidiaries holding the SGD balances have been included in the respective currencies' line items presented. Other formats of presentation are possible.

Reference Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

FRS 107.40

Sensitivity analysis¹

A reasonably possible strengthening (weakening) of the Singapore dollar, as indicated below, against the USD, EUR and AUD at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below.² This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Group		Company	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
31 December 2017				
USD (10% strengthening)	233	95	60	-
EUR (10% strengthening)	125	45	69	-
AUD (10% strengthening)	(9)	-	(65)	-
USD (10% weakening)	(211)	(95)	(60)	-
EUR (10% weakening)	(125)	(45)	(69)	-
AUD (10% weakening)	9	-	65	-
31 December 2016				
USD (10% strengthening)	131	25	51	-
EUR (10% strengthening)	613	(445)	147	-
AUD (10% strengthening)	(59)	-	(20)	-
USD (10% weakening)	(153)	(25)	(51)	-
EUR (10% weakening)	(617)	448	(147)	-
AUD (10% weakening)	59	-	20	-

Interest rate risk

FRS 107.22

The Group adopts a policy of ensuring that between 45% and 75% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a float rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Note *Reference* **Explanatory note**

1.	See explanatory note 1 on page 194.
-----------	-------------------------------------

2.	In these illustrative financial statements, this sensitivity analysis relates to fixed rate instruments classified as available-for-sale (see note 9).
-----------	--

Reference Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

FRS 107.34(a)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	3,507	3,512	2,871	2,708
Financial liabilities	(15,762)	(9,606)	(7,000)	(1,000)
Effect of interest rate swaps	(1,750)	(8,900)	-	-
	(14,005)	(14,994)	(4,129)	1,708
Variable rate instruments				
Financial assets	598	988	467	771
Financial liabilities	(7,235)	(14,332)	(5,113)	(5,113)
Effect of interest rate swaps	1,750	8,900	-	-
	(4,887)	(4,444)	(4,646)	(4,342)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points¹ in interest rates would have increased or decreased equity by approximately \$15,000 (2016: \$6,000)² for the Group and the Company respectively. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

FRS 107.40

Cash flow sensitivity analysis for variable rate instruments¹

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss		Equity	
	100 bp	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Group				
31 December 2017				
Variable rate instruments	(66)	66	-	-
Interest rate swap	4	(4)	14	(14)
Cash flow sensitivity (net)	(62)	62	14	(14)
31 December 2016				
Variable rate instruments	(133)	133	-	-
Interest rate swap	32	(32)	57	(57)
Cash flow sensitivity (net)	(101)	101	57	(57)

Note Reference **Explanatory note**

1.	<i>FRS 107.40(a)</i>	The sensitivity analysis is based on changes in the risk variable that were reasonably possible at the reporting date.
	<i>FRS 107.40(b), (c)</i>	An entity discloses the methods and assumptions used in preparing the sensitivity analysis, changes therein, and the reasons therefor compared to the comparative period.
	<i>FRS 107.41</i>	If an entity prepares a sensitivity analysis that reflects inter-dependencies between different risk variables, e.g., a value-at-risk model, then the disclosure may be based on that model instead of the type of disclosure illustrated in these illustrative financial statements. In that case, an entity discloses: <ul style="list-style-type: none">• an explanation of the method used, including the main parameters and assumptions; and• an explanation of the objective of the method used, and of its limitations.
	<i>FRS 107.42</i>	When the sensitivity analysis required by FRS 107 is not representative of the underlying risks, e.g. the reporting date analysis is not representative of the position during the year, then an entity discloses that fact and the reasons for it. For example, if for whatever reason an entity's investment portfolio at the reporting date is materially different from its usual mix of investments, then a sensitivity analysis based on the position at the reporting date would not be representative.
	<i>FRS 107, B17-B21, IG32-IG36</i>	Guidance in respect of the sensitivity analysis is provided in Appendix B to FRS 107 and in the related implementation guidance.

Reference Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or loss		Equity	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
Company				
31 December 2017				
Variable rate instruments	(46)	46	-	-
Cash flow sensitivity (net)	(46)	46	-	-
31 December 2016				
Variable rate instruments	(43)	43	-	-
Cash flow sensitivity (net)	(43)	43	-	-

Other market price risk

Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations as well as from investments at fair value through profit or loss. The management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

FRS 107.B5(a)(iii)

The primary goal of the Group's investment strategy is to maximise investment returns in order to meet partially the Group's unfunded defined benefit obligations; management is assisted by external advisors in this regard. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

FRS 107.40(c)

Sensitivity analysis – Equity price risk¹

All of the Group and the Company's equity investments other than the shares of ePaperTech Co are listed on the Singapore Exchange and/or the New York Stock Exchange. For such investments classified as available-for-sale, a 2% increase in the STI plus a 3% increase in the Dow Jones Industrial Average at the reporting date would have increased the Group and the Company's equity by \$28,000 after tax (2016: an increase of \$18,000); an equal change in the opposite direction would have decreased the Group and the Company's equity by \$28,000 after tax (2016: a decrease of \$18,000). For such investments classified at fair value through profit or loss, the impact of a 2% increase in the STI plus a 3% increase in the Dow Jones Industrial Average at the reporting date on profit or loss of the Group and the Company would have been an increase of \$16,000 and \$15,000 respectively after tax (2016: \$18,000 and \$16,000 respectively after tax). An equal change in the opposite direction would have decreased profit or loss of the Group and the Company by \$16,000 and \$10,000 respectively after tax (2016: \$18,000 and \$16,000 respectively after tax).

Note *Reference* **Explanatory note**

- | |
|--|
| <p>1. <i>FRS 107.23(b)</i> An entity also describes any forecast transaction for which hedge accounting has been used previously, but which is no longer expected to occur.</p> |
|--|

Reference Notes to the financial statements

22. Financial instruments (continued)

Derivative assets and liabilities designated as cash flow hedges

FRS 107.23(a)

The following table indicates the periods in which the cash flows associated with cash flow hedges are *expected to occur* and the fair value of the related hedging instruments.¹

Group	2017							2016						
	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	145	15	14	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	150	176	-	-	-	375	405	185	220	-	-	-
Liabilities	(8)	(10)	(3)	(7)	-	-	-	(7)	(9)	(5)	(4)	-	-	-
	385	435	159	184	27	54	11	494	536	195	225	33	59	24

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are *expected to impact profit or loss* and the fair value of the related hedging instruments.

Group	2017							2016						
	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	145	15	14	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	105	123	98	-	-	375	405	175	178	52	-	-
Liabilities	(8)	(10)	(3)	(3)	(4)	-	-	(7)	(9)	(5)	(3)	(1)	-	-
	385	435	114	135	121	54	11	494	536	185	184	84	59	24

Note Reference **Explanatory note**

- 1.** *FRS 107.13B, 13F, B51-B53* The disclosure requirements in paragraph 13C of FRS 107 may be grouped by type of financial instrument or transaction. Alternatively, an entity may present the disclosures in paragraph 13C(a) – (c) by type of financial instrument, and those in 13C(c) – (e) by counterparty. This issue is discussed in *Insights into IFRS* (7.8.150.65).

Where appropriate, an entity will have to supplement the specific quantitative disclosures required with additional (qualitative) disclosures, depending on:

- the terms of the enforceable master netting arrangements and similar agreements, including the nature of the rights of set-off; and
- their actual and potential effect on the entity's financial position.

In addition, it may be helpful if an entity considers whether any related existing disclosures – e.g. disclosures related to collateral under FRS 107.14-15 – should be included in the note or cross-referred to it.

- 2.** *FRS 107.13C* An entity discloses at the reporting date (in a tabular format unless another format is more appropriate) the following quantitative information separately for recognised financial assets and recognised financial liabilities:

- (a) the gross amounts of those assets and liabilities;
- (b) the amounts that are set off in accordance with the criteria in FRS 32.42 when determining the net amounts presented in the statement of financial position;
- (c) the net amounts presented in the statement of financial position;
- (d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in FRS 107.13C(b), including:
 - amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in FRS 32.42; and
 - amounts related to financial collateral (including cash collateral); and
- (e) the net amount after deducting the amounts in (d) from the amounts in (c) above.

FRS 107.13C, B52 - 53 The disclosure requirements described in paragraph 13C of FRS 107 are minimum requirements. An entity supplements them with additional qualitative disclosures if necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. When disclosing quantitative information by counterparty, an entity considers qualitative disclosure about the type of counterparty. This issue is discussed in *Insights into IFRS* (7.8.150.110).

22. Financial instruments (continued)
Master netting or similar agreements

FRS 107.13B, 13E,
B50

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group regularly purchases pulp from and sells paper to Counterparty A. Both parties have entered into an agreement to settle the net amount due to or from each other on a 30-days term basis. The Group presents the trade receivables and trade payables that are subject to this agreement on a net basis in the statement of financial position.

FRS 107.13C, B46

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.^{1, 2}

Group

	Note	Gross amounts of recognised financial instruments \$'000	Gross amounts of recognised financial instruments offset in the statement of financial position \$'000	Net amounts of financial instruments included in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net amount \$'000
31 December 2017						
Financial assets						
Interest rate swaps used for hedging	9	116	-	116	(18)	98
Forward exchange contracts used for hedging	9	297	-	297	(6)	291
Trade receivables	13	6,032	(4,999)	1,033	-	1,033
Total		6,445	(4,999)	1,446	(24)	1,422
Financial liabilities						
Interest rate swaps used for hedging	21	20	-	20	(18)	2
Forward exchange contracts used for hedging	21	8	-	8	(6)	2
Trade payables	21	4,999	(4,999)	-	-	-
Total		5,027	(4,999)	28	(24)	4
31 December 2016						
Financial assets						
Interest rate swaps used for hedging	9	131	-	131	(3)	128
Forward exchange contracts used for hedging	9	375	-	375	(4)	371
Trade receivables	13	5,312	(3,606)	1,706	-	1,706
Total		5,818	(3,606)	2,212	(7)	2,205
Financial liabilities						
Interest rate swaps used for hedging	21	5	-	5	(3)	2
Forward exchange contracts used for hedging	21	7	-	7	(4)	3
Trade payables	21	3,606	(3,606)	-	-	-
Total		3,618	(3,606)	12	(7)	5

This page has been left blank intentionally.

Reference

Notes to the financial statements

22. Financial instruments (continued)
Master netting or similar agreements (continued)
Company

	<i>Note</i>	Gross amounts of recognised financial instruments \$'000	Gross amounts of recognised financial instruments offset in the statement of financial position \$'000	Net amounts of financial instruments included in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net amount \$'000
31 December 2017						
Financial assets						
Trade receivables	13	1,850	(1,550)	300	-	300
Amounts due from subsidiaries, trade	13	3,580	(1,878)	1,702	-	1,702
Total		5,430	(3,428)	2,002	-	2,002
Financial liabilities						
Trade payables	21	1,550	(1,550)	-	-	-
Amounts due to subsidiaries, trade	21	1,878	(1,878)	-	-	-
Total		3,428	(3,428)	-	-	-
31 December 2016						
Financial assets						
Trade receivables	13	1,480	(1,250)	230	-	230
Amounts due from subsidiaries, trade	13	4,690	(2,580)	2,110	-	2,110
Total		6,170	(3,830)	2,340	-	2,340
Financial liabilities						
Trade payables	21	1,250	(1,250)	-	-	-
Amounts due to subsidiaries, trade	21	2,580	(2,580)	-	-	-
Total		3,830	(3,830)	-	-	-

FRS 107.B42

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- derivative assets and liabilities – fair value; and
- trade receivables and trade payables – amortised cost.

The amounts in the above tables that are offset in the statements of financial position are measured on the same basis.

Note Reference **Explanatory note**

1. *FRS 1.134-136* An entity discloses the following information, based on the information provided internally to the key management personnel of the entity, e.g., the entity's board of directors or CEO, that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital.

- Summary quantitative information about what it manages as capital.
- Qualitative information about its objectives, policies and processes for managing capital.
- Changes in quantitative and qualitative information as compared to the prior period.

When an entity is subject to externally imposed capital requirements, it discloses the nature of those requirements, a statement of whether it has complied with externally imposed capital requirements, any instances of non-compliance and how those requirements are incorporated into the disclosures on the management of capital.

When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity discloses separate information for each capital requirement to which the entity is subject.

2. The Group has provided the definitions of 'adjusted net debt' and 'adjusted equity' because they are alternative performance measures and are not defined in FRS. It has also provided the reconciliations between them and figures presented in the consolidated financial statements.

Reference Notes to the financial statements

22. Financial instruments (continued)

FRS 1.134,
1.135(a)

Capital management¹

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

FRS 1.135(a)

The Board's target is for employees of the Group to hold 5% of the Company's ordinary shares by 2019. At present, employees hold 1% of ordinary shares, or 2% assuming that all outstanding share options vest and/or are exercised. Management is considering extending the Group's share option programme beyond key management and other senior employees. Currently, other employees are awarded share appreciation rights and participate in an employee share purchase programme (see note 18). The Group is in discussions with employee representatives, but no decisions have been made.

FRS 1.135(a)

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on capital of above 23%; in 2017, the return was 26.7% (2016: 12.0%). In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.4% (2016: 5.4%).

The Group monitors capital using an adjusted net debt to adjusted equity ratio, which is 'adjusted net debt' divided by 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities (which includes interest-bearing loans and borrowings and obligations under finance leases) less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges.²

The Group's policy is to keep the ratio below 2.00. The Group's adjusted net debt to adjusted equity ratio at the reporting date was as follows:

FRS 1.135(b)

	2017 \$'000	2016 \$'000
Total liabilities	54,296	54,087
Less: cash and cash equivalents	1,505	1,850
Adjusted net debt	<u>52,791</u>	<u>52,237</u>
Total equity	30,934	33,347
Less: hedging reserve	416	478
Adjusted equity	<u>30,518</u>	<u>32,869</u>
Adjusted net debt to adjusted equity ratio	1.73	1.59

FRS 1.135(a)

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. The shares are primarily intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Risk Management Committee; the Group does not have a defined share buy-back plan.

FRS 1.135(c)

There were no changes in the Group's approach to capital management during the year.

FRS 1.135(a)(ii)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note Reference **Explanatory note**

- | | |
|---|--|
| 1. <i>FRS 107.25,
B1-B3</i> | The disclosures in respect of fair values apply to each 'class' of financial asset, which is not defined in FRS 107. Classes are distinct from the categories of financial instruments specified in FRS 39. In determining classes of financial instruments, an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treat as a separate class or classes those financial instruments outside the scope of FRS 107. |
| 2. | In this table, the Group has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets to the different categories of financial instruments as defined in FRS 39. This presentation is optional and different presentation methods may be desirable, depending on circumstances. |
| 3. <i>FRS 107.29,
113.97</i> | The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, cash and cash equivalents and bank overdrafts, because their carrying amounts are a reasonable approximation of fair values. |

Reference Notes to the financial statements

22. Financial instruments (continued)**Accounting classifications and fair values^{1, 2}**

FRS 107.8, 25,

113.93(a)-(b), 97, 99

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Note	Carrying amount							Fair value				
		Held-for-trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to- maturity \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017													
Financial assets measured at fair value													
Available-for-sale debt securities	9	-	-	-	-	-	118	-	118	78	40	-	118
Available-for-sale equity securities	9	-	-	-	-	-	710	-	710	467	-	243	710
Designated as fair value through profit or loss equity securities	9	-	251	-	-	-	-	-	251	251	-	-	251
Interest rate swaps used for hedging	9	-	-	116	-	-	-	-	116	-	116	-	116
Held for trading equity securities	9	243	-	-	-	-	-	-	243	243	-	-	243
Forward exchange contracts used for hedging	9	-	-	297	-	-	-	-	297	-	297	-	297
Other forward exchange contracts	9	122	-	-	-	-	-	-	122	-	122	-	122
		365	251	413	-	-	828	-	1,857				
Financial assets not measured at fair value³													
Held-to-maturity debt securities	9	-	-	-	2,436	-	-	-	2,436	2,450	-	-	2,450
Trade and other receivables	13	-	-	-	-	16,426	-	-	16,426				
Cash and cash equivalents	14	-	-	-	-	1,505	-	-	1,505				
		-	-	-	2,436	17,931	-	-	20,367				
Financial liabilities measured at fair value													
Forward exchange contracts used for hedging	21	-	-	(8)	-	-	-	-	(8)	-	(8)	-	(8)
Interest rate swaps used for hedging	21	-	-	(20)	-	-	-	-	(20)	-	(20)	-	(20)
Contingent consideration	21	-	(270)	-	-	-	-	-	(270)	-	-	(270)	(270)
		-	(270)	(28)	-	-	-	-	(298)				
Financial liabilities not measured at fair value³													
Bank overdrafts	14	-	-	-	-	-	-	(334)	(334)				
Secured bank loans	16	-	-	-	-	-	-	(7,012)	(7,012)	-	(7,239)	-	(7,239)
Unsecured bank loans	16	-	-	-	-	-	-	(453)	(453)	-	(453)	-	(453)
Amount received from securitisation vehicle	16	-	-	-	-	-	-	(71)	(71)	-	(71)	-	(71)
Unsecured bond issues	16	-	-	-	-	-	-	(6,136)	(6,136)	-	(5,675)	-	(5,675)
Convertible notes – liability component	16	-	-	-	-	-	-	(4,633)	(4,633)	-	(5,216)	-	(5,216)
Redeemable preference shares	16	-	-	-	-	-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
Finance lease liabilities	16	-	-	-	-	-	-	(1,928)	(1,928)	-	(1,856)	-	(1,856)
Dividends on redeemable preference shares	16	-	-	-	-	-	-	(51)	(51)	-	(51)	-	(51)
Trade payables	21	-	-	-	-	-	-	(19,776)	(19,776)				
		-	-	-	-	-	-	(42,333)	(42,333)				

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)
Accounting classifications and fair values (continued)

Group	Note	Carrying amount							Fair value				
		Held-for-trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to-maturity \$'000	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016													
Financial assets measured at fair value													
Available-for-sale debt securities	9	-	-	-	-	-	373	-	373	373	-	-	373
Available-for-sale equity securities	9	-	-	-	-	-	511	-	511	511	-	-	511
Designated as fair value through profit or loss equity securities	9	-	254	-	-	-	-	-	254	254	-	-	254
Interest rate swaps used for hedging	9	-	-	131	-	-	-	-	131	-	131	-	131
Held for trading equity securities	9	568	-	-	-	-	-	-	568	568	-	-	568
Forward exchange contracts used for hedging	9	-	-	375	-	-	-	-	375	-	375	-	375
Other forward exchange contracts	9	89	-	-	-	-	-	-	89	-	89	-	89
		657	254	506	-	-	884	-	2,301				
Financial assets not measured at fair value													
Held-to-maturity debt securities	9	-	-	-	2,256	-	-	-	2,256	2,265	-	-	2,265
Trade and other receivables	13	-	-	-	-	17,719	-	-	17,719				
Cash and cash equivalents	14	-	-	-	-	1,850	-	-	1,850				
		-	-	-	2,256	19,569	-	-	21,825				
Financial liabilities measured at fair value													
Forward exchange contracts used for hedging	21	-	-	(7)	-	-	-	-	(7)	-	(7)	-	(7)
Interest rate swaps used for hedging	21	-	-	(5)	-	-	-	-	(5)	-	(5)	-	(5)
		-	-	(12)	-	-	-	-	(12)				
Financial liabilities not measured at fair value													
Bank overdrafts	14	-	-	-	-	-	-	(282)	(282)				
Secured bank loans	16	-	-	-	-	-	-	(11,093)	(11,093)	-	(10,984)	-	(10,984)
Unsecured bank loans	16	-	-	-	-	-	-	(57)	(57)	-	(57)	-	(57)
Amount received from securitisation vehicle	16	-	-	-	-	-	-	(60)	(60)	-	(60)	-	(60)
Unsecured bond issues	16	-	-	-	-	-	-	(9,200)	(9,200)	-	(9,346)	-	(9,346)
Finance lease liabilities	16	-	-	-	-	-	-	(2,182)	(2,182)	-	(2,078)	-	(2,078)
Loan from associate	16	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,040)	-	(1,040)
Trade payables	21	-	-	-	-	-	-	(24,363)	(24,363)				
		-	-	-	-	-	-	(48,237)	(48,237)				

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)
Accounting classifications and fair values (continued)

Company	Note	Carrying amount							Fair value				
		Held-for-trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to-maturity \$'000	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017													
Financial assets measured at fair value													
Available-for-sale debt securities	9	-	-	-	-	-	118	-	118	78	40	-	118
Available-for-sale equity securities	9	-	-	-	-	-	710	-	710	467	-	243	710
Designated as fair value through profit or loss equity securities	9	-	248	-	-	-	-	-	248	248	-	-	248
Held for trading equity securities	9	197	-	-	-	-	-	-	197	197	-	-	197
Other forward exchange contracts	9	120	-	-	-	-	-	-	120	-	120	-	120
		317	248	-	-	-	828	-	1,393				
Financial assets not measured at fair value													
Held-to-maturity debt securities	9	-	-	-	2,436	-	-	-	2,436	2,450	-	-	2,450
Trade and other receivables	13	-	-	-	-	20,698	-	-	20,698				
Cash and cash equivalents	14	-	-	-	-	738	-	-	738				
		-	-	-	2,436	21,436	-	-	23,872				
Financial liabilities not measured at fair value													
Unsecured bond issues	16	-	-	-	-	-	-	(5,113)	(5,113)	-	(4,806)	-	(4,806)
Convertible notes – liability component	16	-	-	-	-	-	-	(4,633)	(4,633)	-	(5,216)	-	(5,216)
Redeemable preference shares	16	-	-	-	-	-	-	(1,939)	(1,939)	-	(1,936)	-	(1,936)
Dividends on redeemable preference shares	16	-	-	-	-	-	-	(51)	(51)	-	(51)	-	(51)
Intra-group financial guarantee contract	16	-	-	-	-	-	-	(23)	(23)				
Trade payables	21	-	-	-	-	-	-	(4,943)	(4,943)				
		-	-	-	-	-	-	(16,702)	(16,702)				

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

Company	Note	Carrying amount							Fair value				
		Held-for-trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to-maturity \$'000	Loans and receivables \$'000	Available-for-sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2016													
Financial assets measured at fair value													
Available-for-sale debt securities	9	-	-	-	-	-	373	-	373	373	-	-	373
Available-for-sale equity securities	9	-	-	-	-	-	511	-	511	511	-	-	511
Designated as fair value through profit or loss equity securities	9	-	250	-	-	-	-	-	250	250	-	-	250
Held for trading equity securities	9	514	-	-	-	-	-	-	514	514	-	-	514
Other forward exchange contracts	9	50	-	-	-	-	-	-	50	-	50	-	50
		564	250	-	-	-	884	-	1,698				
Financial assets not measured at fair value													
Held-to-maturity debt securities	9	-	-	-	2,256	-	-	-	2,256	2,265	-	-	2,265
Trade and other receivables	13	-	-	-	-	13,219	-	-	13,219				
Cash and cash equivalents	14	-	-	-	-	829	-	-	829				
		-	-	-	2,256	14,048	-	-	16,304				
Financial liabilities not measured at fair value													
Unsecured bond issues	16	-	-	-	-	-	-	(5,113)	(5,113)	-	(5,164)	-	(5,164)
Loan from associate	16	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,040)	-	(1,040)
Intra-group financial guarantee	16	-	-	-	-	-	-	(31)	(31)				
Trade payables	21	-	-	-	-	-	-	(5,104)	(5,104)				
		-	-	-	-	-	-	(11,248)	(11,248)				

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

FRS 113.93(d), (h), 99 **Financial instruments measured at fair value**

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group FRS 103.B67(b)(iii) Contingent consideration	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> Forecast annual revenue growth rate (2017: 3–8%). Forecast EBITDA margin (2017: 8%). Risk-adjusted discount rate (2017: 5.5%). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the annual revenue growth rate was higher (lower); the EBITDA margin was higher (lower); the risk-adjusted discount rate was lower (higher). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Group and Company Equity securities	<i>Market comparison technique:</i> The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	<ul style="list-style-type: none"> Forecast annual revenue growth rate (2017: 2–6%; 2016: 3–7%). Forecast EBITDA margin (2017: 4%; 2016: 4%). Adjusted market multiple (2017: 4–6; 2016: 4–7). 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> the annual revenue growth rate was higher (lower); the EBITDA margin was higher (lower); the adjusted market multiple was higher (lower). <p>Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Corporate debt securities	<i>Market comparison/ discounted cash flow:</i> The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.

This page has been left blank intentionally.

Reference Notes to the financial statements

22. Financial instruments (continued)
Measurement of fair values (continued)

FRS 113.93(d), (h), 99 **Financial instruments measured at fair value (continued)**

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company			
Forward exchange contracts	<i>Forward pricing:</i> The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.	Not applicable.	Not applicable.
Interest rate swaps	<i>Swap models:</i> The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.

FRS 113.93(d), 97

Financial instruments not measured at fair value

Type	Valuation technique
Group and Company	
Other financial liabilities*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* Other financial liabilities include secured and unsecured bank loans, amount received from securitisation vehicle, unsecured bond issues, convertible notes – liability component, redeemable preference shares, loan from associate, finance lease liabilities and dividends on redeemable preference shares.

Note *Reference* **Explanatory note**

- | |
|---|
| <p>1. <i>FRS 113.93(e)</i> In these illustrative financial statements, it is assumed that there are no recurring fair value measurements categorised within Level 3 of the fair value hierarchy as at 1 January 2016 and 31 December 2016, and during 2016. If there are any, a reconciliation from the opening balances to the closing balances for 2016 is required.</p> |
|---|

Reference Notes to the financial statements

22. Financial instruments (continued)
Measurement of fair values (continued)

(ii) Transfers between Level 1 and 2

FRS 113.93(c)

At 31 December 2017, the Group and the Company's available-for-sale debt securities with a carrying amount of \$40,000 were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 2 to Level 1 in 2017 and no transfers in either direction in 2016.

(iii) Level 3 fair values

FRS 113.93(e)

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:¹

	Available-for sale equity securities \$'000	Group Contingent considera- tion \$'000	Company Available-for sale equity securities \$'000
At 1 January 2017	-	-	-
FRS 113.93(e)(iii) Purchases	218	-	218
FRS 113.91(b), 93(e)(i), (f) Total unrealised gains and losses recognised in profit or loss			
- finance costs	-	(20)	-
FRS 113.91(b), 93(e)(iii) Total unrealised gains and losses for the period included in other comprehensive income			
- net change in fair value of available-for-sale financial assets	25	-	25
FRS 113.93(e)(iii) Arising from business combination	-	(250)	-
At 31 December 2017	243	(270)	243

Equity securities – Available-for-sale

During the year, the Group and the Company acquired 2.5% of the common shares of ePaperTech Co, a company concentrating on business-to-business opportunities of paper related products and services through the Internet. The Group and the Company paid \$218,000 for their investment.

As ePaperTech Co is not listed on any stock exchange, a quoted market price is not available; there were also no recent observable arm's length transactions in the shares.

Note Reference **Explanatory note**

- | | |
|--|--|
| 1. <i>FRS 18.35(c)</i> | In these illustrative financial statements, it is assumed that there are no barter transactions. If an entity does enter into material barter transactions, then an entity discloses the amount of revenue arising from exchanges of goods or services included in each significant category of revenue. |
| 2. <i>FRS 18.35(b),
(v)</i> | In FRS 18, interest and dividends are also referred to as revenue. The Group has presented these within 'finance income'. In our experience, this presentation is generally followed by entities other than financial institutions. This issue is discussed in <i>Insights into IFRS</i> (4.2.720.20). |

Reference Notes to the financial statements

22. Financial instruments (continued)
Accounting classifications and fair values (continued)
(iii) Level 3 fair values (continued)

FRS 113.93(h)(ii)

Sensitivity analysis

For the fair values of contingent consideration and equity securities – available-for-sale, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration

	Group Profit or loss	
	Increase \$'000	Decrease \$'000
31 December 2017		
Annual revenue growth rate (0.5% movement)	(80)	78
EBITDA margin (0.3% movement)	(60)	59
Risk-adjusted discount rate (1% movement)	90	(85)

Equity securities – Available-for-sale

	Group and Company OCI, net of tax	
	Increase \$'000	Decrease \$'000
31 December 2017		
Annual revenue growth rate (0.5% movement)	70	(69)
EBITDA margin (0.2% movement)	79	(71)
Adjusted market multiple (5% movement)	81	(81)

23. Revenue^{1,2}

Group

	Note	Continuing operations		Discontinued operation (see note 29)		Consolidated		
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	
FRS 18.35(b)(i)		Sales of goods	84,770	80,690	7,543	23,193	92,313	103,883
FRS 18.35(b)(ii)		Rendering of services	13,120	14,786	-	-	13,120	14,786
FRS 18.35(b)(ii)		Commissions	451	307	-	-	451	307
FRS 40.75(f)(i)		Investment property rentals	810	212	-	-	810	212
FRS 11.39(a)		Construction contract revenue	659	641	-	-	659	641
INT FRS 29.6A	40	Service concession revenue	350	-	-	-	350	-
			100,160	96,636	7,543	23,193	107,703	119,829

Note Reference **Explanatory note**

- | | |
|-----------------------------|---|
| 1. | Although not required by INT FRS 113, the Group has provided certain disclosures for illustrative purposes. Additional disclosure items may be necessary if a customer loyalty programme is significant. |
| 2. <i>FRS 1.87</i> | <p>An entity shall not present any items of income and expense as extraordinary items, either in the statement of profit or loss or in the notes. The nature and amounts of material items are disclosed as a separate line item in the statement of profit or loss or in the notes. This issue is discussed in <i>Insights into IFRS</i> (4.1.110.10).</p> <p>There is no guidance in FRS on how specific expenses are allocated to functions. An entity establishes its own definitions of functions. In our view, cost of sales includes only expenses directly or indirectly attributable to the production process. Only expenses that cannot be allocated to a specific function are classified as 'other expenses'. This issue is discussed in <i>Insights into IFRS</i> (4.1.30.10-40).</p> |
| 3. | In our view, whether changes in the fair value of biological assets should be presented as revenue in a separate line item in the statement of profit or loss, or as part of 'other income', depends on the relative significance of agricultural activities. |
| 4. <i>FRS 20.27</i> | Government grants related to assets that have been deducted from the cost of the assets are recognised in profit or loss as a reduced depreciation expense. |
| <i>FRS 20.27, 29</i> | Government grants may be presented either as 'other income', or a reduction against depreciation expense (for asset-related grants) or deducted against related expense (for income-related grants). |
| <i>FRS 20.39(c)</i> | An entity discloses any unfulfilled conditions and other contingencies with respect to government assistance that has been recognised. |
| 5. <i>FRS 36.126</i> | If an entity classifies expenses based on their function, then any loss is allocated to the appropriate function. In our view, in the rare case that an impairment loss cannot be allocated to a function, then it should be included in other expenses as a separate line item if significant (e.g. impairment of goodwill), with additional information given in a note. This issue is discussed in <i>Insights into IFRS</i> (3.10.430.20). |
| 6. | FRS is silent about how impairment losses on trade receivables are presented. In these illustrative financial statements, impairment losses on trade receivables are presented as part of 'other expenses', which is one possible choice of presentation. Other presentations, e.g. as 'finance costs', are also possible as long as the disclosure requirements of FRS 107 are met. |

Reference Notes to the financial statements

23. Revenue (continued)

In September 2016, the Group introduced a customer loyalty programme to stimulate the sale of certain paper products used in the printing industry. The Group grants loyalty credits when customers buy certain designated paper products. These loyalty credits can be redeemed for discounts on paper products and on their redemption, an appropriate amount of deferred revenue is released and included in sales of goods.

At 31 December 2017, the Group has deferred revenue of \$50,000 (2016: \$38,000), relating to its customer loyalty programme (see note 19).¹

FRS 1.122

In respect of commissions, management considers that the following factors indicate that the Group acts as an agent:

- The Group neither takes title to nor is exposed to inventory risk related to the goods, and has no responsibility in respect of the goods sold.
- Although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.
- The Group cannot vary the selling prices set by the supplier by more than 1%.

Construction contract revenue has been determined based on the percentage of completion method. The amount of revenue recognised results from the development of a number of storage units and warehouses for some of the Group's customers in the Timber Products segment. These storage units and warehouses are constructed based on a specifically negotiated contract with customers.

FRS 1.97

24. Other income²

	Note	Group		
		2017 \$'000	2016 \$'000 Restated*	
FRS 41.40	Change in fair value of biological assets ³	6	576	(71)
	Net increase in value of biological assets due to births/deaths	6	11	15
FRS 40.76(d)	Change in fair value of investment property	7	20	60
FRS 20.29	Government grants ⁴		238	448
FRS 1.98(c)	Net gain on sale of property, plant and equipment		26	100
	Rental income from property subleases	33	150	90
			1,021	642

* See note 2.5.

FRS 1.97

25. Other expenses²

	Note	Group		
		2017 \$'000	2016 \$'000	
	Impairment loss on goodwill ⁵	5	116	-
FRS 105.41(c)	Impairment loss on remeasurement of disposal group	11	25	-
FRS 107.20(e)	Impairment loss on trade receivables ⁶	22	150	30
	Settlement of pre-existing relationship with acquiree	32	326	-
FRS 1.87	Earthquake related expenses		359	-
			976	30

A wholly-owned subsidiary incurred expenses amounting to \$359,000 (2016: nil) due to an earthquake. The expenses relate to the survey of facilities and the removal of damaged items.

Note Reference **Explanatory note**

- | | |
|--|--|
| 1. FRS 107.20 | There is no guidance in FRS as to what is included in 'finance income' and 'finance costs'. An entity discloses as part of its accounting policies which items constitute 'finance income' and 'finance costs'; see accounting policy in note 3.18 of these illustrative financial statements. This issue is discussed in <i>Insights into IFRS</i> (7.8.80.20). |
| 2. FRS 107.20(b) | An entity discloses total interest income for financial assets not at fair value through profit or loss. In these illustrative financial statements, we illustrate interest income disaggregated by category of financial asset. While this level of disaggregation is optional, an entity is required to disclose separately any material items of income, expense and gains and losses resulting from financial assets and liabilities. |
| 3. | The accounting for interest on available-for-sale debt securities is discussed in <i>Insights into IFRS</i> (7.6.170.40). |
| 4.
FRS 107.20
(a)(iii)-(v)
FRS 107.20(c)
FRS 107.24(a)
FRS 107.24(c) | If applicable, an entity also discloses: <ul style="list-style-type: none">• net gains or losses on held-to-maturity investments, loans and receivables, and financial liabilities measured at amortised cost;• fee income and expense, other than amounts included in determining the effective Interest rate;• for fair value hedges, gains or losses on the hedging instrument and on the hedged item attributable to the hedged risk; and• the ineffective portion of the change in fair value of a net investment hedge. |
| 5. FRS 107.28 | An entity discloses the following in respect of any 'day one' gain or loss: <ul style="list-style-type: none">• an accounting policy; and• the aggregate difference still to be recognised in profit or loss, and a reconciliation between the opening and closing balance thereof. |
| 6. FRS 32.40 | Dividends classified as an expense may be presented in the statement of profit or loss either with interest on other liabilities or as a separate item. If there are differences between interest and dividends with respect to matters such as tax deductibility, then it is desirable to disclose them separately in the statement of profit or loss. |

Reference Notes to the financial statements

FRS 1.97 **26. Finance income and finance costs**¹

	Note	Group	
		2017 \$'000	2016 \$'000
FRS 107.20(b)		131	89
FRS 107.20(d)		7	6
FRS 107.20(b)		34	27
FRS 107.20(b)		36	29
FRS 103.B64(p)(iii)	32	70	-
FRS 18.35(b)(v)		26	32
FRS 107.20(a)(ii)		64	-
FRS 107.23(d)		31	11
FRS 107.20(a)(i)			
- Held for trading		74	-
- Designated at fair value through profit or loss		508	286
Finance income ^{4, 5}		981	480
FRS 107.20(b)		(1,233)	(1,299)
FRS 21.52(a)		(138)	(293)
FRS 107.20(a)(i)			
- Held for trading		-	(19)
- Designated at fair value through profit or loss		-	(22)
FRS 107.20(a)(i)	32	(20)	-
FRS 37.84(e)	20	(60)	-
FRS 107.20(e)	22	(60)	-
FRS 107.24(b)		(16)	(13)
Finance costs ^{4, 5}		(1,527)	(1,646)
Net finance costs recognised in profit or loss		(546)	(1,166)
The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:			
FRS 18.35(b)(iii), 107.20(b)		208	151
FRS 107.20(b)		(1,233)	(1,299)

Note Reference **Explanatory note**

1. *FRS 1.104* An entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

FRS 1.97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

2. *SGX 1207(6)(a)* This requirement is only applicable to companies listed on the SGX. There is no requirement for non-listed companies to disclose auditors' remuneration.

The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services, is required. If no audit or non-audit fees are paid, a nil statement is required.

Where KPMG LLP is the auditor, audit and non-audit fees paid or payable to KPMG LLP, KPMG Advisory Services Pte. Ltd., KPMG Services Pte. Ltd., KPMG Consulting Pte. Ltd. and KPMG Corporate Finance Pte Ltd should be included.

3. *FRS 102.IG19* The Group has included the remeasurement of the liability in relation to its cash-settled share-based payment arrangement in 'employee benefits expense'. Alternatively, in our view an entity may include the amount in 'finance income' or 'finance costs'. This issue is discussed in *Insights into IFRS* (4.5.970.20).

4. The Group has allocated the entire amount of current income tax related to cash contributions to funded post-employment benefit plans to profit or loss because the cash contributions relate primarily to service costs. In our view, the allocation of the current income tax effect to profit or loss and OCI should reflect the nature of the cash contribution, unless it is impracticable to identify whether the cost to which the funding relates affects profit or loss or OCI. We believe that a number of allocation approaches are acceptable if the nature of the cash contribution is unclear. This issue is discussed in *Insights into IFRS* (3.13.580.20 - 80).

5. *FRS 12.80(h)* An entity discloses separately the amount of tax expense (income) related to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with FRS 8 because they cannot be accounted for retrospectively.

6. Although it is not specifically required, the Group has disclosed the share of tax of equity-accounted investees. This disclosure is provided for illustrative purposes only..

Reference Notes to the financial statements

27. Profit for the year¹

The following items have been included in arriving at profit for the year:

	Note	Group	
		2017 \$'000	2016 \$'000 Restated*
SGX 1207(6)(a)			
Audit fees ² paid to:			
- auditors of the Company		870	820
- other auditors		570	530
SGX 1207(6)(a)			
Non-audit fees ² paid to:			
- auditors of the Company		390	350
- other auditors		80	56
FRS 17.35(c)	34	417	282
FRS 24.18		51	50
FRS 2.36(d)			
Operating lease expense	12	41,698	44,273
FRS 1.104	4, 5	5,786	5,917
(Reversal of) impairment of property, plant and equipment and development costs	4, 5	(493)	1,408
FRS 1.104		22,223	19,513
FRS 40.75(f)(ii)		245	85
Employee benefits expense¹			
Salaries, bonuses and other costs		18,661	16,671
FRS 19.53		1,923	1,686
Contributions to defined contribution plans	17	444	526
Expenses related to defined benefits plan	18	755	250
FRS 102.51(a)	18	440	380
FRS 102.51(a)			
Cash-settled share-based payment transactions ³		22,223	19,513

* See notes 2.5.

28. Tax expense

		Group	
		2017 \$'000	2016 \$'000 Restated*
	Tax recognised in profit or loss⁴		
	Current tax expense⁵		
FRS 12.80(a)	Current year	1,016	1,352
FRS 12.80(b)	Changes in estimates related to prior years	97	(34)
		1,113	1,318
	Deferred tax expense⁵		
FRS 12.80(c)	Origination and reversal of temporary differences	2,321	717
FRS 12.80(f)	Change in unrecognised deductible temporary differences	(13)	5
FRS 12.80(f)	Recognition of tax effect of previously unrecognised tax losses	(50)	(240)
		2,258	482
	Tax expense on continuing operations	3,371	1,800

* See notes 2.5 and 29.

FRS 12.81(h) (i)-(ii) Tax expense on continuing operations excludes the Group's share of the tax expense of equity-accounted investees⁶ of \$251,000 (2016: \$316,000), which has been included in 'share of profit of equity-accounted investees, net of tax' in the statement of profit or loss. The amount also excludes the tax income from discontinued operation of \$25,000 (2016: \$44,000) and the tax expense on the gain on sale of discontinued operation of \$330,000 (2016: nil); both of these have been included in 'profit (loss) from discontinued operation, net of tax' in the statement of profit or loss (see note 29).

Note Reference **Explanatory note**

1. *FRS 1.90* An entity discloses the amount of tax related to each component in OCI, either in the statement of comprehensive income, or in the notes. In these illustrative financial statements, tax related to each component in OCI is presented in the notes.

2. *FRS 12.85* The reconciliation of the effective tax rate is based on an applicable tax rate that provides the most meaningful information to users. In these illustrative financial statements, the reconciliation is based on the entity's domestic tax rate, with a reconciling item in respect of tax rates applied by the Group entities in other jurisdictions. However, in some cases it might be more meaningful to aggregate separate reconciliations prepared using the domestic tax rate in each individual jurisdiction.

FRS 12.81(c) An entity explains the relationship between tax expense (income) and accounting profits in either or both a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective tax rate and the applicable tax rate. In these illustrative financial statements, only a numerical reconciliation has been disclosed.

3. In these illustrative financial statements, total tax expense for the purpose of reconciliation of the effective tax rate excludes tax in respect of discontinued operations but includes tax expense of equity-accounted investees. A different presentation of the reconciliation that includes tax expense of equity-accounted investees and of discontinued operations is also possible.

Reference Notes to the financial statements

28. Tax expense (continued)

FRS 12.81(ab)

Tax recognised in OCI¹

For the year ended 31 December		Group					
		2017 Tax			2016 Tax		
		Before tax \$'000	(expense) benefit \$'000	Net of tax \$'000	Before tax \$'000	(expense) benefit \$'000	Net of tax \$'000
FRS 1.90	Translation differences for foreign operations	480	-	480	330	-	330
FRS 1.90	Share of foreign currency translation differences of equity-accounted investees	21	-	21	-	-	-
FRS 1.90	Hedge of net investment in foreign operation	(3)	-	(3)	(8)	-	(8)
FRS 1.90	Revaluation of property, plant and equipment	200	(66)	134	-	-	-
FRS 1.90	Cash flow hedges	(93)	31	(62)	66	(22)	44
FRS 1.90	Available-for-sale financial assets	135	(45)	90	94	(31)	63
FRS 1.90	Defined benefit plan remeasurements	72	(24)	48	(15)	5	(10)
		812	(104)	708	467	(48)	419

FRS 12.81(c)

Reconciliation of effective tax rate^{2, 3}

	Group	
	2017 \$'000	2016 \$'000 Restated*
Profit before tax from continuing operations	10,929	6,178
Tax using the Singapore tax rate of 17% (2016: 17%)	1,858	1,050
Effect of tax rates in foreign jurisdictions	1,604	1,007
Effects of results of equity-accounted investees presented net of tax	(92)	(120)
Non-deductible expenses	175	106
Tax exempt income	(79)	(70)
Tax incentives	(144)	(31)
Recognition of tax effect of previously unrecognised tax losses	(50)	(240)
Current year losses for which no deferred tax asset was recognised	15	127
Change in unrecognised temporary differences	(13)	5
Changes in estimates related to prior years	97	(34)
	3,371	1,800

* See notes 2.5 and 29.

Note *Reference* **Explanatory note**

- | | | |
|-----------|-------------------|---|
| 1. | <i>FRS 105.35</i> | The nature and amount of any adjustments related to the disposal of discontinued operations in prior periods are classified and disclosed separately. |
|-----------|-------------------|---|

Reference Notes to the financial statements

28. Tax expense (continued)

Uncertainty over income tax treatments

From 2013 until 2016, the Group's Canadian subsidiary Maple-leaf Inc benefited from a tax ruling of the Canadian tax authorities allowing it to qualify for a reduced corporate tax rate. In 2016, there was a change in the Canadian government. The new government is currently investigating certain tax rulings granted in the past, which include the tax ruling applied by the Group. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2013 – 2016 of up to \$53,000 may be incurred. This amount has not been recognised in the consolidated financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, if revoked, the Group believes it could successfully defend the Group's tax treatment in court.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

29. Discontinued operation¹

FRS 105.41(a),
(b), (d)

In May 2017, the Group sold its entire Packaging segment (see note 31). The segment was not previously presented as a discontinued operation or classified as held for sale as at 31 December 2016 and thus the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment early in 2017 following a strategic decision to place greater focus on the Group's core operation i.e. the manufacture of paper used in the printing industry, forestry and manufacture of timber products.

Subsequent to the disposal, the Group has continued to purchase packaging from the discontinued operation. While intra-group transactions have been fully eliminated in the consolidated financial results, management has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation prior to the disposal in a way that reflects the continuance of these transactions subsequent to the disposal, as management believes this is useful to the users of the financial statements.

To achieve this presentation, management has eliminated from the results of the discontinued operation the inter-segment sales (and costs thereof, less unrealised profits) made prior to its disposal. Because purchases from the discontinued operation will continue subsequent to the disposal, inter-segment purchases made by the continuing operations prior to the disposal are retained in continuing operations.

Note Reference **Explanatory note**

- 1.** In our view, considering that FRS 105 does not specify how the elimination should be attributed to continuing and discontinued operations (see note 31), an entity may present transactions between the continuing and discontinued operations in a way that reflects the continuance of those transactions, when that is useful to the users of the financial statements. It may be appropriate to present additional disclosure either on the face of the statement of profit or loss and OCI or in the notes. In our experience, if the additional disclosure is provided in the statement of profit or loss and OCI, then judgement may be required whether the disaggregated information should be presented as part of the statement itself or as an additional disclosure alongside the totals in that statement. Clear disclosure of the approach taken to the elimination of intra-group transactions will be relevant, including an explanation of any additional analysis of discontinued operations in the notes to the statement of profit or loss and OCI. This issue is discussed in *Insights into IFRS* (5.4.230.40).
- 2.** *FRS 105.33(b)* This information is not required to be presented for a newly acquired subsidiary that is classified on acquisition as a disposal group held for sale.
- 3.** *FRS 33.68* Basic and diluted earnings per share for discontinued operations may alternatively be disclosed in the statement of profit or loss.
- 4.** *FRS 105.33(c)* The net cash flow attributable to the operating, investing and financing activities of discontinued operations may alternatively be disclosed separately in the statement of cash flows. This information need not be presented for a newly acquired subsidiary that is classified on acquisition as a disposal group held for sale.

Reference Notes to the financial statements

29. Discontinued operation (continued)

	Note	Group	
		2017 \$'000	2016 \$'000
<i>FRS 1.98(e)</i>		Results of discontinued operation ^{1, 2}	
<i>FRS 105.33(b)(i)</i>		8,483	25,578
		(940)	(2,385)
		<u>7,543</u>	<u>23,193</u>
<i>FRS 105.33(b)(i)</i>		(8,641)	(26,486)
		936	2,827
		<u>(7,705)</u>	<u>(23,659)</u>
<i>FRS 105.33(b)(i)</i>		(162)	(466)
<i>FRS 12.81(h)(iii)</i>	28	25	44
		<u>(137)</u>	<u>(422)</u>
<i>FRS 105.33(b)(iii)</i>		846	-
<i>FRS 105.33(b)(ii), 12.81(h)(i)</i>	28	(330)	-
<i>FRS 105.33(a)</i>		<u>379</u>	<u>(422)</u>
<i>FRS 33.68</i>	30	0.12	(0.14)
<i>FRS 33.68</i>	30	0.11	(0.14)

FRS 105.33(d) The profit from discontinued operation of \$379,000 (2016: loss of \$422,000) is attributable entirely to the owners of the Company. Of the profit from continuing operations of \$7,558,000 (2016: \$4,378,000), an amount of \$7,034,000 is attributable to the owners of the Company (2016: \$4,159,000).

		Group	
		2017 \$'000	2016 \$'000
<i>FRS 105.33(c), 34</i>		Cash flows from (used in) discontinued operation ⁴	
		(225)	(910)
		10,890	852
		<u>10,665</u>	<u>(58)</u>

Note *Reference* **Explanatory note**

- | |
|---|
| <p>1. <i>FRS 33.64</i> When earnings per share calculations reflect changes in the number of shares due to events that happened after the reporting date, an entity discloses that fact.</p> |
|---|

Reference Notes to the financial statements

29. Discontinued operation (continued)

FRS 7.40(d) Effect of disposal on the financial position of the Group

	Note	Group 2017 \$'000
Property, plant and equipment		(7,986)
Inventories		(134)
Trade and other receivables		(3,955)
Cash and cash equivalents		(110)
Deferred tax liabilities	10	110
Trade and other payables		1,921
Net assets and liabilities		(10,154)
Consideration received, satisfied in cash		11,000
Cash and cash equivalents disposed of		(110)
Net cash inflow		10,890

30. Earnings per share¹

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of \$6,975,000 (2016: \$3,299,000), and a weighted-average number of ordinary shares outstanding of 3,105,000 (2016: 3,079,000), calculated as follows:

FRS 33.70(a) Profit (loss) attributable to ordinary shareholders

	Group			Group		
	Continuing operations \$'000	2017 Discon- tinued operation \$'000	Total \$'000	Continuing operations \$'000 Restated*	2016 Discon- tinued operation \$'000 Restated*	Total \$'000 Restated*
Profit (loss) for the year	7,034	379	7,413	4,159	(422)	3,737
Dividends on non-redeemable preference shares	(438)	-	(438)	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders	6,596	379	6,975	3,721	(422)	3,299

FRS 33.70(b) Weighted-average number of ordinary shares

	Note	Group	
		2017 '000	2016 '000
Issued ordinary shares at 1 January	15	3,100	3,100
Effect of own shares held		(27)	(21)
Effect of shares issued related to a business combination		6	-
Effect of shares issued in October 2017		23	-
Effect of share options exercised		3	-
Weighted-average number of ordinary shares during the year		3,105	3,079

Note Reference **Explanatory note**

- | | |
|----------------------------|--|
| 1. <i>FRS 33.73</i> | If an entity discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of profit other than profit or loss for the period attributable to ordinary shareholders, such amounts are calculated using the weighted-average number of ordinary shares determined in accordance with FRS 33. |
| <i>FRS 33.73</i> | If a component of profit is used that is not reported as a line item in the statement of profit or loss, then an entity presents a reconciliation between the component used and a line item that is reported in the statement of profit or loss. |
-
- | | |
|-----------|--|
| 2. | In our view, this reconciliation is not required if basic and diluted earnings per share are equal. This issue is discussed in <i>Insights into IFRS</i> (5.3.560.30). |
|-----------|--|
-
- | | |
|-----------|--|
| 3. | In our view, the method used to determine the average market value of the entity's shares for purposes of calculating the dilutive effect of outstanding share options should be disclosed, particularly with respect to unquoted equity instruments. This issue is discussed in <i>Insights into IFRS</i> (5.3.270.80). |
|-----------|--|

Reference Notes to the financial statements

30. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2017 was based on profit attributable to ordinary shareholders of \$7,037,000 (2016: \$3,299,000), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 3,339,000 (2016: 3,097,000), calculated as follows:

FRS 33.70(a)

Profit (loss) attributable to ordinary shareholders (diluted)¹

	Group			Group		
	Continuing operations \$'000	2017 Discontinued operation \$'000	Total \$'000	Continuing operations \$'000 Restated*	2016 Discontinued operation \$'000 Restated*	Total \$'000 Restated*
Profit (loss) attributable to ordinary shareholders (basic)	6,596	379	6,975	3,721	(422)	3,299
Interest expense on convertible notes, net of tax	62	-	62	-	-	-
Profit (loss) attributable to ordinary shareholders (diluted)	6,658	379	7,037	3,721	(422)	3,299

* See notes 2.5 and 29.

FRS 33.70(b)

Weighted-average number of ordinary shares (diluted)²

	Note	Group	
		2017 '000	2016 '000
Weighted-average number of ordinary shares (basic)		3,105	3,079
Effect of conversion of convertible notes	16	187	-
Effect of share options on issue		47	18
Weighted-average number of ordinary shares (diluted) during the year		3,339	3,097

FRS 33.70(c)

At 31 December 2017, 35,000 options (2016: 44,000) were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.³

Note Reference **Explanatory note**

1. *FRS 108.2* FRS 108 applies to entities:

- whose debt or equity instruments are traded in a public market; or
- that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation to issue any class of instruments in a public market.

2. *FRS 108.IN13, 27, 28* Underlying FRS 108 is a 'management approach' to reporting the financial performance of operating segments, in which an entity presents segment information that is consistent with that reviewed by an entity's chief operating decision maker (CODM). This means that segment information disclosed in the financial statements will not be in accordance with FRS if this is how the information reported to the CODM is prepared.

To help users understand the segment information presented, FRS 108 requires an entity to disclose:

- information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, and the nature and effect of any asymmetrical allocations to reportable segments; and
- reconciliations of segment information to the corresponding amounts in the entity's FRS financial statements.

In these illustrative financial statements, because the Group's segment information on the basis of internal measures is consistent with the amounts according to FRS, the reconciling items are generally limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.

3. *FRS 108.22(aa)* Where management had aggregated operating segments, the entity discloses:

- A brief description of the operating segments that have been aggregated; and
- The economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristic.

In these illustrative financial statements, it is assumed that management had not aggregated any operating segments.

4. See explanatory note 4 on page 242.

5. See explanatory note 5 on page 242.

Reference Notes to the financial statements

31. Operating segments^{1, 2, 3, 4, 5}

FRS 108.20-22

The Group has the following six strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's CEO (the chief operating decision maker) reviews internal management reports of each division at least quarterly. The following summary describes the operations in each of the Group's reportable segments:

- *Standard Papers*. Includes purchasing, manufacturing and distributing pulp and paper. Part of this segment is presented as a disposal group held for sale (see note 11).
- *Recycled Papers*. Includes purchasing, recycling and distributing pulp and paper. Part of this segment was distributed to owners of the Company in June 2017 (see note 15).
- *Packaging*. Includes designing and manufacturing packaging materials; this segment was sold in May 2017 (see note 29).
- *Forestry*. Includes cultivating and managing forest resources as well as related services.
- *Timber Products*. Includes manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials.
- *Research and Development*. Includes research and development activities.

FRS 41.46(a)

FRS 108.16,
41.46(a)

Other operations include the cultivation and sale of farm animals, the construction of storage units and warehouses, rental of investment property, the manufacture of furniture and related parts, and the Group's service concession arrangement. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

FRS 108.27(a)

There are varying levels of integration between the Forestry and Timber Products reportable segments, and the Standard Papers and Recycled Papers reportable segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

FRS 108.27

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (loss) before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Note Reference **Explanatory note**

1. *FRS 108.32* As part of the required 'entity-wide disclosures', an entity discloses revenue from external customers for each product and service, or each group of similar products and services, regardless of whether the information is used by the CODM in assessing segment performance. Such disclosure is based on the financial information used to produce the entity's financial statements.

FRS 108.IG5 In these illustrative financial statements, because the Group's reportable segments are based on different products and services, and the segment information has been prepared in accordance with FRS, no additional disclosures of revenue information about products and services are required as they are provided already in the overall table of information about reportable segments.

2. *FRS 108.23* An entity presents interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest, and the CODM relies primarily on net interest revenue to assess the performance of the segment and to make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of interest expense, and disclose that it has done so.

3. *FRS 108.23* FRS 108 requires a measure of segment assets and segment liabilities to be disclosed only if the amounts are regularly provided to the CODM.

4. *FRS 108.23* An entity discloses:

- a measure of profit or loss for each reportable segment;
- a measure of assets and/or liabilities for each reportable segment if such amounts are provided regularly to the entity's CODM; and
- the following about each reportable segment if the specified amounts are included in the measure of profit or loss reviewed by the CODM or are otherwise provided regularly to the CODM, even if they are not included in that measure of segment profit or loss:
 - revenues from external customers;
 - revenues from transactions with other operating segments of the same entity;
 - interest revenue;
 - interest expense;
 - depreciation and amortisation;
 - material items of income and expense disclosed in accordance with paragraph 97 of FRS 1;
 - the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
 - tax expense or income; and
 - material non-cash items other than depreciation and amortisation.

5. FRS 108 does not specify the disclosure requirements for a discontinued operation; nevertheless, if management reviews the financial results of the discontinued operation until the discontinuance is completed, then an entity is not prohibited from disclosing such information.

In these illustrative financial statements, the operations of the Packaging segment were reviewed by the CODM until the discontinuance was completed; therefore, it is presented as a reportable segment.

Reference Notes to the financial statements

31. Operating segments (continued)
Information about reportable segments

Group	Standard Papers		Recycled Papers		Packaging (Discontinued)		Forestry		Timber Products		Research and Development		Others		Total		
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
		Restated*		Restated*		Restated*		Restated*		Restated*		Restated*		Restated*		Restated*	
<i>FRS 108.23(a), 32</i>	External revenues ¹	64,118	67,092	27,311	22,060	7,543	23,193	3,967	3,646	2,700	2,985	-	-	2,064	853	107,703	119,829
<i>FRS 108.23(b)</i>	Inter-segment revenue	-	-	317	323	940	2,835	2,681	2,676	1,845	1,923	875	994	891	765	7,549	9,516
<i>FRS 108.23(c)</i>	Interest revenue ²	116	103	46	29	-	-	48	32	10	7	-	-	28	7	248	178
<i>FRS 108.23(d)</i>	Interest expense ²	(534)	(586)	(322)	(362)	-	-	(313)	(308)	(76)	(63)	-	-	(28)	(7)	(1,273)	(1,326)
<i>FRS 108.23(e)</i>	Depreciation and amortisation	(1,949)	(2,130)	(1,487)	(1,276)	(623)	(1,250)	(1,069)	(696)	(233)	(201)	(189)	(165)	(236)	(199)	(5,786)	(5,917)
<i>FRS 108.21(b)</i>	Reportable segment profit (loss) before tax	6,627	4,106	3,039	1,664	(162)	(466)	1,138	858	(263)	1,280	101	67	771	195	11,251	7,704
<i>FRS 108.23(g)</i>	Share of profit of equity-accounted investees	541	708	-	-	-	-	-	-	-	-	-	-	-	-	541	708
<i>FRS 108.23(i)</i> <i>FRS 36.129(a)</i>	Other material non-cash items: - Impairment losses on property, plant and equipment, intangible assets and goodwill	-	(1,408)	-	-	-	-	-	-	(116)	-	-	-	-	-	(116)	(1,408)
<i>FRS 36.129(b)</i>	- Reversal of impairment losses on property, plant and equipment and intangible assets	493	-	-	-	-	-	-	-	-	-	-	-	-	-	493	-
<i>FRS 108.21(b)</i>	Reportable segment assets ³	38,054	25,267	3,286	16,003	-	13,250	18,892	14,862	4,521	3,664	2,323	1,946	7,398	3,683	74,474	78,675
<i>FRS 108.24(a)</i>	Equity-accounted investees	7,179	3,638	-	-	-	-	-	-	-	-	-	-	-	-	7,179	3,638
<i>FRS 108.24(b)</i>	Capital expenditure	8,492	1,136	5,365	296	-	127	1,158	722	545	369	1,203	123	560	150	17,323	2,923
<i>FRS 108.21(b)</i>	Reportable segment liabilities ³	39,399	26,907	4,941	11,316	-	2,959	5,769	7,097	1,236	1,456	169	158	237	454	51,751	50,347

* See notes 2.5 and 29.

Note Reference **Explanatory note**

- 1.** *FRS 108.28* An entity can also meet the reconciliation requirements of FRS 108 by inserting two extra columns in the table illustrated on page 243, referred to as 'eliminations' and 'total consolidated', with material reconciliation items explained in a footnote to the table. In these illustrative financial statements, the reconciliations are illustrated in separate tables.
- 2.** *FRS 108.28(c),
(d)* An entity provides reconciliations of the total of the reportable segments' assets and liabilities to the entity's assets and liabilities if the segment assets and liabilities are regularly provided to the entity's CODM.
- 3.** *FRS 108.28(e)* An entity identifies and describes separately all material reconciling items.

Reference Notes to the financial statements

31. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items to FRS measures¹

	2017	2016
	\$'000	\$'000
		Restated*
<i>FRS 108.28(a)</i>	Revenues	
	112,297	127,727
Total revenue for reportable segments	2,955	1,618
Revenue for other segments	(7,549)	(9,516)
Elimination of inter-segment revenue	(7,543)	(23,193)
Elimination of discontinued operations	<u>100,160</u>	<u>96,636</u>
Consolidated revenue		
<i>FRS 108.28(b)</i>	Profit or loss before tax	
	10,480	7,509
Total profit or loss before tax for reportable segments	771	195
Profit or loss before tax for other segments	11,251	7,704
Elimination of inter-segment profits	(1,695)	(1,175)
Elimination of discontinued operations	162	466
Unallocated amounts:		
- Gain on distribution to owners of the Company	2,556	-
- Other corporate expenses	(1,886)	(1,525)
Share of profit of equity-accounted investees	541	708
Consolidated profit before tax from continuing operations	<u>10,929</u>	<u>6,178</u>
<i>FRS 108.28(c)</i>	Assets²	
	67,076	74,992
Total assets for reportable segments	7,398	3,683
Assets for other segments	7,179	3,638
Investments in equity-accounted investees	3,577	5,121
Other unallocated amounts	<u>85,230</u>	<u>87,434</u>
Consolidated total assets		
<i>FRS 108.28(d)</i>	Liabilities²	
	51,514	49,893
Total liabilities for reportable segments	237	454
Liabilities for other segments	2,545	3,740
Other unallocated amounts	<u>54,296</u>	<u>54,087</u>
Consolidated total liabilities		

* See notes 2.5 and 29.

FRS 108.28(e) **Other material items 2017**

	Reportable		Consoli-
	segment	Adjust-	dated
	totals	ments³	totals
	\$'000	\$'000	\$'000
Interest revenue	248	(40)	208
Interest expense	(1,273)	40	(1,233)
Capital expenditure	17,323	-	17,323
Depreciation and amortisation	(5,786)	-	(5,786)
Impairment losses on intangible assets and goodwill	(116)	-	(116)
Reversal of impairment losses on property, plant and equipment and intangible assets	<u>493</u>	<u>-</u>	<u>493</u>

Note Reference **Explanatory note**

- 1.** *FRS 108.31-33* An entity presents entity-wide disclosures related to the following items regardless of whether the information is used by the CODM in assessing segment performance:
- revenue from external customers for products and services;
 - revenue from external customer by geographical area; and
 - non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising from insurance contracts, by geographical area.

The above information is based on the financial information used to produce the entity's financial statements, rather than on the basis as provided regularly to the entity's CODM.

The disclosure of revenue from external customer and non-current assets by geographical areas is provided by both the entity's country of domicile, and by an individual foreign country, if it is material. In our view, disclosing such information by region, e.g. Asia or Europe, does not meet the requirement to disclose information by individual foreign country, if material. Such information should be disclosed by the individual foreign country, e.g. Indonesia, Germany, the United States of America, when material.

These disclosures apply to all entities subject to FRS 108, including entities that have only one reportable segment. However, information required by the entity-wide disclosures need not be repeated if it is already included in the segment disclosures. This issue is discussed in *Insights into IFRS* (5.2.220.10 – 20).

- 2.** *FRS 108.24(a), 33(b)* The Group has disclosed the equity-accounted investees as the geographic information of non-current assets because they are regularly provided to the CODM. FRS 8 does not clarify which financial instruments are excluded from non-current assets reported in the geographic information. An entity discloses the equity-accounted investees within the disclosure of geographic information of non-current assets, if they are regularly provided to the CODM.

Reference Notes to the financial statements

31. Operating segments (continued)

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items to FRS measures (continued)

FRS 108.28(e)

Other material items 2016

	Reportable segment totals \$'000	Adjust- ments \$'000	Consoli- dated totals \$'000
Interest revenue	178	(27)	151
Interest expense	(1,326)	27	(1,299)
Capital expenditure	2,923	-	2,923
Depreciation and amortisation	(5,917)	-	(5,917)
Impairment losses on property, plant and equipment and intangible assets	(1,408)	-	(1,408)

Geographical information¹

FRS 108.33(a), (b)

The Standard Papers, Recycled Papers and Forestry segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Singapore, Indonesia, Netherlands, the United States of America and Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	2017 \$'000	2016 \$'000
Revenue		
Singapore	27,140	35,298
Indonesia	19,654	25,641
Netherlands	20,556	27,877
United States of America	18,643	22,268
Australia	16,001	3,300
Other countries	5,709	5,445
Packaging (discontinued)	(7,543)	(23,193)
Consolidated revenue	<u>100,160</u>	<u>96,636</u>
Non-current assets⁽ⁱ⁾		
Singapore	11,371	15,229
Indonesia	4,983	8,986
Netherlands	6,104	7,879
United States of America	7,691	7,807
Australia	2,002	2,470
Other countries	4,720	4,663
	<u>36,871</u>	<u>47,034</u>

(i) Non-current assets presented consist of property, plant and equipment, intangible assets and goodwill, biological assets, investment properties, and associates and joint venture.²

Major customer

FRS 108.34

Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represents approximately \$20,000,000 (2016: \$17,500,000) of the Group's total revenues.

Note Reference **Explanatory note**

- | | |
|---|---|
| 1. <i>FRS 103.61,
B67(e)</i> | For each material business combination, or in aggregate for individually immaterial business combinations that are material collectively, an entity discloses and explains any gain or loss recognised in the current reporting period that: <ul style="list-style-type: none">• relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or the previous reporting period; and• is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance. |
| 2. <i>FRS 103.63</i> | If the specific disclosures pursuant to the requirements of FRS 103 and other FRSs are not sufficient to enable users of the financial statements to evaluate the nature and financial effects of business combinations effected in the current period, or any adjustments recognised in the current period related to business combinations effected in prior periods, then an entity discloses additional information. |
| 3. <i>FRS 103.45,
B67</i> | If the initial accounting for an acquisition was based on provisional values, and those provisional values are adjusted within 12 months of the date of acquisition, then comparative information is restated, including recognition of any additional depreciation, amortisation or other profit or loss effect resulting from finalising the provisional values. In these illustrative financial statements, there were no acquisitions in the comparative period. |

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests^{1, 2}

Acquisition of subsidiary³

FRS 103.B64(a)-(c) On 31 March 2017, the Group acquired 65% of the shares and voting interests in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25% to 90%, obtaining control of Papyrus.

FRS 103.B64(d) Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus' patented technology. The acquisition is also expected to provide the Group with an increased share of the standard paper market through access to Papyrus' customer base. The Group also expects to reduce costs through economies of scale.

FRS 103.B64(q) For the nine months ended 31 December 2017, Papyrus contributed revenue of \$20,409,000 and profit of \$1,560,000 to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been \$104,535,000, and consolidated profit for the year would have been \$8,257,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

FRS 103.B64(f) **Consideration transferred**

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	<i>Note</i>	\$'000
FRS 103.B64(f)(i), 7.40(a), (b)		2,500
FRS 103.B64(f)(iv), FRS 7.43	15	87
		120
FRS 103.B64(f)(iii)		250
		(326)
		<u>2,631</u>

Equity instruments issued

FRS 103.B64(f)(iv) The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2017 of \$10.88 per share.

Replacement share-based payment awards

FRS 103.B64(l) In accordance with the terms of the acquisition agreement, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for equity-settled share-based payment awards of the Company (the replacement awards). The details of the acquiree's awards and replacement awards were as follows:

	Acquiree's awards	Replacement awards
Terms and conditions	<ul style="list-style-type: none"> • Grant date 1 April 2016 • Vesting date 31 March 2020 • Service condition 	<ul style="list-style-type: none"> • Vesting date 31 March 2020 • Service condition
Fair value at date of acquisition	\$527,000	\$571,000

Note Reference **Explanatory note**

- | | |
|--|---|
| <p>1. <i>FRS 103.</i>
<i>B64(g)</i></p> | <p>For contingent consideration arrangements and indemnification assets, an entity discloses:</p> <ul style="list-style-type: none">• the amount recognised at the date of acquisition;• a description of the arrangement and the basis for determining the amount; and• an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, this fact and the reasons why a range cannot be estimated. If the maximum payment amount is unlimited, then an entity discloses this fact. |
|--|---|

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests (continued)

Acquisition of subsidiary (continued)

Consideration transferred (continued)

Replacement share-based payment awards (continued)

FRS 1.125, 129

The value of the replacement awards is \$520,000, after taking into account an estimated forfeiture rate of 9%. The consideration for the business combination includes \$120,000 transferred to employees of Papyrus when the acquiree's awards were substituted by the replacement awards, which relates to past service. The balance of \$400,000 will be recognised as post-acquisition compensation cost. For further details on the replacement awards, see note 18.

Contingent consideration

FRS 1.125, 129,
103.B64(g),
B67(b)

The Group has agreed to pay the selling shareholders in three years' time additional consideration of \$600,000 if the acquiree's cumulative EBITDA over the next three years exceeds \$10,000,000. The Group has included \$250,000 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 31 December 2017, the contingent consideration had increased to \$270,000 (see note 21).¹

Settlement of pre-existing relationship

FRS 103.B64(l)

The Group and Papyrus are parties to a long-term supply contract under which Papyrus supplied the Group with timber products at a fixed price. Under the contract, the Group could terminate the agreement early by paying Papyrus \$326,000. This pre-existing relationship was effectively terminated when the Group acquired Papyrus.

The Group has attributed \$326,000 of the consideration transferred to the extinguishment of the supply contract, and has included the amount in 'other expenses' (see note 25). This amount is the lower of the termination amount and the value of the off-market element of the contract. The fair value of the contract at the date of acquisition was \$600,000, of which \$400,000 related to the unfavourable aspect of the contract to the Group relative to market prices.

Acquisition-related costs

FRS 103.B64(l), (m)

The Group incurred acquisition-related costs of \$50,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | The Group has disclosed information about fair value measurement of assets acquired in a business combination although the disclosure requirements of FRS 113 do not apply to fair value of these assets if they are subsequently measured at other than fair value. This disclosure is provided for illustration purposes only. |
|-----------|--|

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests (continued)
Acquisition of subsidiary (continued)

FRS 7.40(d)

FRS 1.125, 129

FRS 103.B64(i)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

FRS 103.B64(h)(i)

FRS 7.40(c)

	Note	\$'000
Property, plant and equipment	4	1,955
Intangible assets	5	250
Inventories		825
Trade receivables		848
Cash and cash equivalents		375
Loans and borrowings		(500)
Deferred tax liabilities	10	(79)
Contingent liabilities	20	(20)
Site restoration provision	20	(150)
Trade and other payables		(460)
Total identifiable net assets		3,044

FRS 113.61

Measurement of fair values¹

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets required	Valuation technique
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<i>Relief-from-royalty method and multi-period excess earnings method:</i> The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.
Inventories	<i>Market comparison technique:</i> The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Note Reference **Explanatory note**

- | | | |
|-----------|--------------------------------|--|
| 1. | <i>FRS 103.B64(h)</i> | An entity discloses the fair value, gross contractual amounts receivable and the best estimate at the date of acquisition of the contractual cash flows not expected to be collected for each major class of receivables acquired (e.g. loans, direct finance leases). |
| 2. | <i>FRS 103.
B64(o)(ii)</i> | If an entity chooses to value NCI at fair value, then valuation techniques and key model inputs used for determining that value are disclosed. |
| 3. | <i>FRS 103.B64(n)</i> | If an acquirer in a business combination makes a bargain purchase, then the acquirer discloses: <ul style="list-style-type: none">• the amount of the gain recognised;• the line item in the statement of profit or loss in which the gain is presented; and• a description of the reasons why the transaction resulted in a gain. |

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests (continued)
Acquisition of subsidiary (continued)

Identifiable assets acquired and liabilities assumed (continued)

FRS 103.B64(h)(ii)-(iii) The trade receivables comprise gross contractual amounts due of \$900,000, of which \$52,000 was expected to be uncollectible at the date of acquisition.¹

Fair values measured on a provisional basis

FRS 103.B67(a)(i)-(ii) The following amounts have been determined on a provisional basis:

- The fair value of Papyrus' intangible assets (patented technology and customer relationships) has been determined provisionally pending completion of an independent valuation.
- Papyrus is the defendant in legal proceedings brought by a customer that alleges Papyrus supplied defective goods. Management's assessment, based on its interpretation of the underlying sales contract and independent legal advice, is that the basis for the customer's claim has little merit and it is not probably that an outflow will be required to settle the claim. Management's assessment of the fair value of this contingent liability, taking into account the range of possible outcomes of the judicial process, is \$20,000 (see note 35).
- Papyrus' operations are subject to specific environmental regulations. The Group had conducted a preliminary assessment of site restoration provisions arising from these regulations, and has recognised a provisional amount. The Group will continue to review these matters during the measurement period.

FRS 37.86, 103.B64(j), B67(c)

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$'000
Total consideration transferred	2,631
<i>FRS 103.B64(o)(i)</i> NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree ²	304
<i>FRS 103.B64(p)(i)</i> Fair value of pre-existing interest in the acquiree	650
Fair value of identifiable net assets	(3,044)
Goodwill ³	<u>541</u>

FRS 103.B64(p)(ii) The remeasurement to fair value of the Group's existing 25% interest in Papyrus resulted in a gain of \$70,000 (\$650,000 less \$600,000 carrying value of equity-accounted investee at date of acquisition plus \$20,000 of translation reserve reclassified to profit or loss). This amount has been recognised in 'finance income' in the statement of profit or loss (see note 26).

FRS 103.B64(e), (k) The goodwill is attributable mainly to the skills and technical talent of Papyrus' work force, and the synergies expected to be achieved from integrating the company into the Group's existing standard paper business. None of the goodwill recognised is expected to be deductible for tax purposes.

Note Reference **Explanatory note**

- 1.** *INT FRS 27.10* If an entity has any arrangement that is in the legal form of a lease but to which lease accounting is not applied because it does not, in substance, involve a lease, then it provides appropriate disclosures in order for users of the financial statements to understand the arrangement and the accounting treatment, including at least the following:
- the significant terms of the arrangement including its life, the underlying asset and any restrictions on its use, and the transactions that are linked together, including any options; and
 - the accounting treatment applied to any fee received, the amount recognised as income in the period and the line item of the statement of profit or loss in which it is included.

INT FRS 104.13, 15(b) In a case of an arrangement that is not in the legal form of a lease but to which lease accounting is applied because it contains a lease, payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements, on the basis of their relative fair values. If an entity concludes, in the case of an operating lease, that it is impracticable to separate the payments reliably, then it:

- treats all payments as future minimum lease payments for disclosure purposes;
- discloses those payments separately from the minimum lease payments of other arrangements that do not include payments for non-lease elements; and
- states that the disclosed payments also include payments for non-lease elements in the arrangement.

- 2.** *FRS 17.35(d) (iii)* An entity discloses any restrictions imposed by lease agreements, such as restrictions on dividends, additional debt and further leasing.

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests (continued)

Acquisition of non-controlling interests

FRS 112.10(b)(iii), 18 In June 2017, the Group acquired an additional 15% interest in Windmill N.V. for \$200,000 in cash, increasing its ownership from 60% to 75%. The carrying amount of Windmill's net assets in the Group's consolidated financial statements on the date of the acquisition was \$767,000. The Group recognised a decrease in NCI of \$115,000, a decrease in retained earnings of \$93,000 and an increase in the translation reserve of \$8,000, resulting in a net decrease in equity attributable to owners of the Company of \$85,000.

	\$'000
Carrying amount of NCI acquired (\$767,000 x 15%)	115
Consideration paid to NCI	200
Decrease in equity attributable to owners of the Company	<u>(85)</u>

33. Operating leases¹

Leases as lessee

FRS 17.35(a) Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Within one year	417	282	198	198
Between one and five years	1,416	960	792	792
More than five years	756	414	216	414
	<u>2,589</u>	<u>1,656</u>	<u>1,206</u>	<u>1,404</u>

FRS 17.35(d) The Group and Company leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index. For certain operating leases, the Group is restricted from entering into any sublease arrangements.²

Note Reference **Explanatory note**

1. *FRS 17.15A* In assessing the classification of each element as a finance or an operating lease, land and buildings are assessed separately in accordance with FRS 17. This issue is discussed in *Insights into IFRS* (5.1.230) and *IFRS Practice Issues: Leases of land*.

2. *FRS 17.47* If an entity is a lessor in a finance lease, then it discloses:

- a reconciliation between the total gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the reporting date;
- the total gross investment in the lease and the present value of minimum lease payments receivable at the reporting date grouped as follows: not later than one year; later than one year but not later than five years; and later than five years;
- unearned finance income;
- the unguaranteed residual values accruing to the benefit of the lessor;
- the accumulated allowance for uncollectible minimum lease payments receivable;
- contingent rents recognised as income in the period; and
- a general description of the entity's material leasing arrangements.

FRS 17.48 It is also useful to disclose the gross investment less unearned income in new business added during the reporting period, after deducting the relevant amounts for cancelled leases.

3. *FRS 17.56(b)* An entity also discloses the amount of contingent rents recognised as income during the period.

Reference Notes to the financial statements

33. Operating leases (continued)

Leases as lessee (continued)

FRS 17.35(b) One of the leased properties has been sublet by the Group. The lease and sublease expire in 2020. Sublease payments of \$50,000 are expected to be received during 2018. The Group has recognised a provision of \$160,000 in respect of this lease (see note 20).

FRS 17.35(c) During the year, an amount of \$435,000 was recognised as an expense in profit or loss in respect of operating leases (2016: \$447,000). Contingent rent recognised as an expense amounted to \$40,000 (2016: \$30,000). An amount of \$150,000 was recognised as 'other income' in respect of subleases (2016: \$90,000).

FRS 17.15A, 1.122 The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the Group determined that the land lease is an operating lease. Also, as the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the building lease is an operating lease.¹

Leases as lessor²

FRS 17.56(a) The Group leases out its investment property (see note 7). The future minimum lease payments under non-cancellable leases are receivable as follows:

	Group	
	2017	2016
	\$'000	\$'000
Within one year	74	17
Between one and five years	389	105
More than five years	355	95
	818	217

FRS 40.75(f)(i)-(iii) During the year, \$810,000 was recognised as rental income in profit or loss (2016: \$212,000) by the Group.³ Repairs and maintenance expense, included in administration expenses, was as follows:

	Group	
	2017	2016
	\$'000	\$'000
Income-generating property	190	70
Vacant property	55	15
	245	85

Note Reference **Explanatory note**

1. *FRS 16.74(c), 38.122(e), 40.75(h), 41.49(b)* An entity discloses the amount of contractual commitments for the acquisition of property, plant and equipment, intangible assets, development or acquisition of biological assets, and for the purchase, construction, development, repairs and maintenance of investment property.

2. *FRS 37.89* In respect of a contingent asset, an entity discloses a brief description of its nature and, when practicable, an estimate of its financial effect.

FRS 37.91 When it is not practicable to estimate the potential financial effect of a contingent liability or an asset, an entity discloses that fact.

FRS 37.92 In extremely rare cases, disclosure of some or all of the information required in respect of contingencies can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following is disclosed:

- the general nature of the dispute;
- the fact that the required information has not been disclosed; and
- the reason why.

FRS 112.23(b) An entity discloses its share of the contingent liabilities of a joint venture or an associate incurred jointly with other investors, separately from the amount of other contingent liabilities.

3. *FRS 24.9(b)(viii)* A reporting entity discloses as a related party any entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. *FRS 1.138(c), 24.13* An entity discloses the name of its parent and, if different, the ultimate controlling party. It also discloses the name of its ultimate parent if not disclosed elsewhere in information published with the financial statements. In our view, the *ultimate parent* and the *ultimate controlling party* are not necessarily synonymous. This is because the definition of parent refers to an entity. Accordingly, an entity may have an ultimate parent and an ultimate controlling party. Therefore if the ultimate controlling party of the entity is an individual or a group of individuals, then the identity of that individual or the group of individuals and that relationship should be disclosed. This issue is discussed in *Insights into IFRS* (5.5.90.10).

In these financial statements, management has voluntarily disclosed the name of the previous ultimate controlling party.

FRS 24.13, 16 In addition, if neither the parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall be disclosed.

Reference Notes to the financial statements

34. Commitments¹

FRS 16.74(c) During 2017, the Group entered into a contract to construct a new factory building for \$2,300,000, of which \$1,000,000 has been incurred as at the reporting date (2016: nil). In addition, the Group has also entered into a contract to purchase property, plant and equipment for \$1,465,000 (2016: nil).

The Group is committed to incur other capital expenditure of \$150,000 (2016: \$45,000). The Group's joint venture is committed to incur capital expenditure of \$23,000 (2016: \$11,000), of which the Group's share is \$9,000 (2016: \$4,000). These commitments are expected to be settled in 2018.

FRS 40.75(h) The Group has entered into contracts for the management and maintenance of certain commercial properties that are leased to third parties. These contracts will give rise to annual expenses of \$15,000 for the next five years.

35. Contingencies²

FRS 1.125, 37.86 A subsidiary is defending an action brought by an environmental agency in Indonesia. While liability is not admitted, if defence against the action is unsuccessful, then fines and legal costs could amount to \$950,000, of which \$250,000 would be reimbursable under an insurance policy. Based on legal advice, the directors do not expect the outcome of the action to have a material effect on the Group's financial position.

As part of the acquisition of Papyrus, the Group recognised a contingent liability of \$20,000 in respect of a claim for contractual penalties made by one of Papyrus' customers (see notes 20 and 32).

36. Related parties³

Parent and ultimate controlling party

FRS 1.138(c), 24.13 In August 2017, a majority of the Company's shares were acquired by [name of new parent] from the Company's previous shareholders. As a result, the ultimate controlling party of the Group is [name]. The previous ultimate controlling party was [name].⁴

Transactions with key management personnel

Key management personnel compensation

FRS 24.17, 19.124(b) In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf (see note 17).

Executive officers also participate in the Group's share option programme (see note 18). Furthermore, all employees of the holding company are entitled to participate in a share purchase programme (see note 18) if they meet certain criteria such as investing a percentage of each month's salary for a period of 36 months. Consequently, the Group has deducted \$223,000 from the salaries of all employees concerned (including an amount of \$37,000 that relates to key management personnel), to satisfy this criterion. The amounts withheld are included in trade and other payables due to related parties (see note 21).

FRS 24.17(d) Certain executive officers are subject to a mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to termination benefits up to 24 months' gross salary, depending on the number of years completed as an executive officer. During the year, as a result of the termination of the employment of one of the Group's executives in Singapore, the executive received an enhanced retirement entitlement. In this respect, the Group has recognised an expense of \$25,000 during the year (2016: nil).

Note Reference **Explanatory note**

- | | |
|----|---|
| 1. | In our view, materiality considerations cannot be used to override the explicit requirements of FRS 24 for the disclosure of elements of key management personnel compensation. This issue is discussed in <i>Insights into IFRS</i> (5.5.110.20). |
| 2. | Payments by an entity may relate to services provided to third parties, and not to the paying entity. If an entity acts as an agent and makes payments to an individual on behalf of another party, then in our view, the entity is required to disclose only compensation paid as consideration for services rendered <i>to the entity</i> . In our view, an entity is required to disclose the portions of transactions with joint ventures or associates that are not eliminated in the consolidated financial statements. This issue is discussed in <i>Insights into IFRS</i> (5.5.110.40 and 120.30). |
| 3. | <p><i>FRS 24.19</i> The entity is required to disclose the related party information about the transactions and outstanding balances, including commitments, for each category of related parties, as listed in FRS 24.19, including key management personnel and post-employment benefits. The level of disclosure illustrated in these illustrative financial statements in respect of the key management personnel and director transactions is not required specifically by FRS 24. Disclosure about these individual transactions could be combined without this level of detail.</p> <p>In Singapore, when a parent prepares consolidated financial statements, the Companies Act does not require the parent to present a separate profit or loss account. Therefore, in the situation where the parent does not present a separate profit or loss account, it is not necessary for the parent to disclose related party transactions. However, the outstanding balances, including commitments, with related parties including their terms and conditions should be disclosed because the separate statement of financial position is required. In these illustrative financial statements, the outstanding balances with related parties of the Company have been disclosed in the respective notes.</p> |

Reference Notes to the financial statements

36. Related parties (continued)

Transactions with key management personnel (continued)

Key management personnel compensation (continued)

Key management personnel compensation comprised:^{1, 2}

		Group	
		2017	2016
		\$'000	\$'000
FRS 24.17(a)	Short-term employee benefits	510	420
FRS 19.151(b), FRS 24.17(b)	Post-employment benefits (including CPF)	475	450
FRS 24.17(d)	Termination benefits	25	-
FRS 24.17(c)	Other long-term benefits	420	430
FRS 24.17(e)	Share-based payments	508	133
		1,938	1,433

FRS 24.18

Key management personnel and director transactions

Directors of the Company control 12% of the voting shares of the Company. A relative of a director of a subsidiary has a 10% share in the Group's joint venture (see note 8).

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control, joint control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

FRS 24.18(b)(i)

FRS 24.18(a),
(b)

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or joint control were as follows:³

Transaction	Note	Group			
		Transaction value		Balance	
		for the year ended		outstanding as at	
		31 December		31 December	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Legal fees	(i)	51	50	-	-
Repairs and maintenance	(ii)	176	-	45	-
Inventory purchases – paper	(iii)	66	-	12	-

FRS 24.18(b)(i)

(i) The Group used the legal services of Tan Chin Fong, in relation to advice over the sale of certain non-current assets of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Note Reference **Explanatory note**

1.	Appendix I-G provides example disclosures for government-related entities that apply the exemption in paragraph 25 of FRS 24.
2.	In our view, an entity is required to disclose the portions of transactions with joint ventures or associates that are not eliminated in applying equity accounting in the consolidated financial statements. This issue is discussed in <i>Insights into IFRS</i> (5.5.120.30).
3.	See explanatory note 3 on page 262.
4. <i>FRS 24.18A</i>	If the entity obtains key management personnel services from a separate management entity, the amounts incurred by the entity for the provision of key management personnel services that are provided by the separate management entity shall be disclosed. In these illustrative financial statements, it is assumed that there are no such key management personnel services that are provided by a separate management entity.
5. <i>FRS 24.18(c), (d)</i>	An entity also discloses provisions for doubtful debts and the expense recognised during the period in respect of bad or doubtful debts related to the amount of outstanding balances from related parties.
6. <i>FRS 24.23</i>	Related party transactions are described as having been made on an arm's length basis only if such terms can be substantiated.
7. <i>FRS 24.18 (b)(iii)</i>	An entity also discloses details of any guarantees given or received in respect of outstanding balances with related parties.
8.	In our view, the disclosures about commitments with related parties should not be limited to those commitments specifically required to be disclosed by FRS other than FRS 24. To the extent material, an entity should provide disclosure of any commitments that it may incur in transacting with related parties, e.g. purchase commitments, sales commitments and those arising from shareholders' agreements. These issues are discussed in <i>Insights into IFRS</i> (5.5.120.25).
9. <i>FRS 1.122, 112.7-9</i>	<p>An entity discloses information about significant judgements and assumptions that it has made in determining:</p> <ul style="list-style-type: none"> • that it has control of another entity; • that it has joint control of an arrangement or significant influence over another entity; and • the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle. <p>The above disclosures include changes to those judgements and assumptions, and those made when changes in facts and circumstances are such that the conclusion about when the entity has control, joint control or significant influence changes during the reporting period.</p>

Reference Notes to the financial statements

36. Related parties (continued)

Transactions with key management personnel (continued)

Key management personnel and director transactions (continued)

(ii) The Group entered into a two-year contract with On Track Pte Ltd, a company which is controlled by Yeo Kuan Yee, to provide repairs and maintenance services on production equipment. The total contract value is \$370,000. The contract terms are based on market rates for these types of services, and amounts are payable on a quarterly basis for the duration of the contract.

(iii) The Group purchased various paper supplies from Alumfab Limited, a company that is jointly controlled by Edward Graves. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

FRS 24.18

Other related party transactions^{1, 2, 3, 4}

FRS 24.18(a)

Sale of goods and services⁵

Parent of the Group – [name of new parent]
Associate

Purchase of goods and services

Associate

Other

Associate – administrative services rendered
Associate – interest expense

		Group	
		Transaction value	
		for the year ended	
		31 December	
		2017	2016
		\$'000	\$'000
		Balance	
		outstanding as at	
		31 December	
		2017	2016
		\$'000	\$'000
	Parent of the Group – [name of new parent]	350	-
	Associate	2,945	600
			250
			890
			-
			139
			96
			-
			12

FRS 24.18(b)(i)

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date.⁶ None of the balances are secured.⁷ During the year, the Group repaid a loan of \$1,000,000 obtained from one of its associates (see note 16).

During 2017, the Group entered into a sales agreement with an associate for the supply of goods amounting to \$2,400,000 to be delivered over a twelve month period.⁸ As at 31 December 2017, the Group has supplied \$1,400,000 of its commitment under the agreement (2016: nil).

The Group's joint venture makes the results of its research and development activities available to the Group as well as to one of the other joint venturers. No amount is paid by any of the venturers. To support the activities of the joint venture, the Group and the other investors in the joint venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required (see note 8).

Note Reference **Explanatory note**

1. *FRS 112.5A, FRS 112.B17* Clarification of the scope of FRS 112 clarifies that the disclosure requirements in FRS 112 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates.

In these illustrative financial statements, there are no subsidiaries, joint ventures and associates that are classified as held for sale, held for distribution or discontinued operations.

2. *FRS 112.10(a)(i)* FRS 112 requires the disclosure of information that enables users to understand the composition of the Group. This example shows the disclosure in tabular format. Another approach would be to present the information in narrative form, focusing on key areas of interest.

Another method of disclosure, illustrated in the [Guide to annual financial statements – Illustrative disclosures](#) (note 32), is to provide a diagram of the group structure showing material subsidiaries. For additional disclosure examples and explanatory notes on IFRS 12, see [Guide to annual financial statements – IFRS 12 supplement](#).

3. *SGX 717, 718* Under the Listing Manual, an issuer needs to disclose the names of the auditing firms who are auditors for its significant subsidiaries and associated companies (whether Singapore or foreign-incorporated).

For this purpose, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The term 'net tangible assets' is not a defined term under FRS and its determination is therefore subjective. In addition, in situations where profit is exceptionally low or when the entity is in a loss position, it is likely that the 20% mark will be easily breached.

4. See explanatory note 9 on page 264.

5. *FRS 112.14* An entity discloses the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss.

Depending on the facts and circumstances of an entity in relation to the overall disclosure objective of FRS 112, it may be appropriate to disclose all financing arrangements that are in place, regardless of whether they have been used, or it may be sufficient to disclose only undrawn amounts.

An additional illustration of such disclosure is provided below:

PQR

PQR was formed with only nominal share capital, is funded through bank loans (see note xx), and performs research activities exclusively for the Group and under the Group's direction. As a result, the Group has concluded that PQR is a subsidiary and it has been consolidated.

During 2017, the Group provided additional short-term funding to PQR to allow it to purchase third party research that came onto the market at short notice. Although the Group had no contractual obligation to do so, the funding was made available because the acquisition complements PQR's existing R&D activities and the Group's operational strategy in the paper market. The loan was later replaced by a bank loan, guaranteed by the Group (see note xx).

Other than the guarantee, the Group does not have any contractual obligation to provide financial support to PQR. However, the Group would consider providing any support required by PQR in the future, if such support were necessary to maintain and/or further its R&D activities in the paper market.

Reference Notes to the financial statements

37. Subsidiaries¹

	Company	
	2017 \$'000	2016 \$'000
Equity investments at cost	7,537	4,950

	Note	Principal place of business/ Country of incorporation	Ownership interest ²	
			2017 %	2016 %
ABC Private Ltd		Singapore	100	100
PT Mermaid		Indonesia	100	100
Lei Sure Limited		Romania	100	100
Papier Pte Ltd	15	Singapore	-	100
Papyrus Pty Limited (Papyrus)	32	Australia	90	25
Solid Trading Inc. (Solid Trading)		United States of America	90	90
Windmill N.V. (Windmill)	32	Netherlands	75	60
Maple-leaf Inc (Maple-leaf)		Canada	48	48
Silver Fir Ltd (Silver Fir)		Singapore	45	45
Sloan Bio-Research GmbH		Germany	-	-
MayCo		United States of America	-	-

FRS 112.10 (a),
12(a)-(b),
FRS 24.13-14

SGX 717, 718

KPMG LLP³ is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for Maple-leaf Inc which is audited by TH&D, Montreal, Canada. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

FRS 1.122, 112.7(a),
9(b)

Although the Group owns less than half of Maple-leaf and Silver Fir and less than half of the voting power of these entities, the management has determined that the Group controls these two entities. The Group controls Maple-leaf by virtue of an agreement with its other investors. The Group has control over Silver Fir, on the basis that the remaining voting rights in the investee are widely dispersed, historical attendance at shareholder meetings shows that the Group has been able to control the outcome of voting, and that there is no indication that other shareholders exercise their votes collectively.⁴

FRS 112.10(b)(ii)

The Group does not hold any ownership interests in two structured entities, Sloan Bio-Research GmbH and MayCo. However, based on the terms of agreements under which these entities were established, the Group receives substantially all of the returns related to their operations and net assets (Sloan Bio-Research GmbH and MayCo perform research activities exclusively for the Group) and has the current ability to direct these entities' activities that most significantly affect these returns. Because the owners' interests in these entities are presented as liabilities of the Group, there are no NCI for these entities.⁴

FRS 112.14

The Group has issued a guarantee to certain banks in respect of the credit facilities amounting to \$700,000 granted to these entities.⁵

Note Reference **Explanatory note**

1. *FRS 112.12* In January 2015, the IFRS Interpretations Committee issued a final agenda decision noting that materiality should be assessed on the basis of the consolidated financial statements of the reporting entity. In this assessment, a reporting entity would consider both quantitative consideration (i.e. the size of the subsidiary) and qualitative consideration (i.e. the nature of the subsidiary).

FRS 112 does not require disclosure of the operating segment to which a subsidiary with material NCI belongs.

It is disclosed in this example because it provides better information about the subsidiary in the context of the composition of the group.

2. *FRS 112.12(c)* FRS 112 requires disclosure of the proportion of ownership interests held by NCI.

In this example, the interest of NCI is simply the percentage shareholding in the named company – i.e. the direct holding. The disclosure indicates that Papyrus is a subgroup.

3. *FRS 112.B10(b)* FRS 112 does not specify the level of detail to be included in the summarised financial information, although the information should cover the assets, liabilities, profit or loss and cash flows of the subsidiary; it then provides some example line items for consideration.

This example includes the example line items in the standard, plus the three main categories of cash flows.

4. *FRS 112.10(a)(ii), 12(e)-(g)* FRS 112 does not specify whether the disclosures in respect of subsidiaries with material NCI should be based on subsidiaries on a stand-alone basis, or should take into account investees of that subsidiary (subgroups).

This example takes into account the investees of a subsidiary, and therefore includes the entire Papyrus subgroup. This provides a better understanding of the interests of NCI in the context of the group as a whole.

In January 2015, the Committee issued a final agenda decision observing that a reporting entity should apply judgement in determining the level of disaggregation of the information required in paragraphs 12(e) and (f) of IFRS 12 – that is, whether:

- the entity presents this information about the subgroup of the subsidiary that has material NCI (on the basis of the subsidiary together with its investees); or
- to disaggregate information further to present information about individual subsidiaries that have material NCI within that subgroup.

5. *FRS 112.B10(b), B11* FRS 112 requires the amounts presented in the summarised financial information to be before inter-company eliminations.

FRS 112 does not specify whether the summarised financial information should be modified for fair value adjustments on acquisition and differences in the Group’s accounting policies. In this example, such adjustments have been made.

In January 2015, the Committee issued a final agenda decision observing that the summarised financial information would be prepared on a basis consistent with the information included in the consolidated financial statements of the reporting entity. For example, if the subsidiary was acquired in a business combination, then the amounts disclosed would reflect the effects of the acquisition accounting.

In addition, the Committee noted that the information provided in respect of paragraph 12(g) would include transactions between the subgroup/subsidiary and other members of the reporting entity’s group without elimination in order to meet the requirements in paragraph B11 of IFRS 12. The transactions within the subgroup would be eliminated.

6. Although it is not required by FRS 112, the Group has reconciled from the summarised financial information about subsidiaries with material NCI to the total amounts in the financial statements. This disclosure is provided for illustrative purposes only. For additional disclosure examples and explanatory notes on IFRS 12, see [Guide to annual financial statements – IFRS 12 supplement](#).

Reference Notes to the financial statements

38. Non-controlling interests¹

On 31 March 2017, the Group's equity interest in Papyrus increased from 25% to 90% and Papyrus became a subsidiary from that date (see note 32). Accordingly, the information relating to Papyrus is only for the period from 1 April to 31 December 2017.

FRS 112.12(a)-(d)

The following subsidiaries have non-controlling interests (NCI) that are material to the Group.

Name	Principal places of business/ Country of incorporation	Operating Segment ¹	Ownership interests held by NCI ²	
			2014	2013
Papyrus subgroup	Australia	Standard papers	10%	n/a
Solid Trading	United States of America	Standard papers	10%	10%
Windmill	Netherlands	Standard papers	25%	40%
Maple-leaf	Canada	Forestry	52%	52%
Silver Fir	Singapore	Standard papers	55%	55%

FRS 112.10(a)(iii),
12(e)-(g), B10-B11

The following summarised financial information for the above subsidiaries are prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.^{3, 4, 5, 6}

	Papyrus	Solid Trading	Windmill	Maple-leaf	Silver Fir	Other individually immaterial subsidiaries	Intra- group elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017								
Revenue	20,409	10,930	9,540	3,555	346			
Profit	1,560	1,030	476	296	10			
OCI	-	120	52	4	-			
Total comprehensive income	1,560	1,150	528	300	10			
Attributable to NCI:								
- Profit	156	103	119	154	6	1	(15)	524
- OCI	-	12	13	2	-	-	-	27
- Total comprehensive income	156	115	132	156	6	1	(15)	551
Non-current assets	3,890	6,520	7,438	1,200	998			
Current assets	1,230	1,578	1,112	740	572			
Non-current liabilities	-	(2,315)	(6,580)	(980)	(524)			
Current liabilities	(520)	(983)	(910)	(278)	(959)			
Net assets	4,600	4,800	1,060	682	87			
Net assets attributable to NCI	460	480	265	355	48	1	(97)	1,512
Cash flows from operating activities	430	210	166	(268)	(135)			
Cash flows from investing activities	(120)	510	75	-	(46)			
Cash flows from financing activities (dividends to NCI: nil)	12	(600)	(320)	-	130			
Net increase (decrease) in cash and cash equivalents	322	120	(79)	(268)	(51)			

FRS 112.12(e)

FRS 112.12(f)

FRS 112.B10(a)

This page has been left blank intentionally.

Reference Notes to the financial statements

38. Non-controlling interests (continued)

	Solid Trading \$'000	Windmill \$'000	Maple-leaf \$'000	Silver Fir \$'000	Other individually immaterial subsidiaries \$'000	Intra- Group elimination \$'000	Total \$'000
2016							
Revenue	8,660	9,390	15,810	294			
Profit	240	237	198	33			
OCI	80	15	8	-			
Total comprehensive income	320	252	206	33			
Attributable to NCI:							
- Profit	24	95	103	18	3	(24)	219
- OCI	8	6	4	-	4	-	22
- Total comprehensive income	32	101	107	18	7	(24)	241
Non-current assets	6,140	7,323	1,184	1,107			
Current assets	1,960	1,278	850	622			
Non-current liabilities	(2,900)	(6,900)	(1,200)	(403)			
Current liabilities	(1,430)	(1,049)	(447)	(1,249)			
Net assets	3,770	652	387	77			
Net assets attributable to NCI	377	261	201	42	2	(81)	802
Cash flows from operating activities	300	115	530	(100)			
Cash flows from investing activities	(25)	(40)	(788)	(30)			
Cash flows from financing activities (dividends to NCI: nil)	(200)	(50)	190	130			
Net increase (decrease) in cash and cash equivalents	75	25	(68)	-			

Note Reference **Explanatory note**

- 1.** *FRS 112.24–31* The level of disclosure in respect of involvement with unconsolidated structured entities will depend on the facts and circumstances of the entity, but is likely to be more complex for a bank or other financial institution.

For further examples, see:

- [Guide to annual financial statements: IAS 39 – Illustrative disclosures for banks](#) (note 35); and
- [Guide to annual financial statements – Illustrative disclosures for investment funds](#) (note 16)

- 2.** *FRS 107.42A-42H* This example contains certain illustrative disclosures about transfers of financial assets in accordance with the FRS 107.42A-H on *Transfers of Financial Assets*. For further examples, see [Guide to annual financial statements: IAS 39 – Illustrative disclosures for banks](#) (note 36).

- 3.** Accounting for service concession arrangements is complex, and appropriate disclosures will depend on the circumstances of the individual entity. Issues related to the accounting for service concession arrangements are discussed in *Insights into IFRS* (5.12).

- 4.** *INT FRS 29.7* Disclosures about the nature and extent of service concession arrangements are provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature.

Reference Notes to the financial statements

39. Involvement with unconsolidated structured entities^{1, 2}

FRS 107.42A, 42B, 42D(a)-(b), 112.24, 26 One of the Group's subsidiaries, ABC Private Ltd (ABC), participates in a revolving multi-seller securitisation vehicle for its trade receivables. On the sale of goods, ABC immediately receives the face value of the receivables less a premium that covers the cost of financing. The level of the premium is reviewed quarterly. The Group maintains the customer relationship and collects the amounts due from customers on behalf of the securitisation vehicle. The Group will pay late payment interest to the securitisation vehicle should any of the customers pay after the due dates of the invoices. In the event that a customer defaults on the amount owing, the Group is required to pay the face value of the receivables to the securitisation vehicle.

FRS 107.42D(b)-(c), 112.24(a) The Group has retained substantially all the risks and rewards associated with the receivables – credit and late payment risks. Therefore, the receivables are not derecognised from the statement of financial position, and the amount received from the securitisation vehicle is recognised as a financial liability (see note 16).

FRS 107.42D(e), 112.29(a)-(d) The table below sets out the carrying amounts of the receivables transferred to the securitisation vehicle and the associated liabilities.

	2017 \$'000	2014 \$'000
Carrying amount of receivables transferred to the securitisation vehicle – included in trade and other receivables (current assets)	80	68
Carrying amount of liabilities recognised in connection with receivables transferred to the securitisation vehicle – included in loans and borrowings (current liabilities)	71	60
Maximum exposure to loss (carrying amount of receivables transferred)	80	68

FRS 1.122, 112.7(a), 112.26 The Group concluded that it does not control, and therefore should not consolidate, the securitisation vehicle. The securitisation vehicle acquires the trade receivables of numerous companies in the paper products industry, and issues commercial paper to a variety of investors; the Group does not hold any of the commercial paper. Taken as a whole, the Group does not have power over the relevant activities of the securitisation vehicle.

40. Service concession arrangement^{3, 4}

INT FRS 29.6 On 1 February 2017, the Group entered into a service concession agreement with a local town council (the grantor) to construct a toll road near one of the Group's forestry operations. The construction of the toll road commenced in February 2017 and was completed and available for use on 30 September 2017. Under the terms of the agreement, the Group will operate and make the toll road available to the public for a period of five years, starting from 1 October 2017. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

INT FRS 29.6(c)(iv) The grantor will provide the Group a guaranteed minimum annual payment for each year that the toll road is in operation. Additionally, the Group has received the right to charge users a fee for using the toll road, which the Group will collect and retain; however, this fee is capped to a maximum amount as stated in the service concession agreement. The usage fees collected and earned by the Group are over and above the guaranteed minimum annual payment to be received from the grantor. At the end of the concession period, the toll road becomes the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements.

This page has been left blank intentionally.

Reference Notes to the financial statements

40. Service concession arrangement (continued)

INT FRS 29.6(c)(v) The service concession agreement does not contain a renewal option. The rights of the grantor to terminate the agreement include poor performance by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement, a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Group to fulfil its requirements under the agreement.

INT FRS 29.6(e), 6A During the year, the Group recorded the following in respect of its service concession arrangement:

	Construction	Operation of toll road	Total
	\$'000	\$'000	\$'000
2017			
Revenue	320	30	350
Profit	25	(5)	20

The revenue from operation of the toll road is the amount of tolls collected. The revenue recognised in relation to construction in 2017 represents the fair value of the construction services provided in constructing the toll road.

The Group has recognised a service concession receivable, measured initially at the fair value of the construction services, of \$260,000 representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of 5%, of which \$11,000 represents accrued interest.

The Group has recognised an intangible asset of \$95,000, of which \$5,000 has been amortised in 2017 (see note 5). The intangible asset represents the right to charge users a fee for usage of the toll road. Capitalised borrowing costs included in this intangible asset amount to \$6,000, which was determined based on an estimation of the average interest costs on borrowings of 5.7%.

*INT FRS 112.22,
FRS 23.26(a), (b)*

Note Reference **Explanatory note**

- | | |
|--|---|
| 1. <i>FRS 10.21(b)</i> | If the financial effect of a material non-adjusting event after the reporting date cannot be estimated, an entity discloses that fact. |
| 2. <i>FRS 103.59(b),
B66,
10.21, 22,
33.70(d)</i> | For each material category of non-adjusting event after the reporting date, an entity discloses the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. Paragraph 22 of FRS 10 provides examples of non-adjusting events that normally would require disclosure. |
| 3. <i>FRS 103.59(b),
B66</i> | For each business combination effected after the reporting date but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of FRS 103 to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are the same as those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons for it. |
| 4. <i>FRS 1.45</i> | <p>The presentation and classification of items in the financial statements should be retained from one period to the next unless:</p> <ul style="list-style-type: none">• it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in FRS 8; or• a Standard or Interpretation requires a change in presentation. |
| <i>FRS 1.41</i> | <p>When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified, unless it is impracticable to do so. When comparative amounts are reclassified, an entity should disclose:</p> <ul style="list-style-type: none">• the nature of the reclassification;• the amount of each item or class of items that is reclassified; and• the reason for the reclassification. |
| <i>FRS 1.42</i> | <p>When it is impracticable to reclassify comparative amounts, an entity should disclose:</p> <ul style="list-style-type: none">• the reason for not reclassifying the amounts; and• the nature of the adjustments that would have been made if the amounts had been reclassified. <p>However, reclassification of comparative amounts, which is made on the adoption of an FRS, should be made in accordance with the specific transitional provisions.</p> |

Reference Notes to the financial statements

FRS 10.21 **41. Subsequent events**^{1, 2, 3}

Restructuring

At the end of January 2018, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it is intended to reduce the Group's workforce by 400 positions worldwide by the end of 2018, by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost \$600,000 to \$850,000 in 2018.

Other

Subsequent to 31 December 2017, one of the Group's major trade debtors went into liquidation following a natural disaster in February 2018 that damaged its operating plant. Of the \$100,000 owed by the debtor, the Group expects to recover less than \$10,000. No allowance for impairment has been made in the financial statements.

On 10 January 2018, one of the premises of Solid Trading Inc., having a carrying amount of \$220,000, was seriously damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

On 22 July 2017, the Group announced its intention to acquire all of the shares of ABC Company Limited for \$6,500,000. On 4 March 2018, the Group's shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by June 2018.

42. Comparative information⁴

Change in classification

FRS 1.41(a),(c)

During 2017, the Group modified the classification of depreciation expense on certain office space to reflect more appropriately the way in which economic benefits are derived from its use. Comparative amounts in the statement of profit or loss were restated for consistency. As a result, \$20,000 was reclassified from 'administrative expenses' to 'distribution expenses'.

FRS 1.41(b)

Since the amounts are reclassifications within operating activities in the statement of profit or loss, this reclassification did not have any effect on the statements of financial position and cash flows.

Note Reference **Explanatory note**

1. In these illustrative financial statements, the entity is incorporated in Singapore and have issued equity instruments for trading on SGX. It is required to apply a new financial reporting framework identical to the International Financial Reporting Standards (the Singapore Financial Reporting Standards (International)). Hence, the Group discloses the effects of full convergence with IFRS and adoption of new IFRSs, amendments to IFRSs and interpretations instead of the application of the new FRSs, amendments to FRSs and interpretations.

2. *Press release* In November 2016, the ASC reminded Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore of full IFRS convergence in 2018.

SGX issued a communiqué in December 2016 to clarify that all SGX-listed companies and Business Trusts, regardless of their place of incorporation, currently reporting under FRS will be required to adopt the new financial reporting framework.

In December 2017, the ASC issued the new framework, Singapore Financial Reporting Standards (International) (SFRS(I)). For more information on the applicability of SFRS(I), see the ASC's [Statement on Applicability](#).

For December year-end listed companies and Business Trusts that present one year comparative information, 2017 comparative information and an opening balance sheet as at 1 January 2017 (including related notes) in compliance with the new financial reporting framework will be required in the 2018 financial statements. As the 2017 amounts reported in these financial statements will be restated pursuant to the new financial reporting framework, we recommend that affected listed entities disclose the impending adoption of the new financial reporting framework, including any known or reasonably estimable qualitative and quantitative information relevant to assessing the potential impact of transitioning to the new financial reporting framework in 2017 financial statements.

3. The description of the nature and effects of adoption of the new financial reporting framework and accounting standards presented is only illustrative, and may not be representative of the nature and effects of adoption for individual entities. Entities should tailor the disclosures to the specific circumstances. It should not be relied upon for a complete understanding of SFRS(I) and IFRS (existing, new or amended) and should not be a substitute for referring to SFRS(I) and IFRS. The views expressed here reflect current developments and views, which may evolve during the process as entities and other stakeholders (such as regulators and standard-setters) begin to apply and interpret the standards.

4. Although new or amended IFRSs and interpretations that will have no or no material effect on the financial statements need not be provided, the Group has included the list of new or amended IFRSs and interpretations issued but not effective as at 31 August 2017 for illustrative purposes only.

For a list of forthcoming requirements that are not yet mandatory for 2017 but are available for early adoption, see Appendix IV.

5. These amendments arose from *Annual Improvements to IFRS Standards 2014-2016 Cycle* issued by the International Accounting Standards Board (IASB) on 8 December 2016.

Reference Notes to the financial statements

43 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards¹

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.^{2, 3}

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I), and IFRS issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRS .

In adopting the new framework, the Group will be required to apply the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new IFRSs, amendments to and interpretations of IFRS are effective from the same date.⁴

- IFRS 15 *Revenue from Contracts with Customers* and Amendments to IFRS 15 *Clarifications to IFRS 15*;
- IFRS 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2);
- *Transfers of Investment Property* (Amendments to IAS 40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to IFRS 1);⁵
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to IAS 28);⁵
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4); and
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for IFRS 15 and IFRS 9.

Note Reference **Explanatory note**

- | | |
|-----------|--|
| 1. | The objective of this disclosure is to provide users with information on the current assessment of the possible impacts that the initial adoption of the new financial reporting framework and accounting standards may have on the financial statements. When quantitative information is provided, appropriate caveats are included, where necessary, to help users understand that the disclosures are based on an assessment at a point in time and may be subject to change. |
| 2. | <i>IFRS 1.E1 – 2,</i> IFRS 1 has specific provisions that allow a first-time adopter not to restate comparatives when applying IFRS 9 for the first time for its first set of IFRS financial statements. Hence, a first-time adopter of IFRS with a December year end that chooses this exemption recognises the cumulative effect of adopting IFRS 9 in equity as at 1 January 2018. The cumulative effect is calculated as the difference between: <ul style="list-style-type: none">• the carrying amount before the adoption of IFRS 9; and• the new carrying amount calculated in accordance with IFRS 9 at 1 January 2018. The Group expects to elect not to restate comparatives when applying IFRS 9 in 2018. |
| 3. | <i>IFRS 15.B21, BC367</i> IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'Inventories'. |
| 4. | <i>IFRS 15.55</i> The Group has presented its refund liabilities as 'Trade and other payables, including derivatives' under IFRS 15. |

43 Full convergence with IFRS and adoption of new standards (continued)

Summary of quantitative impact¹

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impacts on initial application of IFRS 1, IFRS 15 and IFRS 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.²

Consolidated statement of financial position

	Note	31 December 2017			1 January 2018		
		Current frame- work \$'000	IFRS 1 \$'000	IFRS 15 \$'000	IFRS frame- work \$'000	IFRS frame- work \$'000	
Assets							
Property, plant and equipment	(i)	16,936	1,300	-	18,236	-	18,236
Other investments, including derivatives	(vii), (viii)	3,631	-	-	3,631	(103)	3,528
Others		20,783	-	-	20,783	-	20,783
Non-current assets		41,350	1,300	-	42,650	(103)	42,547
Trade and other receivables	(iii), (vi), (viii)	16,561	-	587	17,148	(82)	17,066
Inventories ³	(iii), (iv)	9,967	-	(328)	9,639	-	9,639
Others		17,352	-	-	17,352	-	17,352
Current assets		43,880	-	259	44,139	(82)	44,057
Total assets		85,230	1,300	259	86,789	(185)	86,604
Equity							
Reserves	(ii), (vii)	1,202	(151)	-	1,051	(12)	1,039
Retained earnings		8,483	1,451	156	10,090	(147)	9,943
Others		21,249	-	-	21,249	-	21,249
Total equity		30,934	1,300	156	32,390	(159)	32,231
Liabilities							
Deferred tax liabilities	(iii), (vi), (vii), (viii)	2,239	-	31	2,270	(26)	2,244
Others		23,839	-	-	23,839	-	23,839
Non-current liabilities		26,078	-	31	26,109	(26)	26,083
Trade and other payables, including derivatives ⁴	(iv)	19,784	-	72	19,856	-	19,856
Others		8,434	-	-	8,434	-	8,434
Current liabilities		28,218	-	72	28,290	-	28,290
Total equity and liabilities		85,230	1,300	259	86,789	(185)	86,604

This page has been left blank intentionally.

Reference

Notes to the financial statements

43 Full convergence with IFRS and adoption of new standards (continued)
Summary of quantitative impact (continued)
Consolidated statement of profit or loss

	Note	Year ended 31 December 2017			IFRS frame- work \$'000
		Current frame- work \$'000	IFRS 1 \$'000	IFRS 15 \$'000	
Continuing operations					
Revenue	(iii), (iv), (v)	100,160	-	108	100,268
Cost of sales	(iii), (iv)	(55,592)	-	(286)	(55,878)
Gross profit		44,568	-	(178)	44,390
Distribution expenses	(v), (vi)	(17,984)	-	297	(17,687)
Finance income	(ii)	981	(20)	-	961
Others		(16,636)	-	-	(16,636)
Profit before tax		10,929	(20)	119	11,028
Tax expense	(iii), (vi)	(3,371)	-	(26)	(3,397)
Profit from continuing operations		7,558	(20)	93	7,631
Discontinued operations					
Profit from discontinued operation (net of tax)		379	-	-	379
Profit for the year		7,937	(20)	93	8,010
Profit attributable to:					
Owners of the Company		7,413	(20)	93	7,486
Non-controlling interests		524	-	-	524
Profit for the year		7,937	(20)	93	8,010

This page has been left blank intentionally.

Reference

Notes to the financial statements

43 Full convergence with IFRS and adoption of new standards (continued)
Summary of quantitative impact (continued)
Consolidated statement of comprehensive income

	Note	Year ended 31 December 2017			
		Current frame- work \$'000	IFRS 1 \$'000	IFRS 15 \$'000	IFRS frame- work \$'000
Profit for the year		7,937	(20)	93	8,010
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Others		182	-	-	182
Total items that will not be reclassified to profit or loss		182	-	-	182
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences on loss of significant influence reclassified to profit or loss	(ii)	(20)	20	-	-
Others		546	-	-	546
Total items that are or may be reclassified subsequently to profit or loss		526	20	-	546
Other comprehensive income for the year, net of tax		708	20	-	728
Total comprehensive income for the year		8,645	-	93	8,738
Total comprehensive income attributable to:					
Owners of the Company		8,094	-	93	8,187
Non-controlling interests		551	-	-	551
Total comprehensive income for the year		8,645	-	93	8,738

This page has been left blank intentionally.

Reference

Notes to the financial statements

43 Full convergence with IFRS and adoption of new standards (continued)

Summary of quantitative impact (continued)

Statement of financial position for the Company

	Note	31 December 2017			1 January 2018		
		Current frame- work \$'000	IFRS 1 \$'000	IFRS 15 \$'000	IFRS frame- work \$'000	IFRS 9 \$'000	IFRS frame- work \$'000
Assets							
Property, plant and equipment	(i)	5,816	1,300	-	7,116	-	7,116
Other investments, including derivatives	(vii), (viii)	3,512	-	-	3,512	(103)	3,409
Others		7,537	-	-	7,537	-	7,537
Non-current assets		16,865	1,300	-	18,165	(103)	18,062
Trade and other receivables	(viii)	20,698	-	-	20,698	(86)	20,612
Inventories	(iv)	4,694	-	20	4,714	-	4,714
Others		1,333	-	-	1,333	-	1,333
Current assets		26,725	-	20	26,745	(86)	26,659
Total assets		43,590	1,300	20	44,910	(189)	44,721
Equity							
Reserves	(vii)	29	-	-	29	(12)	17
Retained earnings		5,639	1,300	-	6,939	(145)	6,794
Others		19,737	-	-	19,737	-	19,737
Total equity		25,405	1,300	-	26,705	(157)	26,548
Liabilities							
Loans and borrowings	(viii)	11,708	-	-	11,708	1	11,709
Deferred tax liabilities	(vii), (viii)	1,285	-	-	1,285	(33)	1,252
Others		70	-	-	70	-	70
Non-current liabilities		13,063	-	-	13,063	(32)	13,031
Trade and other payables, including derivatives	(iv)	4,943	-	20	4,963	-	4,963
Others		179	-	-	179	-	179
Current liabilities		5,122	-	20	5,142	-	5,142
Total equity and liabilities		43,590	1,300	20	44,910	(189)	44,721

Note Reference **Explanatory note**

1. *IFRS 1.13* IFRS 1 provides mandatory exceptions that prohibit retrospective application of other IFRS. These exceptions are set out in paragraphs 14 to 17 of IFRS 1, Appendix B and Appendix D paragraphs D16 and D17 of IFRS 1 if a first-time adopter meets the relevant criteria to which the exceptions apply, then it applies the exceptions. The list of mandatory exceptions are also described in *Insights into IFRS* (6.1.230.20).

2. *IFRS 1.18* IFRS 1 contains optional exemptions that a first-time adopter may elect to use to transit to IFRS. These optional exemptions are contained in Appendices C to E of IFRS 1 except for Appendix D paragraphs D16 and D17 which are mandatory (see explanatory note 1 above). The list of optional exemptions are also described in *Insights into IFRS* (6.1.240).

3. *IFRS 1.D5* An entity may elect to measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date.

IFRS 1.D6 An entity may elect to use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:

- fair value; or
- cost or depreciated cost under IFRSs adjusted to reflect, for example, changes in a general or specific price index.

IFRS 1.D8 An entity also may use an event-driven fair value as a deemed cost when, under previous GAAP, some or all of its assets and liabilities have been fair valued at one particular date because of an event such as a privatisation or initial public offering. This exemption is not restricted to determining a deemed cost for all items of property, plant and equipment but may be applied to all individual assets and liabilities that were part of the remeasurement event.

4. IFRS 1 does not require disclosure of the reasons for election to use optional exemptions. In the [IFRS Convergence – Are you on Track](#) guide published jointly by ASC and the Institute of Singapore Chartered Accountants in November 2016, the publication stated that an alternative accounting policy should already have been applied under FRS, if the change would have resulted in reliable and more relevant financial information. The election of a different accounting policy only on transition to IFRS can be expected to receive additional scrutiny, when facts and circumstances remain unchanged.

The Group has voluntarily disclosed additional information to explain why it expects to elect certain optional exemptions and in the case of adopting fair value as deemed cost, how fair value is determined.

5. *IAS 12.51B* When a non-depreciable item of property, plant and equipment is revalued, the deferred tax on the revaluation is measured using the tax rate that applies on disposal. This issue is discussed in *Insights into IFRS* (3.13.410).

In these illustrative financial statements, it is assumed that if the freehold land is ever sold, in the tax jurisdiction of the Company, there is no capital gains tax. As a result, no deferred tax has been recognised.

6. See explanatory note 4 on page 290.

43 Full convergence with IFRS and adoption of new standards (continued)

IFRS 1

When the Group adopts IFRS in 2018, the Group will apply IFRS 1 with 1 January 2017 as the date of transition for the Group and the Company. IFRS 1 generally requires that the Group applies IFRS on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because IFRS 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. IFRS 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in IFRS 1 to have any significant impact on the financial statements.^{1, 2}

(i) Fair value as deemed cost for freehold land classified as property, plant and equipment³

IFRS 1.D5

The Group plans to elect the optional exemption in IFRS 1 to measure the freehold land held by the Company at the date of transition to IFRS at fair value and use that fair value as its deemed cost in its IFRS financial statements.

As the freehold land value has appreciated significantly since its acquisition, the Group considers that the election of fair value at the date of transition as its deemed cost would result in more relevant financial information.⁴ The fair value of the freehold land was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.⁴ The Group expects the carrying amount of freehold land and retained earnings of the Group and of the Company to increase by \$1,300,000 as at 1 January 2017.⁵

(ii) Foreign currency translation reserve (FCTR)⁶

The Group considers that restating FCTR to comply with current IAS 21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.⁴

The Group plans to elect the optional exemption in IFRS 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of \$171,000 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

IFRS 1.D13

The Group expects the cumulative FCTR to decrease by \$151,000 and retained earnings to increase by the same amount as at 31 December 2017. For the year ended 31 December 2017, the Group expects the gain on remeasurement to fair value of pre-existing interest in Papyrus (see note 32), recognised as 'finance income' in profit or loss to decrease by \$20,000 and OCI to increase by the same amount.

IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Note Reference **Explanatory note**

- 1.** *IFRS 1.D34, D35* A first-time adopter of IFRS cannot apply the cumulative effect approach to transit to IFRS 15. The cumulative effect approach allows the cumulative effect of applying IFRS 15 to be recognised directly in opening equity at the date of initial application of IFRS 15 with no adjustments to the comparative information. But as a first-time adopter of IFRS, IFRS 1 has specific provisions regarding how a first-time adopter should apply IFRS 15.

The transitional provisions in IFRS 15 are not applicable as the provisions in IFRS 1 take precedence. Under IFRS 1, a first-time adopter of IFRS can only adopt the retrospective approach, subject to certain expedients that are available.

This means a first-time adopter of IFRS with a December year end will have to apply IFRS 15 retrospectively and adjust each comparative period presented in the 2018 financial statements. The first-time adopter of IFRS is able to elect the practical expedients available in IFRS 15 when adopting the standard. This issue is discussed in *Insights into IFRS* (4.2A.430).

- 2.** *IFRS 15.B21, BC367* IFRS 15 and other standards do not specify where assets for rights to recover products from customers with regard to sale with a right of return should be presented. The Group has included the assets in 'Inventories'.

- 3.** *IFRS 15.55,* The Group has presented its refund liabilities as 'Trade and other payables, including derivatives' under IFRS 15.

- 4.** *IFRS 1.D13* Generally, IAS 21 requires an entity to recognise certain translation differences in OCI and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference from OCI to profit or loss or to reattribute to NCI (including gains/losses on related hedges, if applicable). However, a first-time adopter may elect the optional exemption to deem the cumulative translation differences for all foreign operations to be nil at the date of transition, and reclassify any such amounts determined in accordance with previous GAAP at that date to retained earnings. When this is the case, the gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition. A first-time adopter that does not apply this optional exemption will have to apply the relevant requirements of IAS 21 retrospectively, except for the requirement in paragraph 47 of IAS 21 when the exemption in paragraph C2 of IFRS 1 is applied.

Reference Notes to the financial statements

43 Full convergence with IFRS and adoption of new standards (continued)
IFRS 15 (continued)

IFRS 1.D34 The Group plans to adopt IFRS 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach.¹ As a result, the Group will apply all of the requirements of IFRS 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

IFRS 1.D35 The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of IFRS 15 are described below. The information below reflects the Group's expectations of the tax implications arising from the changes in accounting treatment. Tax effects may change when the transition adjustments are finalised.

(iii) Contract manufacturing of furniture

The Group manufactures and sells certain furniture products for a customer under a non-cancellable long-term exclusive supply arrangement. The Group currently recognises revenue from such sales when the customers take delivery of the furniture at their warehouses. Under IFRS 15, revenue is recognised over time, as the furniture design is highly customised to the requirements of the customer, and the Group has a right to payment for furniture products manufactured to date if the contract is terminated for reasons other than the Group's failure to perform as promised. The expected potential impact is as follows:

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments \$'000
Increase in trade and other receivables	522
Decrease in inventories	(400)
Increase in deferred tax liabilities	(20)
Increase in retained earnings	(102)
	<hr/>

**Consolidated statement of profit or loss for the year ended
31 December 2017**

Increase in revenue	412
Increase in cost of sales	(358)
Increase in tax expense	(15)
Increase in profit for the year	<hr/> 39 <hr/>

(iv) Sales with a right of return

Certain sales contracts of the Group grant customers the right to return the product during a grace period if the customers are dissatisfied with the product. The Group currently recognises revenue when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. The Group records a refund liability for expected returns as provisions. Under IFRS 15, revenue is recognised to the extent that it is highly probable that there will be no returns from customers. A refund liability (classified in trade and other payable, including derivatives) and an asset for recovery (classified in inventories) will be recognised separately in the statement of financial position. The expected potential impact is as follows:

Consolidated statement of financial position as at 31 December 2017

	Group Adjustments \$'000
Increase in inventories ²	72
Increase in trade and other payables, including derivatives ³	(72)
	<hr/>

**Consolidated statement of profit or loss for the year ended
31 December 2017**

Decrease in revenue	(72)
Decrease in cost of sales	72
Decrease in profit for the year	<hr/> - <hr/>

Note Reference **Explanatory note**

1. *IFRS 1.E1, E2* In these illustrative financial statements, the Group is a first-time adopter and applies IFRS 1 to transition to IFRS. Under IFRS 1, if a first-time adopter's first IFRS reporting period begins before 1 January 2019 and the entity applies the complete version of IFRS 9 (issued in 2014), the comparative information in the entity's first IFRS financial statements need not comply with IFRS 9. The Group is expecting to apply this exemption in its 2018 IFRS financial statements.

2. For an existing preparer of IFRS or FRS (i.e. not a first-time adopter), the exemption not to restate comparative period is available except in relation to certain cost of hedging accounting requirements. The transition requirements of an existing preparer of IFRS or FRS are also different from that of a first-time adopter. A key difference is with regard to the assessment of whether cash flows are solely payments of principal and interest (SPPI). In contrast to provisions in IFRS 1 which require the assessment to be made at the date of transition, the transition provisions of IFRS 9 or FRS 109 require the assessment to be made at inception of the instrument and not at the date of initial application. Issue 53 of Financial Reporting Matters discusses how full convergence to IFRS in 2018 affects the adoption of IFRS 9.

Appendix V in [Guide to annual financial statements – Illustrative disclosures](#) provides illustrative disclosures for the early adoption of IFRS 9 *Financial Instruments*.

Reference Notes to the financial statements

43 Full convergence with IFRS and adoption of new standards (continued)
IFRS 15 (continued)

(iv) Sales with a right of return (continued)

Statement of financial position as at 31 December 2017

**Company
Adjustments
\$'000**

Increase in inventories	20
Increase in trade and other payables, including derivatives	(20)
	<hr/>

(v) Consideration payable to customer

The Group currently recognises bulk discounts on goods sold to customers as distribution expenses. Under IFRS 15, such discounts are treated as consideration payable to customer, and are netted against revenue recognised on these sales. The application of IFRS 15 is expected to decrease revenue and distribution expenses recognised for 2017 by \$232,000.

(vi) Success-based sales commissions

The Group pays sales commissions to employees for securing long-term sales contracts for the Group on a success basis. The Group currently recognises sales commissions as an expense when incurred, but would capitalise such incremental costs as a contract cost asset under IFRS 15 as they are recoverable. The capitalised costs would be amortised consistently with the pattern of revenue for the related contract. Contract cost assets are expected to increase by \$65,000 as at 31 December 2017, and correspondingly decrease the distribution expenses by the same amount for 2017. Deferred tax liabilities are expected to increase by \$11,000 as at 31 December 2017 and correspondingly decrease the tax expenses by the same amount for 2017.

IFRS 9^{1, 2}

IFRS 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied by the Group retrospectively, except as described below.

IFRS 1.E1

- The Group plans to take advantage of the exemption in IFRS 1 allowing it not to restate comparative information in the 2018 IFRS financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

IFRS 1.E1

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

IFRS 1.B8

- The determination of the business model within which a financial asset is held.

IFRS 1.B8

- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IFRS 1.D19B

- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).

IFRS 1.D19A

- The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

IFRS 1.B8F(a), E1

- If an investment in a debt security has low credit risk at 1 January 2018, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

IFRS 1.B5, B6, E1

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under IFRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under IFRS 9 at 1 January 2018 will be regarded as continuing hedging relationships.

This page has been left blank intentionally.

43 Full convergence with IFRS and adoption of new standards (continued)
IFRS 9 (continued)

The expected impact on adoption of IFRS 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(vii) Classification and measurement: financial assets

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets amounting to \$1,842,000 at fair value under IFRS 9. A significant portion of the Available-for-sale (AFS) debt securities amounting to \$106,000 are expected to be reclassified as financial assets subsequently measured at FVOCI as they are held to maintain liquidity for the Group and may be sold from time to time should the need arise. The remaining portion of the AFS debt securities are held to collect contractual cash flows and the Group expects to classify these as financial assets subsequently measured at amortised cost. The Group plans to elect to present in OCI the changes in fair value of its AFS equity securities that are held by the Group and the Company because these investments are not held for trading. For equity securities that have been designated at FVTPL, the Group expects to continue measuring these assets at FVTPL.

As at 1 January 2018, the Group and the Company expect a decrease in the carrying amount of other investments of \$15,000, a decrease in fair value reserve of \$12,000 net of deferred tax and a decrease in deferred tax liabilities of \$3,000 arising from the re-measurement of AFS debt securities from FVOCI to amortised cost.

(viii) Impairment

IFRS 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under IFRS 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of IFRS 15. The Group expects an increase in impairment for trade and other receivables and other investments (debt securities) of \$82,000 and \$88,000 respectively as at 1 January 2018. The Company expects an increase in impairment of trade and other receivables and other investments (debt securities) of \$86,000 and \$88,000 respectively. The Company also expects an increment in liability arising from the provision of intragroup financial guarantee (see note 16) of \$1,000.

The Group estimates a reduction in deferred tax liabilities of the Group and of the Company of \$23,000 and \$30,000 respectively.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

This page has been left blank intentionally.

Notes to the financial statements

43 Convergence with IFRS and adoption of new standards (continued)

Applicable to financial statements for the year 2019 and thereafter

The following new IFRS, amendments to and interpretations of IFRS are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)
- *Prepayment Features with Negative Compensation* (Amendments to IFRS 9)
- *Previously held interest in a joint operation* (Amendments to IFRS 3 and IFRS 11) #
- *Income tax consequences of payments on financial instruments classified as equity* (Amendments to IAS 12) #
- *Borrowing costs eligible for capitalisation* (Amendments to IAS 23) #

Applicable to 2021 financial statements

- IFRS 17 *Insurance Contracts* #

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Except for those marked as #, the ASC has issued the above new IFRS, amendments to and interpretations of IFRS as SFRS (I). The Group is still in the process of assessing the impact of the new IFRSs, amendments to and interpretations of IFRSs on the financial statements. The Group's preliminary assessment of IFRS 16, which is expected to have a more significant impact on the Group, is as described below. The Group also preliminarily assessed that IFRS 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

IFRS 16

IFRS 16 replaces existing lease accounting guidance. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under IFRS 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 33).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

This page has been left blank intentionally.

43 Convergence with IFRS and adoption of new standards (continued)

IFRS 16 (continued)

i. The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under IFRS 16. The operating lease commitments on an undiscounted basis amount to approximately 3% of the consolidated total assets and 5% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

ii. The Group as lessor

IFRS 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

Note Reference **Explanatory note**

1. *SGX 1207(12)* An issuer should make disclosure on directors' and key executives' remuneration as recommended in the Code of Corporate Governance, or otherwise disclose and explain any deviation from the recommendation. Below is an extract of Principle 9 of the Code 'Disclosure on remuneration' issued in 2012:

- 9 Each company should provide clear disclosure of its remuneration policy, 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.
- 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 also 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).
- 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.
- 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.
- 9.4 For transparency, the annual remuneration 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.
- 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.
- 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, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.

SGX 1207(13) The remuneration must include all forms of remuneration from the issuer and any of its subsidiaries. In deciding whether an item or benefit is to be included in the remuneration, regard should be given to the taxability of that item.

SGX 1207(14) The value of an item or benefit must be disclosed as the original cost or value of the amount or benefit, and not the taxable value to the recipient.

SGX 1207(15) If a person served in the capacity of a director or key executive for any part of a financial period, disclosure is required of the person's actual remuneration for the period that the person had served as a director or key executive.

Reference

Supplementary information

(SGX Listing Manual disclosure requirements)

SGX 1207(12)

1. Directors and key executives' remuneration¹

Code 2012

The nature of the remuneration of the Company's directors, in terms of percentage of total remuneration of each director for the year ended 31 December 2017, is as follows:

Name of director	Salaries (%)	Bonuses (%)	Benefits in kind (%)	Stock options (%)	Directors' fees (%)	Total (\$)
Chief Executive Officer						
Lee Sim Tang	50	40	10	-	-	750,000
Executive directors						
Davinder Murugappan	54	32	12	2	-	500,000
Peter Smith	77	15	5	3	-	300,000
Catherine Sim	83	15	2	-	-	100,000
Khairuddin bin Hassan	83	15	2	-	-	100,000
Independent directors						
Tan Chin Fong	-	-	-	-	100	240,000
Yeo Kuan Yee	-	-	-	-	100	210,000
Edward Graves	-	-	-	-	100	210,000

The nature of the remuneration of the Group's top five key executives, in terms of percentage of total remuneration of each executive for the year ended 31 December 2017, is as follows:

Name of key executives	Salaries (%)	Bonuses (%)	Benefits in kind (%)	Stock options (%)	Total (%)
\$500,000 to \$750,000					
Tan Kiat Heng	60	30	8	2	100
Lee Yi Beng	60	30	8	2	100
\$250,000 to \$500,000					
Yeo Wee Sen	80	15	5	-	100
Below \$250,000					
Anne Toh Ann Ni	90	10	-	-	100
Pat Chan Pei Li	90	10	-	-	100

The total remuneration paid to the top five key executives of the Company (excluding the CEO) for the year ended 31 December 2017, is \$2,000,000.

For the year ended 31 December 2017, there were no immediate family members of a director or the CEO under the employment of the Group.

Note Reference **Explanatory note**

1. *SGX 1207(11)* Where the aggregate value of all properties for development, sale or for investment purposes held by the Group represents more than 15% of the value of the consolidated net tangible assets, or contributes more than 15% of the consolidated pre-tax operating profit, the following information should be disclosed:

- Property held for development or sale:
 - a brief description and location of the property;
 - if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
 - the existing use (e.g. shops, offices, factories, residential, etc.);
 - the site and gross floor areas of the property; and
 - the percentage interest in the property.

- Property held for investment:
 - a brief description and location of the property;
 - the existing use (e.g. shops, offices, factories, residential etc.); and
 - whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

If full compliance results in a lengthy report, compliance is only required for properties which are considered material.

Reference Supplementary information (continued)

2. Group properties¹

SGX 1207(11)(a)

Major properties held for development

Location	Description	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Approximate lettable/strata area (sq m)	Group's effective interest (%)
14 Tuas Road, Singapore	2-storey terrace factory	Industrial	Piling completed	Dec 2018	1,955	3,280	100
Sun Centre 15 Scotts Road, Singapore	5 storeys of retail space	Commercial	80%	Apr 2018	4,093	15,550	100
51, 52 & 53 Poole Road, Singapore	3-storey terrace houses	Residential	70%	Aug 2018	917	2,010	100

SGX 1207(11)(a)

Major properties held for sale

Location	Description	Existing use	Site area (sq m)	Approximate lettable/strata area (sq m)	Group's effective interest (%)
Hope House 796-802 Green Road, United States of America	16-storey office building	Office	558	733	100
Sennett Estate 100 Sennett Road, Singapore	2-storey bungalow	Residential	1,264	1,826	100

SGX 1207(11)(b)

Major properties held for investment

Location	Description	Existing use	Tenure of land	Remaining term of lease
Overseas Building 1112-1120 Millers Road, United States of America	4 storeys of retail space	Commercial	Freehold	-
Deville House 122 House Street, People's Republic of China	7-storey office building	Office	Leasehold	35 years
43 Village Road, People's Republic of China	2-storey terrace house	Residential	Leasehold	55 years

Note Reference **Explanatory note**

- 1.** *SGX 904* An 'interested person transaction' (IPT) means a transaction between an entity at risk and an interested person. An 'entity at risk' refers to the issuer, a non-listed subsidiary, or a non-listed associated company over which the Group and its interested persons have control. An 'interested person' means a director, chief executive officer, or controlling shareholder of the issuer, or an associate of any of these parties.

An IPT includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

SGX 906, 907 Except for transactions of less than \$100,000 each, Rule 907 requires all IPTs to be disclosed in three columns, identifying the name of the interested person and the corresponding aggregate value of the IPT. Differentiation should be made between those conducted under shareholders' general mandate and all other transactions with the same interested person.

- 2.** *SGX 920* An issuer may seek a shareholders' mandate for a recurrent transaction of a revenue or trading nature or those necessary for its day-to-day operations such as supplies, materials, etc., but not in respect of the purchase or sale of assets, undertakings or business. A general mandate is subject to annual renewal.

If there is such a shareholders' mandate, it is necessary to disclose in the annual report, in the form set out in Rule 907, aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year.

- 3.** *SGX 1207(8)* Disclose the particulars of material contracts of the issuer 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.

If no material contract has been entered into, the issuer should make an appropriate negative statement.

Reference Supplementary information (continued)

3. Interested person transactions¹

SGX 1207(17),
SGX 907-909

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, are as follows:

Interested person	Aggregate value of all transactions conducted under a shareholders' mandate ² pursuant to Rule 920 of the SGX Listing Manual	Aggregate value of all other transactions
On Track Limited		
- Purchases of repairs and maintenance services	-	\$176,000
		<hr/>

4. Material contracts³

SGX 1207(8)

The Group entered into a two-year contract with On Track Limited, a company which is controlled by Yeo Kuan Yee, to provide repairs and maintenance services on production equipment. The total contract value is \$370,000. The contract terms are based on market rates for these types of services, and amounts are payable on a quarterly basis for the duration of the contract. Repairs and maintenance services from this related party amounted to \$176,000 (2016: nil) during the year 31 December 2017.

Note *Reference* **Explanatory note**

1. <i>FRS 1.10, 81(a)</i> This analysis is based on a single statement of profit or loss and OCI.
--

Appendix I-A

Consolidated statement of profit or loss and other comprehensive income¹

Year ended 31 December 2017

	<i>Note</i>	2017	2016
		\$'000	\$'000
			Restated*
Continuing operations			
Revenue	23	100,160	96,636
Cost of sales		(55,592)	(56,186)
Gross profit		44,568	40,450
Gain on distribution to owners of the Company	15	2,556	-
Other income	24	1,021	642
Distribution expenses		(17,984)	(18,460)
Administrative expenses		(17,142)	(15,269)
Research and development expenses		(1,109)	(697)
Other expenses	25	(976)	(30)
Results from operating activities		10,934	6,636
Finance income	26	981	480
Finance costs	26	(1,527)	(1,646)
Net finance costs		(546)	(1,166)
Share of profit of equity-accounted investees (net of tax)	8	541	708
Profit before tax		10,929	6,178
Tax expense	28	(3,371)	(1,800)
Profit from continuing operations		7,558	4,378
Discontinued operation			
Profit (loss) from discontinued operation (net of tax)	29	379	(422)
Profit for the year		7,937	3,956

* See notes 2.5, 29 and 42.

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

This page has been left blank intentionally.

Consolidated statement of profit or loss and other comprehensive income (continued)

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	4	200	-
Defined benefit plan remeasurements	17	72	(15)
Related tax	28	(90)	5
Total items that will not be reclassified to profit or loss		182	(10)
Items that are or may be reclassified subsequently to profit or loss:			
Net loss on hedge of net investment in foreign operation		(3)	(8)
Foreign currency translation differences - foreign operations		500	330
Foreign currency translation differences on loss of significant influence reclassified to profit or loss	32	(20)	-
Share of foreign currency translation differences of equity-accounted investees		21	-
Effective portion of changes in fair value of cash flow hedges		(62)	77
Net change in fair value of cash flow hedges reclassified to profit or loss		(31)	(11)
Net change in fair value of available-for-sale financial assets		199	94
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(64)	-
Related tax	28	(14)	(53)
Total items that are or may be reclassified subsequently to profit or loss		526	429
Other comprehensive income for the year, net of tax		708	419
Total comprehensive income for the year		8,645	4,375
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests		524	219
Profit for the year		7,937	3,956
Total comprehensive income attributable to:			
Owners of the Company		8,094	4,134
Non-controlling interests		551	241
Total comprehensive income for the year		8,645	4,375
Earnings per share			
Basic earnings per share (dollars)	30	2.25	1.07
Diluted earnings per share (dollars)	30	2.11	1.07
Earnings per share - Continuing operations			
Basic earnings per share (dollars)	30	2.12	1.21
Diluted earnings per share (dollars)	30	1.99	1.20

* See notes 2.5, 29 and 42.

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

Note *Reference* **Explanatory note**

- | |
|--|
| <p>1. <i>FRS 1.99, 102</i> This Appendix illustrates an analysis of expenses recognised in profit or loss using a classification based on their nature. The level of disclosure presented in this Appendix is optional.</p> |
|--|

Appendix I-B

Consolidated statement of profit or loss¹

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Continuing operations			
Revenue	23	100,160	96,636
Gain on distribution to owners of the Company	15	2,556	-
Other income	24	1,021	642
Changes in inventories of finished goods and work in progress		1,259	(450)
Work performed by the entity and capitalised		4,089	4,386
Raw materials and consumables used		(34,635)	(35,146)
Depreciation and amortisation expenses		(5,786)	(5,917)
Reversal of (impairment losses on) property, plant and equipment, intangible assets and goodwill		393	(1,408)
Transportation costs		(6,784)	(5,945)
Employee benefits expenses		(22,223)	(19,513)
Maintenance expense		(12,673)	(12,824)
Utilities expenses		(5,993)	(5,046)
Consultancy expense		(4,866)	(4,212)
Advertising expense		(2,550)	(2,650)
Operating lease expense		(435)	(447)
Other expenses		(2,599)	(1,470)
Total expenses		(92,803)	(90,642)
Finance income	26	981	480
Finance costs	26	(1,527)	(1,646)
Net finance costs		(546)	(1,166)
Share of profit of equity-accounted investees (net of tax)	8	541	708
Profit before tax		10,929	6,178
Tax expense	28	(3,371)	(1,800)
Profit from continuing operations		7,558	4,378
Discontinued operation			
Profit (loss) from discontinued operation (net of tax)	29	379	(422)
Profit for the year		7,937	3,956

This page has been left blank intentionally.

Consolidated statement of profit or loss (continued)

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests		524	219
Profit for the year		7,937	3,956
Earnings per share			
Basic earnings per share (dollars)	30	2.25	1.07
Diluted earnings per share (dollars)	30	2.11	1.07
Earnings per share - Continuing operations			
Basic earnings per share (dollars)	30	2.12	1.21
Diluted earnings per share (dollars)	30	1.99	1.20

* See notes 2.5, 29 and 42.

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

Note *Reference* **Explanatory note**

- | | |
|----------------------------|--|
| 1. <i>FRS 1.106</i> | This Appendix illustrates the presentation of changes in each component of equity arising from transactions recognised in OCI, in the notes. |
|----------------------------|--|

Appendix I-C

Consolidated statement of changes in equity¹

Year ended 31 December 2017

Note	Attributable to owners of the Company								Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revaluation reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000		
At 1 January 2016, as previously stated	18,050	(129)	434	17	-	-	10,549	28,921	577	29,498
Impact of change in accounting policy	2.5(i) -	-	-	-	-	-	51	51	24	75
At 1 January 2016, as restated	18,050	(129)	434	17	-	-	10,600	28,972	601	29,573
Total comprehensive income for the year										
Profit for the year, restated	-	-	-	-	-	-	3,737	3,737	219	3,956
Total other comprehensive income ¹	15 -	300	44	63	-	-	(10)	397	22	419
Total comprehensive income for the year	-	300	44	63	-	-	3,727	4,134	241	4,375
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Own shares acquired	15 -	-	-	-	-	(280)	-	(280)	-	(280)
Dividends declared	15 -	-	-	-	-	-	(531)	(531)	(40)	(571)
Share-based payment transactions	18 -	-	-	-	-	-	250	250	-	250
Total transactions with owners	-	-	-	-	-	(280)	(281)	(561)	(40)	(601)
At 31 December 2016, as restated	18,050	171	478	80	-	(280)	14,046	32,545	802	33,347

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

This page has been left blank intentionally.

Consolidated statement of changes in equity (continued)

Year ended 31 December 2017

Note	Attributable to owners of the Company										Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserves \$'000	Translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revaluation reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000			
At 1 January 2017	18,050	-	171	478	80	-	(280)	14,046	32,545	802	33,347	
Total comprehensive income for the year												
Profit for the year	-	-	-	-	-	-	-	7,413	7,413	524	7,937	
Total other comprehensive income	15	-	471	(62)	90	134	-	48	681	27	708	
Total comprehensive income for the year												
	-	-	471	(62)	90	134	-	7,461	8,094	551	8,645	
Transactions with owners, recognised directly in equity												
Contributions by and distributions to owners												
Issue of ordinary shares related to business combination	32	87	-	-	-	-	-	-	87	-	87	
Issue of ordinary shares	15	1,550	-	-	-	-	-	-	1,550	-	1,550	
Issue of convertible notes, net of tax	16	-	109	-	-	-	-	-	109	-	109	
Own shares sold	15	-	10	-	-	-	20	-	30	-	30	
Dividends declared	15	-	-	-	-	-	-	(1,213)	(1,213)	(30)	(1,243)	
Non-cash distribution to owners of the Company	15	-	-	-	-	(27)	-	(12,473)	(12,500)	-	(12,500)	
Share-based payment transactions	18	-	-	-	-	-	-	755	755	-	755	
Share options exercised	15	50	-	-	-	-	-	-	50	-	50	
Total contributions by and distributions to owners												
	1,687	119	-	-	-	(27)	20	(12,931)	(11,132)	(30)	(11,162)	

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

This page has been left blank intentionally.

Consolidated statement of changes in equity (continued)

Year ended 31 December 2017

Note	Attributable to owners of the Company								Total \$'000	Non- controlling interests \$'000	Total equity \$'000	
	Share capital \$'000	Capital reserves \$'000	Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000				
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	32	-	-	8	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with non-controlling interests	32	-	-	-	-	-	-	-	-	-	304	304
Total changes in ownership interests in subsidiaries		-	-	8	-	-	-	-	(93)	(85)	189	104
Total transactions with owners		1,687	119	8	-	-	(27)	20	(13,024)	(11,217)	159	(11,058)
At 31 December 2017		19,737	119	650	416	170	107	(260)	8,483	29,422	1,512	30,934

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

This page has been left blank intentionally.

Notes to the financial statements

15. Capital and reserves (continued)

Other comprehensive income

31 December 2017

Foreign currency translation differences
Share of foreign currency translation differences of equity-accounted investees
Net loss on hedge of net investment in foreign operation
Revaluation of property, plant and equipment
Effective portion of changes in fair value of cash flow hedges
Net change in fair value of cash flow hedges reclassified to profit or loss
Net change in fair value of available-for-sale financial assets
Net change in fair value of available-for-sale financial assets reclassified to profit or loss
Defined benefit plan remeasurements
Tax on other comprehensive income
Total other comprehensive income

Attributable to owners of the Company							Total other compre- hensive income
Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	\$'000
453	-	-	-	-	453	27	480
21	-	-	-	-	21	-	21
(3)	-	-	-	-	(3)	-	(3)
-	-	-	200	-	200	-	200
-	(62)	-	-	-	(62)	-	(62)
-	(31)	-	-	-	(31)	-	(31)
-	-	199	-	-	199	-	199
-	-	(64)	-	-	(64)	-	(64)
-	-	-	-	72	72	-	72
-	31	(45)	(66)	(24)	(104)	-	(104)
471	(62)	90	134	48	681	27	708

This page has been left blank intentionally.

Reference

Notes to the financial statements (continued)

15. Capital and reserves (continued)

FRS 1.106(d)(iii)

Other comprehensive income (continued)

31 December 2016

Foreign currency translation differences	308	-	-	-	-	308	22	330
Net loss on hedge of net investment in foreign operation	(8)	-	-	-	-	(8)	-	(8)
Effective portion of changes in fair value of cash flow hedges	-	77	-	-	-	77	-	77
Net change in fair value of cash flow hedges reclassified to profit or loss	-	(11)	-	-	-	(11)	-	(11)
Net change in fair value of available-for-sale financial assets	-	-	94	-	-	94	-	94
Defined benefit plan remeasurements	-	-	-	-	(15)	(15)	-	(15)
Tax on other comprehensive income	-	(22)	(31)	-	5	(48)	-	(48)
Total other comprehensive income	300	44	63	-	(10)	397	22	419

Attributable to owners of the Company							Total other compre- hensive income
Trans- lation reserve	Hedging reserve	Fair value reserve	Revalua- tion reserve	Retained earnings	Total	Non- controlling interests	\$'000
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
308	-	-	-	-	308	22	330
(8)	-	-	-	-	(8)	-	(8)
-	77	-	-	-	77	-	77
-	(11)	-	-	-	(11)	-	(11)
-	-	94	-	-	94	-	94
-	-	-	-	(15)	(15)	-	(15)
-	(22)	(31)	-	5	(48)	-	(48)
300	44	63	-	(10)	397	22	419

This page has been left blank intentionally.

Appendix I-D

Consolidated statement of cash flows (direct method)

Year ended 31 December 2017

	<i>Note</i>	2017 \$'000	2016 \$'000 Restated*
Cash flows from operating activities			
Cash receipts from customers		99,052	97,996
Cash paid to suppliers and employees		(89,258)	(87,480)
Cash generated from operating activities		9,794	10,516
Tax paid		(428)	(1,527)
Net cash from operating activities		9,366	8,989
Cash flows from investing activities			
Interest received		211	155
Dividends received		369	330
Dividends from equity-accounted investees	8	21	-
Proceeds from sale of property, plant and equipment		1,177	481
Proceeds from sale of investments		891	2,034
Disposal of discontinued operation, net of cash disposed of	29	10,890	-
Acquisition of subsidiary, net of cash acquired	32	(1,799)	-
Acquisition of equity-accounted investees	8	(3,600)	-
Acquisition of property, plant and equipment		(15,657)	(2,228)
Acquisition of investment property		(300)	(40)
Plantations and acquisitions of non-current biological assets		(305)	(437)
Acquisition of other investments		(319)	(2,411)
Development expenditure		(1,235)	(503)
Deposits pledged		35	(28)
Net cash used in investing activities		(9,621)	(2,647)
Cash flows from financing activities			
Proceeds from issue of share capital		1,550	-
Proceeds from issue of convertible notes		5,000	-
Proceeds from issue of redeemable preference shares		2,000	-
Proceeds from sale of own shares		30	-
Proceeds from exercise of share options		50	-
Proceeds from settlement of derivatives		5	11
Payment of transaction costs related to loans and borrowings		(343)	-
Acquisition of non-controlling interests	32	(200)	-
Repurchase of own shares		-	(280)
Proceeds from borrowings		122	60
Repayment of borrowings		(5,117)	(4,505)
Payment of finance lease liabilities		(454)	(394)
Dividends paid to owners of the Company		(1,213)	(531)
Dividends paid to non-controlling interests		(30)	(40)
Interest paid		(1,424)	(1,324)
Net cash from financing activities	16	(24)	(7,003)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,312	1,998
Effect of exchange rate fluctuations on cash held		(83)	(25)
Cash and cash equivalents at 31 December	14	950	1,312

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

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | The purpose of this Appendix is to illustrate one possible presentation format for properties under development, the sale of which is recognised using the percentage of completion method. Alternative formats such as presenting progress billings in excess of revenue recognised to-date and costs in excess of expenses recognised to-date as part of deferred income and development properties respectively are possible. |
|-----------|--|

Appendix I-E

Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate*

Significant accounting policies

(X) Development properties

FRS 2.36(a)

Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Cost includes an appropriate share of development overheads allocated based on normal capacity.

FRS 23.8

Borrowing costs that are directly attributable to the acquisition and development of the development property are capitalised as part of development property during the period of development.

FRS 2.6

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Properties under development, the sales of which are recognised using the percentage of completion method¹

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties in the statement of financial position. If progress billings exceed costs incurred plus recognised profits, the balance is presented as deferred income.

Other properties under development

The aggregated costs incurred are presented as development properties while progress billings are presented separately as deferred income in the statement of financial position.

(X) Revenue

(X) Sale of development properties

INT FRS 115.20(a)

Revenue from sales of properties under development is recognised by reference to the stage of completion using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) the sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

In all other instances, revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

INT FRS 115.20(c)

The percentage of completion is measured by reference to the work performed, based on the ratio of construction costs incurred to date to the estimated total construction costs. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

This page has been left blank intentionally.

Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate* (continued)

X. Development properties

		Group	
		2017	2016
		\$'000	\$'000
<i>FRS 1.78(c), 2.36(b)</i>	Properties under development, sold units for which revenue is recognised using percentage of completion method		
<i>INT FRS 115.21(a)</i>	Costs incurred and attributable profits	43,918	31,879
	Progress billings	(33,908)	(20,809)
		10,010	11,070
<i>FRS 1.78(c), 2.36(b)</i>	Other properties under development		
	Costs incurred	10,957	15,632
	Allowance for losses	(2,153)	(3,156)
		8,804	12,476
<i>FRS 1.78(c), 2.36(b)</i>	Completed properties	5,988	6,798
	Total development properties	24,802	30,344
<i>FRS 23.26(a)</i>	Borrowing costs capitalised during the year	992	1,214
<i>FRS 23.26(b)</i>	A capitalisation rate of 3% to 5% (2016: 4% to 6%) per annum was applied during the year, to capitalise borrowing costs of loans other than those loans borrowed specifically to fund the development of the properties.		
<i>FRS 2.36(d)</i>	In 2017, development properties recognised as 'cost of sales' amounted to \$40,432,000 (2016: \$36,648,000).		
<i>FRS 1.98(a), 2.36(e), (f)</i>	During 2016, due to the additional buyer's stamp duty imposed by the Singapore government, the Group wrote down certain unsold development properties to their net realisable value, which resulted in a loss of \$3,156,000. In 2017, following a change in estimates, \$540,000 of the write-down was reversed. The write-down and reversal are included in 'cost of sales'.		
<i>FRS 2.36(g)</i>			
<i>FRS 2.36(h)</i>	At 31 December 2017, development properties of the Group with carrying amounts of \$14,881,000 (2016: \$12,134,000) are pledged as security to secure bank loans (see note 16).		

X. Deferred income

		Group	
		2017	2016
		\$'000	\$'000
<i>INT FRS 115.21(b)</i>	Sale of development properties – percentage of completion method		
	- Advance payments representing billings in advance of work performed	1,760	1,250
	Other sale of development properties		
	- Advance payments	2,191	3,126
		3,951	4,376

This page has been left blank intentionally.

Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate* (continued)

X. Revenue

		Group	
		2017	2016
		\$'000	\$'000
	Sale of development properties		
<i>INT FRS 115.20(b)</i>	- Percentage of completion method	35,289	25,289
	- Others	10,657	15,888
		45,946	41,177

Note Reference **Explanatory note**

1. The purpose of this Appendix is to assist in the preparation of disclosures in annual financial statements for entities that have going concern issues. It illustrates one possible format for the disclosures; other formats are possible.

2. *FRS 1.25* Financial statements are prepared on a going concern basis, unless management intends or has no alternative other than to liquidate the entity or stop trading. In our view, there is no general dispensation from the measurement, recognition and disclosure requirements of FRS even if an entity is not expected to continue as a going concern. We believe that even if the going concern assumption is not appropriate, FRS is applied accordingly, with particular attention paid to the requirements of:

- FRS 105 (to the extent that assets are being held for sale and not abandoned);
- FRS 32 (with respect to the classification of the entity's debt and equity instruments);
- FRS 36; and
- FRS 37.

If an entity ceases to be a going concern after the reporting date but before its financial statements are authorised for issue, then it should not prepare its financial statements on a going concern basis. This issue is discussed in *Insights into IFRS* (1.2.70.30).

Appendix I-F

Example disclosures for entities that require going concern disclosures¹

Basis of preparation

(X) Going concern basis of accounting²

FRS 1.25

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 16.

The Group has recognised a net profit after tax of \$7,937,000 for the year ended 31 December 2017 and as at that date, current assets exceed current liabilities by \$18,662,000. However, as described in note 20, significant one-off environmental costs are expected in 2018 reflecting various regulatory developments in a number of Southeast Asian countries.

In addition to the above, fully drawn banking facilities of \$7,012,000 are subject to review by 30 June 2018. The lenders are expected to undertake a review, which will include (but is not limited to) an assessment of:

- the financial performance of the Group against budget;
- the progress of compliance with new regulatory requirements; and
- the progress of planned divestments and/or capital raising activities to meet repayment requirements.

Management believe that the repayment of the facilities will occur as required and is confident that asset sales as disclosed in note 11 will be finalised prior to 30 June 2018 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipate that any additional repayments required will be met out of operating cash flows or from alternative forms of capital raised such as further asset sales, a rights or note issue or private placement. Management has access to underwriters and a plan for raising equity if required.

FRS 1.26

Management acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay its banking facilities as and when they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | <p>The purpose of this Appendix is to illustrate a variety of disclosures that a government-related entity may make under paragraph 26 of FRS 24. In providing disclosures, entities need to assess the appropriate level of detail so that voluminous disclosures do not mask important information that may affect an assessment of the entity's results of operations and financial condition.</p> <p>Other formats are possible; the appropriate level of disclosure may vary depending on the significance of related party transactions.</p> |
| 2. | <p>For the purpose of the example disclosures in this Appendix, we assume the Group is indirectly controlled by the Government of Country X. It is also assumed that in addition to selling to various private sector entities, products are sold to government agencies and departments of Country X.</p> |

Appendix I-G

Example disclosures for government-related entities under FRS 24 *Related Party Disclosures*¹

36. Related parties

Example 1: Individually significant transaction because of size of transaction

In 2015, a subsidiary entity, Griffin Ltd², entered into a procurement agreement with the Department of Commerce of the Government of Country X, such that Griffin Ltd would act as the sole supplier of recycled paper products to the Department's various agencies for a term of three years from 2016 to 2018, with an agreed bulk discount of 10% compared to the list prices that Griffin Ltd would generally charge on individual orders. The aggregate sales value under the agreement for the year ended 31 December 2017 amounted to \$3,500,000 (2016: \$2,800,000). As at 31 December 2017, the aggregate amounts due from the Department amounted to \$10,000 (2016: \$30,000) and are payable under normal 30 days' credit terms.

Example 2: Individually significant transaction carried out on 'non-market' terms

On 30 December 2016, the Department of Finance of the Government of Country X contracted Griffin Ltd to be the sole designer and supplier of materials for office fit-outs for all of Government. The contract lasts for a term of five years from 2017 to 2021. Under the agreement, the Department of Finance will reimburse Griffin Ltd for the cost of each fit-out. However, Griffin Ltd will not be entitled to earn a margin above cost for this activity. The aggregate sales value under the agreement for the year ended 31 December 2017 amounted to \$3,500,000. As at 31 December 2017, the aggregate amounts due from the Department amounted to \$1,000,000 and are payable under normal 30 days' credit terms.

Example 3: Individually significant transaction outside normal day-to-day business operations

Pursuant to an agreement dated 1 January 2017, Griffin Ltd and the Department of Trade and Enterprise of the Government of Country X agreed to participate and co-operate with a third party consortium in the development, funding and operation of a research and development centre. Griffin Ltd will also sublease a floor in its headquarter building as an administrative office for the joint operation. As at 31 December 2017, the capital invested in the venture amounted to \$700,000 and total lease payments of \$100,000 were received as rental income.

Example 4: Individually significant transaction subject to shareholder approval

Griffin Ltd currently owns 40% of Galaxy Ltd, with the remaining 60% owned by the Department of Commerce of the Government of Country X (25%) and Lex Limited (35%), a party indirectly controlled by the Department of Commerce. On 1 December 2017, Griffin Ltd entered into a sale and purchase agreement (the Agreement) with the Department of Commerce and Lex Limited, such that Griffin Ltd will buy their shares in Galaxy Ltd at \$1 per share, at a total consideration of \$6,000,000. The terms of the Agreement are subject to independent shareholders' approval at the extraordinary general meeting to be held on 1 February 2018. Upon the completion of the proposed acquisition, Galaxy Ltd will become a wholly-owned subsidiary of Griffin Ltd.

This page has been left blank intentionally.

Example disclosures for government-related entities under FRS 24 *Related Party Disclosures* (continued)

36. Related parties (continued)

Example 5: Collectively, but not individually, significant transactions

Griffin Ltd operates in an economic regime dominated by entities directly or indirectly controlled by the Government of Country X through its government authorities, agencies, affiliations and other organisations, collectively referred to as *government-related entities*. Griffin Ltd has transactions with other government-related entities including but not limited to sales and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

These transactions are conducted in the ordinary course of Griffin Ltd's business on terms comparable to those with other entities that are not government-related. Griffin Ltd has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

For the year ended 31 December 2017, management estimates that the aggregate amount of Griffin Ltd's significant transactions with other government-related entities are at least 50% of its sales of recycled paper products and between 30% to 40% of its purchase of materials.

Note Reference **Explanatory note**

1. S201(16)	A directors' statement, signed on behalf of the board by no fewer than two of the directors, must be attached to the consolidated financial statements (together with the balance sheet of the company) laid before a company at its general meeting. The directors' statement must be placed before the independent auditors' report.
12 th Sch(1)	The directors' statement illustrates the requirements of S201(16), the Twelfth Schedule and other provisions of the Singapore Companies Act, Chapter 50 (the Act).
2. FRS 10.17	<p>Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If shareholders or others have the power to amend the financial statements after issuance, this fact should be disclosed. This disclosure can be made in the directors' statement or in the financial statements.</p> <p>It is important for users to know when the financial statements were authorised for issue, as the financial statements do not reflect events after this date.</p>
3. 12 th Sch(7)	<p>Disclose the names of the directors of the company as at the date of the directors' statement. This usually coincides with the date when the financial statements were authorised for issue.</p> <p>Where the directors are appointed subsequent to the end of the previous financial year/period, the dates of appointment are usually provided. This disclosure is, however, not mandatory. There is no requirement to give details of directors who resigned in the financial year/ period under review and up to the date of the directors' statement.</p>
4. 12 th Sch(9), S164(15)(a),(16)	<p>Directors' interests in shares/debentures include:</p> <ul style="list-style-type: none"> • each director's personal holdings and beneficial interests of his immediate family. Immediate family includes the spouse and children (of less than 18 years), including step-children and adopted children, provided none of them are directors. • other deemed interests as defined under Section 7 of the Act (for example, interests under trust, and interests through associated persons or corporations). <p>It is recommended that interests registered in the name of directors or their immediate families be disclosed separately from other deemed interests as defined under Section 7 of the Act.</p> <p>S165(2) It should be noted that a director or a chief executive officer is required to notify a company of the particulars of his interests in shares, debentures, participatory interests, rights, options and contracts, and any change in such notifiable interests, within two business days.</p>
5.	The phrase and related references to related corporations can be deleted if directors' interests are only in the company and there are none in related corporation(s).
6.	If special circumstances exist, the directors' interests should be worded carefully. For example, the phrase 'other than wholly-owned subsidiaries' could be used where certain/all directors are deemed to have interests in the shares of the wholly-owned subsidiaries by virtue of their interests in the shares of the holding company, and these deemed interests are not disclosed in the table or paragraph following. Where a separate paragraph is included disclosing that certain/all directors are deemed to have interests in the shares of the wholly-owned subsidiaries by virtue of their interests in the shares of the holding company, then this phrase need not be included. Where not applicable, this phrase should also be deleted.
7.	See explanatory note 5 on page 340.
8.	See explanatory note 1 on page 340.

Appendix II

Reference

Directors' statement¹

S201(16)

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

12th Sch(1)(a)

(a) the financial statements set out on pages FS[●] to FS[●] are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

12th Sch(1)(b)

(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.

The Board of Directors has, on the date of this statement², authorised these financial statements for issue.

Directors³

12th Sch(7)

The directors in office at the date of this statement are as follows:

Lee Sim Tang

Tan Chin Fong

Peter Smith

Yeo Kuan Yee

Davinder Murugappan

Edward Graves

Catherine Sim

Khairuddin bin Hassan (Appointed on 18 June 2017)

Directors' interests⁴

12th Sch(9)

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations⁵ (other than wholly-owned subsidiaries)⁶ are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment ⁷	Holdings at end of the year ⁷
Lee Sim Tang		
[Name of Company]		
- ordinary shares		
- interests held	[●]	[●]
- deemed interests	[●]	[●]
- options to subscribe for ordinary shares ⁸ at:		
- [\$● per share] between [date] and [date]	[●]	[●]
- [\$● per share] between [date] and [date]	[●]	[●]
[Ultimate holding company]		
- ordinary shares	[●]	[●]
[Name of related corporations]		
- ordinary shares of [\$●] each	[●]	[●]

Note Reference **Explanatory note**

1. 12th Sch(9) Under the Act, the number and amount of shares as recorded in the register of directors' shareholdings are required to be included in the directors' statement. In the case of share options, the number and amount of share options must be included in the directors' statement.

We encourage companies to disclose sufficient details (e.g. by reference to information disclosed in previous directors' statement) to enable readers to identify 'which' option plan the directors are referring to. Full details need not be repeated if it is possible to identify the option plan, for example, reference to the year in which the options were first granted or the exercise period of the options.

2. This paragraph is only included where applicable.

3. SGX 1207(7) For listed companies, directors' interests as at the 21st day after the end of the financial year should be disclosed. This disclosure can be made in any part of the annual report.

This is required for **listed companies only** and need only be given for interests in the company and there is no necessity to refer to interests in related corporations. Interest refers to holdings of the company's shares and convertible securities.

4. 12th Sch(8) If there is such an arrangement, provide details of:

- effect of the arrangement; and
- names of persons who are or were directors and who held, or whose nominees held, shares or debentures acquired under the arrangements.

5. 12th Sch(9) The phrase 'date of appointment' should be added if directors who are holding interests are appointed during the financial year/period under review.

If the director resigned after the financial year/period end but before the directors' statement is issued, his interest at the end of the financial year/period together with the date of resignation should also be disclosed. The disclosure of the director's interests is mandatory although the disclosure of the date of his resignation is not.

Reference

Directors' statement (continued)

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment ⁵	Holdings at end of the Year ⁵
Peter Smith		
[Name of Company]		
- ordinary shares		
- interests held	[●]	[●]
- deemed interests	[●]	[●]
- options to subscribe for ordinary shares ¹ at:		
- [\$● per share] between [date] and [date]	[●]	[●]
- [\$● per share] between [date] and [date]	[●]	[●]
[Ultimate holding company]		
- ordinary shares	[●]	[●]
[Name of related corporations]		
- ordinary shares of [\$●] each	[●]	[●]
Khairuddin bin Hassan		
[Name of Company]		
- ordinary shares	[●]	[●]
[Name of related corporations]		
- ordinary shares	[●]	[●]

By virtue of Section 7 of the Act, Lee Sim Tang and Peter Smith are deemed to have interests in the other subsidiaries of [Ultimate holding company], all of which are wholly-owned, at the beginning and at the end of the financial year.²

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

SGX 1207(7)

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.³

12th Sch(8)

Except as disclosed under the 'Share Options' section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.⁴

Note *Reference* **Explanatory note**

1.	Particulars of share options issued by the company and its subsidiaries to be disclosed include:
12 th Sch(2),(4)	<p>1. Options granted during the financial year:</p> <ul style="list-style-type: none">• number of shares;• the related class of shares;• date of expiration; and• basis upon which the option may be exercised and any participation rights. <p>If the Company is a parent company, name of the corporation in respect of the shares in which the option was granted and the other particulars required by 12th Sch(2), (5) and (6).</p>
12 th Sch(3)	Where any of the above particulars have been disclosed in the previous statement, they may be stated by reference to that statement with details of any amendments made to share option schemes disclosed in any previous statement.
12 th Sch(5)	<p>2. Options exercised during the financial year:</p> <ul style="list-style-type: none">• provide details of shares issued by virtue of the exercise of any options (reference may be made if particulars have been stated in a previous statement).
12 th Sch(6)	<p>3. Unissued shares under option as at end of the financial year:</p> <ul style="list-style-type: none">• number of shares;• the related class of shares;• date of expiration; and• exercise price or method of fixing the price. <p>The date of grant of options and the number of option holders are not mandatory disclosure under the Act. Reference may be made if details of the option scheme have been set out in the directors' statement for the previous financial year.</p>
12 th Sch(2)(d)	To state whether the person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

Reference Directors' statement (continued)

SGX 852

Share options¹

The Share Option Programme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on [date]. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Yeo Kuan Yee, Tan Chin Fong and Ms Catherine Sim.

12th Sch(2)(a), (b), (c)

Other information regarding the Scheme is set out below:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- For options granted to key management, they can be exercised 3 years after the grant date and when there is a 5% increase in operating income in each of the 3 years. For options granted to senior employees, the options can be exercised 3 years after the date of grant.
- All options are settled by physical delivery of shares.
- The options granted expire after 7 years for options granted on 1 January 2013 and 10 years for options granted after 1 January 2013.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share \$	Options outstanding at 1 January 2017	Options granted	Options exercised	Options forfeited/expired	Options outstanding at 31 December 2017	Number of option holders at 31 December 2017	Exercise period
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
		[●]	[●]	[●]	[●]	[●]		

12th Sch(5)

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Note Reference **Explanatory note**

- 1.** *SGX 852* The following additional disclosure requirements relating to share option schemes are applicable to listed companies and their subsidiaries.

Listed corporations may choose to make this disclosure as part of the directors' statement, along with statutory disclosures on share options, or they may choose to disclose the information in a separate section of the annual report. We recommend that the additional disclosure be included in the directors' statement:

1. Names of the members of the Committee administering the scheme;
2. The information required in the table below for the following participants:
 - (i) Directors of the issuer;
 - (ii) Participants who are controlling shareholders ('controlling shareholders' are defined using a substance test as 'a shareholder exercising control over a company'. Unless rebutted, it is assumed that a person controlling 15% of the company's issued share capital would be able to exercise control) of the issuer and their associates; and
 - (iii) Participants, other than those in (i) and (ii) above, who receive 5% or more of the total number of options available under the scheme.

Name of participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of financial year under review	Aggregate options exercised since commencement of financial year under review	Aggregate options outstanding as at end of financial year under review

3.
 - (i) The names of and number and terms of options granted to each director or employee of the Company and its subsidiaries (the Group) who receives 5% or more of the total number of options available to all directors and employees of the Group under the scheme, during the financial year under review.
 - (ii) The aggregate number of options granted to all directors and employees of the Group for the financial year under review, and since the commencement of the scheme to the end of the financial year under review.
4. The number and proportion of options granted to the directors and employees of the Group for the financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted.

A negative statement must be made if any of the disclosure details above are not applicable.

- 2.** *S201B(9)* This disclosure is only applicable to listed companies, which are required under S201B(1) to have an audit committee.

Reference

Directors' statement (continued)

SGX 852

Details of options granted¹ to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 December 2017	Aggregate options granted since commencement of Scheme to 31 December 2017	Aggregate options exercised since commencement of Scheme to 31 December 2017	Aggregate options outstanding as at 31 December 2017
[Name of director]	[●]	[●]	[●]	[●]
[Name of director]	[●]	[●]	[●]	[●]
[Name of director]	[●]	[●]	[●]	[●]

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Since the commencement of the Scheme, no options have been granted to employees of the holding company or its related companies under the Scheme, except for two employees of the holding company who are also the directors of the Company, who were granted options to subscribe for an aggregate of [●] ordinary shares each in the Company.

12th Sch (2)(d)

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee²

S201B(2)(a)

The members of the Audit Committee during the year and at the date of this statement are:

S201B(3)

- Tan Chin Fong (Chairman), non-executive director
- Yeo Kuan Yee, non-executive director
- Edward Graves, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

Note Reference **Explanatory note**

1. *S206(1A)* In order to determine whether the independence of the auditor has been compromised, a public listed company is required to undertake a review of non-audit fees paid to auditors if the fees, expenses and emoluments paid to the auditor for non-audit services in any financial year exceeds 50% of the total amount of the fees paid to the auditors in that financial year. The results of the review should be communicated to its shareholders typically in the annual report.

The following is an example of the disclosure that could be made in the directors' statement:
'The Audit Committee reviewed the independence of the auditors as required under Section 206(1A) of the Act and determined that the auditors were independent in carrying out their audit of the financial statements.'

2. *SGX 1207(6)(c)* Listed companies are required to include a statement that the company complies with Rules 712 and Rule 715 or 716 in relation to its auditing firms.

Rule 712 states:

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, and the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. A mineral, oil and gas company must appoint an auditing firm where the auditing firm and audit partner-in-charge have the relevant industry experience.
- (2) The auditing firm appointed by the issuer must be:
 - (a) Registered with the Accounting and Corporate Regulatory Authority;
 - (b) Registered with and/or regulated by an independent audit oversight body acceptable to SGX. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of auditing firms or are able to exercise oversight of inspections undertaken by professional bodies; or
 - (c) Any other auditing firms acceptable by SGX.
- (3) A change in auditing firms must be specifically approved by shareholders in a general meeting.

Rule 715 states:

- (1) Subject to Rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.
- (2) An issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

Rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in Rule 715(1)) provided:

- (1) 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
- (2) the issuer's subsidiary or associated company is listed on a stock exchange.

In practice, listed companies would either comply with Rules 712 and 715 or Rules 712, 715 and 716.

Reference

Directors' statement (continued)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

SGX 1207(6)(b)

The Audit Committee is satisfied with the independence¹ and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

SGX 1207(6)(c)

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.²

Auditors

CP

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Sim Tang
Director

Tan Chin Fong
Director

[date of signing]

Appendix III

Currently effective requirements

Below is a list of standards and interpretations, including the subsequent amendments to the standards and interpretations, in issue at 31 August 2017 that are effective for annual reporting periods beginning on 1 January 2017. In addition, standards and interpretations that are effective for the first time have been marked with a † on their effective dates.

FRS/INT FRS		Effective date
FRS 1	<i>Presentation of Financial Statements</i> Subsequent amendments:	1 January 2009
	• Puttable financial instruments and obligations arising on liquidation	1 January 2009
	• Current/non-current classification of derivatives ¹	1 January 2009
	• Current/non-current classification of convertible instruments ²	1 January 2010
	• Presentation of statement of changes in equity ³	1 January 2011
	• Presentation of items of OCI	1 July 2012
	• Clarification of the requirements for comparative information ⁴	1 January 2013
	• Disclosure initiative	1 January 2016
FRS 2	<i>Inventories</i>	1 January 2005
FRS 7	<i>Statement of Cash Flows</i> Subsequent amendment:	1 January 1995
	• Classification of expenditures on unrecognised assets ²	1 January 2010
	• Disclosure initiative	1 January 2017†
FRS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i> Subsequent amendment:	1 January 2005
	• Status of implementation guidance ¹	1 January 2009
FRS 10	<i>Events after the Reporting Period</i> Subsequent amendment:	1 January 2005
	• Dividends declared after the end of the reporting period ¹	1 January 2009
FRS 11	<i>Construction Contracts</i>	1 January 1997
FRS 12	<i>Income Taxes</i> Subsequent amendment:	1 April 2001
	• Deferred Tax: Recovery of underlying assets	1 January 2012
	• Recognition of deferred tax assets for unrealised losses	1 January 2017†
FRS 16	<i>Property, Plant and Equipment</i> Subsequent amendments:	1 January 2005
	• Recoverable amount ¹	1 January 2009
	• Sale of assets held for rental ¹	1 January 2009
	• Classification of servicing equipment ⁴	1 January 2013
	• Revaluation method ⁵	1 July 2014
	• Acceptable methods of depreciation and amortisation	1 January 2016
	• Agriculture: Bearer plants	1 January 2016

¹ Improvements to FRSs 2008

² Improvements to FRSs 2009

³ Improvements to FRSs 2010

⁴ Improvements to FRSs 2012

⁵ Improvements to FRSs 2014

⁶ Improvements to FRSs 2016

FRS/INT FRS		Effective date
FRS 17	<i>Leases</i> Subsequent amendment: <ul style="list-style-type: none"> ● Classification of leases of land and buildings² 	1 January 2005 1 January 2010
FRS 18	<i>Revenue</i> Subsequent amendments: <ul style="list-style-type: none"> ● Costs of originating a loan¹ ● Determining whether an entity is acting as a principal or as an agent² 	1 January 1997 1 January 2009 n/a
FRS 19	<i>Employee Benefits</i> Subsequent amendment: <ul style="list-style-type: none"> ● Employee contributions ● Discount rate: Regional market issue⁵ 	1 January 2013 1 July 2014 1 January 2016
FRS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i> Subsequent amendment: <ul style="list-style-type: none"> ● Government loans with a below-market rate of interest¹ 	1 January 1985 1 January 2009
FRS 21	<i>The Effects of Changes in Foreign Exchange Rates</i> Subsequent amendment: <ul style="list-style-type: none"> ● Transition requirements for amendments arising as a result of FRS 27³ 	1 January 2005 1 July 2010
FRS 23	<i>Borrowing Costs</i> Subsequent amendment: <ul style="list-style-type: none"> ● Components of borrowing costs¹ 	1 January 2009 1 January 2009
FRS 24	<i>Related Party Disclosures</i> Subsequent amendment: <ul style="list-style-type: none"> ● Key management personnel⁵ 	1 January 2011 1 July 2014
FRS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i> Not covered; see About Singapore Illustrative Financial Statements 2017	1 January 1988
FRS 27	<i>Separate Financial Statements</i> Subsequent amendments: <ul style="list-style-type: none"> ● Mandatory effective date ● Investment entities ● Equity method in separate financial statements 	1 January 2014 1 January 2014 1 January 2016
FRS 28	<i>Investments in Associates and Joint Ventures</i> Subsequent amendments: <ul style="list-style-type: none"> ● Mandatory effective date ● Investment entities: Applying the consolidation exception 	1 January 2014 1 January 2014 1 January 2016
FRS 29	<i>Financial Reporting in Hyperinflationary Economies</i> Subsequent amendment: <ul style="list-style-type: none"> ● Description of measurement basis in financial statements¹ Not covered; see About Singapore Illustrative Financial Statements 2017	1 April 2001 1 January 2009

FRS/INT FRS		Effective date
FRS 32	<i>Financial Instruments: Presentation</i>	1 January 2007 (listed companies) 1 January 2008 (all other companies)
	Subsequent amendments:	
	• Puttable financial instruments and obligations arising on liquidation	1 January 2009
	• Classification of rights issues	1 February 2010
	• Tax effect of distribution to holders of equity instruments ⁴	1 January 2013
	• Offsetting financial assets and financial liabilities	1 January 2014
FRS 33	<i>Earnings per Share</i>	1 January 2005
FRS 34	<i>Interim Financial Reporting</i>	1 October 2001
	Subsequent amendments:	
	• Earnings per share disclosures in interim financial reports ¹	1 January 2009
	• Significant events and transactions ³	1 January 2011
	• Segment information for total assets and liabilities ⁴	1 January 2013
	• Disclosure of information 'elsewhere in the interim financial report' ⁵	1 January 2016
	Not covered; see About Singapore Illustrative Financial Statements 2017	
FRS 36	<i>Impairment of Assets</i>	1 July 2004
	Subsequent amendments:	
	• Disclosure of estimates used to determine recoverable amount ¹	1 January 2009
	• Unit of accounting for goodwill impairment test ²	1 January 2010
	• Recoverable amount disclosures for non-financial assets	1 January 2014
FRS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 October 2000
FRS 38	<i>Intangible Assets</i>	1 July 2004
	Subsequent amendments:	
	• Advertising and promotional activities ¹	1 January 2009
	• Unit of production method of amortisation ¹	1 January 2009
	• Consequential amendments arising from revised FRS 103 ²	1 July 2009
	• Measuring fair value of an intangible asset acquired in a business combination ²	1 July 2009
	• Revaluation method ⁵	1 July 2014
	• Acceptable methods of depreciation and amortisation	1 January 2016
FRS 39	<i>Financial Instruments: Recognition and Measurement</i>	1 January 2005
	Subsequent amendments:	
	• Reclassification of financial assets	from 1 July 2008
	• Reclassification of derivatives into or out of fair value through profit or loss ¹	1 January 2009
	• Designating and documenting hedges at the segment level ¹	1 January 2009
	• Applicable effective interest rate on cessation of fair value hedge accounting ¹	1 January 2009
	• Embedded derivatives	Ending on or after 30 June 2009
	• Eligible hedged items	1 July 2009
	• Treating loan prepayment penalties as closely related embedded derivatives ²	1 January 2010
	• Scope exemption for business combination contracts ²	1 January 2010
	• Cash flow hedge accounting ²	1 January 2010
	• Novation of derivatives and continuation of hedge accounting	1 January 2014

FRS/INT FRS		Effective date
FRS 40	<i>Investment Property</i> Subsequent amendments:	1 January 2007
	<ul style="list-style-type: none"> ● Property under construction or development for future use as investment property¹ ● Investment property held under lease¹ ● Classification as investment property or owner-occupied property⁵ 	<ul style="list-style-type: none"> 1 January 2009 1 January 2009 1 July 2014
FRS 41	<i>Agriculture</i> Subsequent amendments:	1 October 2001
	<ul style="list-style-type: none"> ● Discount rate for fair value calculations¹ ● Additional biological transformation¹ ● Examples of agricultural produce and products¹ ● Point-of-sale costs¹ ● Agriculture: Bearer plants 	<ul style="list-style-type: none"> 1 January 2009 1 January 2009 1 January 2009 1 January 2009 1 January 2016
FRS 101	<i>First-time Adoption of Financial Reporting Standards</i> Subsequent amendments:	1 July 2009
	<ul style="list-style-type: none"> ● Cost of an investment in a subsidiary, joint-controlled entity or associate ● Additional exemptions for First-time Adopters ● Limited exemption from comparative FRS 107 disclosures ● Accounting policy changes in the year of adoption³ ● Revaluation basis as deemed cost³ ● Use of deemed cost for operations subject to rate regulation³ ● Severe hyperinflation and removal of fixed dates for first-time adopters ● Government loans with a below-market rate of interest ● Repeated application of FRS 101⁴ ● Borrowing costs⁴ 	<ul style="list-style-type: none"> 1 January 2009 1 January 2010 1 July 2010 1 January 2011 1 January 2011 1 January 2011 1 July 2011 1 January 2013 1 January 2013 1 January 2013
	Not covered; see About Singapore Illustrative Financial Statements 2017	
FRS 102	<i>Share-based Payment</i> Subsequent amendments:	1 January 2005 (listed companies) 1 January 2006 (all other companies)
	<ul style="list-style-type: none"> ● Vesting conditions and cancellations ● Scope of FRS 102 and revised FRS 103² ● Group cash-settled share-based payment transactions ● Definition of vesting conditions⁵ 	<ul style="list-style-type: none"> 1 January 2009 1 July 2009 1 January 2010 Grant date on or after 1 July 2014
FRS 103	<i>Business Combinations</i> Subsequent amendments:	1 July 2009
	<ul style="list-style-type: none"> ● Contingent consideration for a business combinations that occurred before the effective date of the revised FRS 103³ ● Measurement of non-controlling interest³ ● Un-replaced and voluntarily replaced share-based payment awards³ ● Contingent consideration⁵ ● Scope exception for joint ventures⁵ 	<ul style="list-style-type: none"> 1 July 2010 1 July 2010 1 July 2010 Acquisition date on or after 1 July 2014 1 July 2014
FRS 104	<i>Insurance Contracts</i> Not covered; see About Singapore Illustrative Financial Statements 2017	1 January 2005

FRS/INT FRS		Effective date
FRS 105	<i>Non-current Assets Held for Sale and Discontinued Operations</i> Subsequent amendments:	1 January 2005
	<ul style="list-style-type: none"> ● Plans to sell controlling interest in a subsidiary¹ ● Applicable disclosure requirements² ● Changes in methods of disposal⁵ 	<p style="text-align: right;">1 July 2009</p> <p style="text-align: right;">1 January 2010</p> <p style="text-align: right;">1 January 2016</p>
FRS 106	<i>Exploration for and Evaluation of Mineral Resources</i> Not covered; see About Singapore Illustrative Financial Statements 2017	1 January 2006
FRS 107	<i>Financial Instruments: Disclosures</i>	1 January 2007 (listed companies) 1 January 2008 (all other companies)
	Subsequent amendments:	
	<ul style="list-style-type: none"> ● Reclassification of financial assets ● Presentation of finance costs¹ ● Improving disclosures about financial instruments ● Credit risk disclosures³ ● Transfers of financial assets ● Offsetting financial assets and financial liabilities ● Servicing contracts⁵ ● Applicability of the amendments to FRS 107 to condensed interim financial statements⁵ 	<p style="text-align: right;">from 1 July 2008</p> <p style="text-align: right;">1 January 2009</p> <p style="text-align: right;">1 January 2009</p> <p style="text-align: right;">1 January 2011</p> <p style="text-align: right;">1 July 2011</p> <p style="text-align: right;">1 January 2013</p> <p style="text-align: right;">1 January 2016</p> <p style="text-align: right;">1 January 2016</p>
FRS 108	<i>Operating Segments</i> Subsequent amendment:	1 January 2009
	<ul style="list-style-type: none"> ● Disclosures of information about segment assets² ● Aggregation of operating segments⁵ ● Reconciliation of assets⁵ 	<p style="text-align: right;">1 January 2010</p> <p style="text-align: right;">1 July 2014</p> <p style="text-align: right;">1 July 2014</p>
FRS 110	<i>Consolidated Financial Statements</i> Subsequent amendments:	1 January 2014
	<ul style="list-style-type: none"> ● Mandatory effective date ● Transition guidance ● Investment entities ● Investment entities: Applying the consolidation exception 	<p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2016</p>
FRS 111	<i>Joint Arrangements</i> Subsequent amendments:	1 January 2014
	<ul style="list-style-type: none"> ● Mandatory effective date ● Transition guidance ● Accounting for acquisitions of interests in joint operations 	<p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2016</p>
FRS 112	<i>Disclosure of Interests in Other Entities</i> Subsequent amendments:	1 January 2014
	<ul style="list-style-type: none"> ● Mandatory effective date ● Transition guidance ● Investment entities ● Investment entities: Applying the consolidation exception ● Clarification of the scope of the standard⁶ 	<p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2014</p> <p style="text-align: right;">1 January 2016</p> <p style="text-align: right;">1 January 2017†</p>
FRS 113	<i>Fair Value Measurement</i> Subsequent amendment:	1 January 2013
	<ul style="list-style-type: none"> ● Scope of portfolio exception 	<p style="text-align: right;">1 July 2014</p>

FRS/INT FRS		Effective date
FRS 114	<i>Regulatory Deferral Accounts</i>	1 January 2016
INT FRS 7	<i>Introduction of the Euro</i>	1 February 2003
INT FRS 10	<i>Government Assistance – No Specific Relation to Operating Activities</i>	1 February 2003
INT FRS 15	<i>Operating Leases – Incentives</i>	1 February 2003
INT FRS 25	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>	1 February 2003
INT FRS 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 February 2003
INT FRS 29	<i>Service Concession Arrangements: Disclosures</i>	1 February 2003
INT FRS 31	<i>Revenue – Barter Transactions Involving Advertising Services</i>	1 February 2003
INT FRS 32	<i>Intangible Assets – Web Site Costs</i>	1 February 2003
INT FRS 101	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 September 2004
INT FRS 104	<i>Determining whether an Arrangement contains a Lease</i>	1 January 2006
INT FRS 105	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 January 2006
INT FRS 106	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 December 2005
INT FRS 107	<i>Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies</i>	1 March 2006
INT FRS 109	<i>Reassessment of Embedded Derivatives</i>	1 June 2006
	Subsequent amendments:	
	• Embedded derivatives	Ending on or after 30 June 2009
	• Scope of INT FRS 109 and revised FRS 103 ²	1 July 2009
INT FRS 110	<i>Interim Financial Reporting and Impairment</i>	1 November 2006
INT FRS 112	<i>Service Concession Arrangements</i>	1 January 2008
INT FRS 113	<i>Customer Loyalty Programmes</i>	1 July 2008
	Subsequent amendment:	
	• Fair value of award credits ³	1 January 2011
INT FRS 114	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	1 January 2008
	Subsequent amendment:	
	• Prepayment of a minimum funding requirement	1 January 2011
INT FRS 115	<i>Agreements for the Construction of Real Estate</i>	1 January 2011

FRS/INT FRS		Effective date
INT FRS 116	<i>Hedges of a Net Investment in a Foreign Operation</i>	1 October 2008
	Subsequent amendment:	
	• Entity that can hold the qualifying hedging instruments ²	1 July 2009
INT FRS 117	<i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
INT FRS 118	<i>Transfers of Assets from Customers</i>	Transfers of assets received on or after 1 July 2009
INT FRS 119	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
INT FRS 120	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
	Not Covered; see About Singapore Illustrative Financial Statements 2016	
INT FRS 121	<i>Levies</i>	1 January 2014

Appendix IV

New standards and amendments effective for 2017 and forthcoming requirements

This Appendix provides an overview of the new standards, amendments to or interpretations of standards in issue at 31 August 2017.

This Appendix contains two tables.

- **New currently effective requirements:** This table lists the recent changes to FRS that are mandatorily effective for annual periods beginning on or after 1 January 2017.
- **Forthcoming requirements:** This table lists the recent changes to FRS that are available for early adoption for annual periods beginning on or after 1 January 2017, although they are not yet mandatory until a later period.

The tables also include a cross-reference to the relevant sections in these illustrative financial statements that set out the related example disclosures.

All of the effective dates in the tables refer to the beginning of an annual accounting period, and changes are to be applied retrospectively with early application permitted, unless otherwise stated.

Contents

	Page
Table A: New currently effective requirements	
1. Amendments to FRS 7 <i>Disclosure Initiative</i>	356
2. Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	356
3. Amendments to FRS 112 <i>Disclosure of Interests in Other Entities – Clarification of the scope of the Standard</i>	357
Table B: Forthcoming requirements	
1. FRS 115 <i>Revenue from Contracts with Customers</i> and Amendments to FRS 115 <i>Clarifications to FRS 115</i>	358
2. FRS 109 <i>Financial Instruments</i>	359
3. Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment Transactions</i>	360
4. Amendments to FRS 40 <i>Transfers of Investment Property</i>	361
5. Amendments to FRS 101 <i>First-time adoption of Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters</i>	361
6. Amendments to FRS 28 <i>Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value</i>	361
7. Amendments to FRS 104 <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i>	362
8. INT-FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	363
9. FRS 116 <i>Leases</i>	363
10. Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	364

Table A: New currently effective requirements (First mandatory from 1 January 2017)

FRS	Overview of key changes	Relevant sections in this publication
<p>1. Amendments to FRS 7</p> <p>Issued March 2016</p> <p>Effective 1 Jan 2017</p> <p><i>Insights - Disclosure on changes in financing liabilities</i></p>	<p>Amendments to FRS 7 <i>Statement of Cash Flows – Disclosure Initiative</i></p> <p>The amendments require entities to provide information about changes in liabilities. The amendments aim to help users of financial statements evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes.</p> <p>The amendments require an entity to disclose (to the extent necessary to achieve this objective):</p> <ul style="list-style-type: none"> ● changes from financing cash flows; ● changes arising from obtaining or losing control of subsidiaries or other businesses; ● the effect of changes in foreign exchange rates; ● changes in fair values; and ● other changes. <p>The amendments:</p> <ul style="list-style-type: none"> ● define liabilities arising from financing activities as liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities; ● state that the additional disclosure requirements also apply to changes in financial assets (e.g. assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities; and ● give an example of a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financial activities. <p>When the entity first applies these amendments, it is not required to provide comparative information for preceding periods.</p>	<p>Note 16</p>
<p>2. Amendments to FRS 12</p> <p>Issued Mar 2016</p> <p>Effective 1 Jan 2017</p> <p><i>Insights – Deferred tax assets on unrealised losses</i></p>	<p>Amendments to FRS 12 <i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i></p> <p>The amendments clarify that:</p> <ul style="list-style-type: none"> ● the existence of a deductible temporary difference (DTD) depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. ● when assessing the recognition of a deferred tax asset, if the tax law restricts the utilisation of tax losses to deduction against income of a specific type, a DTD is assessed in combination only with other DTDs of the appropriate type. ● In estimating future taxable profits, an entity should exclude tax deductions resulting from the reversal of those DTDs. 	<p>-</p>

FRS	Overview of key changes	Relevant sections in this publication
	<p>On transition, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or another component of equity), without allocating the change between opening retained earnings and other components of equity. If an entity applies this relief, it shall disclose that fact.</p>	
<p>3. Amend-ments to FRS 112</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2017</p> <p><u>Insights – Annual Improvements to IFRS</u></p>	<p>Improvements to FRSs (December 2016) (Amendments to FRS 112 – <i>Disclosure of Interests in Other Entities – Clarification of the scope of the Standard</i>)</p> <p>The amendments clarify that the disclosure requirements in FRS 112 apply to an entity’s interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates.</p>	<p>-</p>

Table B: Forthcoming requirements (Effective after 1 January 2017)

FRS	Overview of key changes	Relevant sections in this publication
<p>1. FRS 115</p> <p>Issued Nov 2014</p> <p>Effective 1 Jan 2018*</p> <p><i>Financial Reporting Matters – June 2015, Sept 2015, Jan 2016, Apr 2016</i></p>	<p><i>Revenue from Contracts with Customers</i></p> <p>FRS 115 <i>Revenue from Contracts with Customers</i> establishes a framework for determining when and how to recognise revenue.</p> <p>The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The standard replaces FRS 11 <i>Construction Contracts</i>, FRS 18 <i>Revenue</i>, INT FRS 113 <i>Customer Loyalty Programmes</i>, INT FRS 115 <i>Agreements for the Construction of Real Estate</i>, INT FRS 118 <i>Transfer of Assets from Customers</i> and INT FRS 31 <i>Revenue – Barter Transactions Involving Advertising Services</i>.</p> <p>The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.</p> <p>On transition, the standard provides two options:</p> <ul style="list-style-type: none"> ● Retrospective method: Entities recognise the cumulative effect of applying the new standard at the start of the earliest comparative period presented. They can also elect to use one or more of the practical expedients. ● Cumulative effect method: Entities recognise the cumulative effect of applying the new standard at the date of initial application, with no restatement of the comparative periods presented i.e. comparative periods are presented in accordance with legacy GAAP. <p>For a first-time adopter transitioning to the new financial reporting framework identical to IFRS (first-time adopter), the cumulative effect method is not applicable. Instead, a first-time adopter is not required to restate contracts that are completed under legacy GAAP at the date of transition to IFRS when applying the retrospective method. There are also a series of practical expedients available to both an existing FRS preparer and a first-time adopter that may ease transition.</p> <p>* (In November 2015, the mandatory effective date of FRS 115 has been deferred by one year to 1 January 2018, via <i>Amendments to FRS 115: Effective Date of FRS 115</i>.)</p>	<p>Note 43</p>
<p>Issued Jun 2016</p>	<p><i>Amendments to FRS 115 Revenue from Contracts with Customers – Clarifications to FRS 115</i></p> <p>The amendments clarify some requirements under FRS 115 and provide additional transitional relief for entities that are implementing FRS 115.</p>	

FRS	Overview of key changes	Relevant sections in this publication
	<p>The amendments clarify the following:</p> <ul style="list-style-type: none"> • Two or more promised goods or services are separately identifiable performance obligations if the nature of the promise is to transfer individual goods and services. Conversely, two or more promised goods or services are not separately identifiable performance obligations if the nature of the promise is to transfer a combined item (or combined items) for which the promised goods or services are inputs to a combined item (or items). • An entity is a principal if it obtains control of the good or service before it is transferred to the customer. Otherwise, the entity is an agent. • Revenue from grant of licence of intellectual properties (IP) is recognised at a point in time if the IP has significant stand-alone functionality. If the entity's ongoing activities are expected to significantly change the form or functionality of the IP or if the ability of the customer to obtain benefit from the IP is substantially derived from, or dependent upon, those activities, revenue from grant of licence of IP is recognised over time. • Sales-based and usage-based royalty exception which generally results in royalty being recognised when the sale or usage occurs, applies only when the royalty relates to a licence of IP or when a licence of IP is the predominant item to which the royalty relates. <p>The amendments include the following additional optional practical expedients:</p> <ul style="list-style-type: none"> • entities applying the retrospective method do not need to restate contracts that are completed at the beginning of the earliest period presented and contracts that were modified before the beginning of the earliest period presented. • entities applying the cumulative effect method can also choose not to restate contracts that were modified before the beginning of the earliest period presented or before the date of initial application. <p>Once an election is made not to restate modified contracts, entities shall reflect the aggregate effect of all of the modifications that occur before the respective dates, when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the performance obligations.</p>	
<p>2. FRS 109</p> <p>Issued Dec 2014</p> <p>Effective 1 Jan 2018</p> <p><i>In the Headlines</i> – Issue 2014/13</p>	<p><i>Financial Instruments</i></p> <p>FRS 109 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.</p> <p>Under the standard, financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. On the other hand, most of the requirements for financial liabilities are carried forward unchanged from FRS 39 <i>Financial Instruments: Recognition and Measurement</i>. However, the requirements related to the fair value option for financial liabilities are changed to address own credit risk which entities are permitted to early apply in isolation.</p>	<p>Note 43</p>

FRS	Overview of key changes	Relevant sections in this publication
<p><i>Financial Reporting Matters – Sep 2014, Dec 2014, Sept 2015, Jan 2016</i></p>	<p>The standard contains impairment requirements relating to the accounting for an entity’s expected credit losses on its financial assets and commitments to extend credit. It also contains new requirements on hedge accounting which are aligned more closely with risk management and establish a more principle-based approach to hedge accounting. However, specific accounting for open portfolios or macro hedging is not addressed and would be discussed in a separate project.</p> <p>The standard offers a range of transition options. At one end of the spectrum, an entity can choose to restate comparatives to comply with the classification, measurement and impairment requirements in FRS 109. At the other end of the spectrum, an entity can choose not to restate comparatives and instead recognise the cumulative effect in equity (the difference between the carrying amounts under FRS 39 and FRS 109 at the date of initial application) – and make no adjustment to the comparatives.</p> <p>There are also a series of optional and mandatory practical expedients and exemptions that create additional alternatives and may ease transition.</p>	
<p>3. Amendments to FRS 102</p> <p>Issued Oct 2016</p> <p>Effective 1 Jan 2018</p> <p><i>Insights – Clarifying share-based payment</i></p>	<p>Amendments to FRS 102 <i>Share-based Payment – Classification and Measurement of Share-based Payment Transactions</i></p> <p>The narrow-scope amendments clarify that:</p> <ul style="list-style-type: none"> • the measurement of cash-settled share-based payments (SBP) should follow the same approach as for equity-settled SBP; • as an exception, for classification purposes, a SBP transaction with employees is accounted for as equity-settled if the terms of the arrangement permit or require an entity to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement, and the entire SBP transaction would otherwise be classified as equity-settled if not for the net settlement feature; and • for modification of awards from cash-settled to equity-settled: <ul style="list-style-type: none"> - at the modification date, derecognise the liability for the original cash-settled SBP; and measure the equity-settled SBP at its fair value and recognise in equity to the extent that the goods or services have been received up to that date. - recognise in profit or loss immediately the difference between the carrying amount of the liability derecognised and the amount recognised in equity as at modification date. <p>As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if entities have the required information.</p> <p>For a first-time adopter, the amendments are required to be applied retrospectively for grants of equity instruments that vest after the date of transition and liabilities arising from share-based payment transactions that are settled after the date of transition.</p>	

FRS	Overview of key changes	Relevant sections in this publication
<p>4. Amendments to FRS 40</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2018</p> <p>Insights – Transfers to and from investment property</p>	<p>Amendments to FRS 40 <i>Investment Property – Transfers of Investment Property</i></p> <p>The amendments clarify that a property asset is transferred to or from investment property <i>when and only when</i> there is an <i>actual change in use</i>. This happens when:</p> <ul style="list-style-type: none"> • an asset meets or ceases to meet the definition of investment property; and • there is evidence of the change in use. <p>A change in management intention alone does not support a transfer.</p> <p>The amendments clarify that the examples of evidence of a change in use included in the standard are not exhaustive – i.e. other forms of evidence may support a transfer.</p> <p>An entity has a choice on transition to apply:</p> <ul style="list-style-type: none"> - the prospective approach i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or - the retrospective approach i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight. <p>For a first-time adopter, the amendments are required to be applied retrospectively, but only if it does not involve the use of hindsight.</p>	-
<p>5. Amendments to FRS 101</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2018</p>	<p>Improvements to FRSs (December 2016) (Amendments to FRS 101 <i>First-time Adoption of Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters</i>)</p> <p>Removed outdated exemptions for first-time adopters of FRS relating to transition provisions in:</p> <ul style="list-style-type: none"> • FRS 107 <i>Financial Instruments: Disclosures</i>; • FRS 19 <i>Employee Benefits</i>; and • FRS 110 <i>Consolidated Financial Statements (Investment Entities)</i>. 	-
<p>6. Amendments to FRS 28</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2018</p> <p>Insights – Annual Improvements to IFRS</p>	<p>Improvements to FRSs (December 2016) (Amendments to FRS 28 <i>Investments in Associates and Joint Ventures – Measuring an associate or joint venture at fair value</i>)</p> <p>The amendments clarify that:</p> <ul style="list-style-type: none"> • a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss on an investment-by-investment basis. • a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. 	-

FRS	Overview of key changes	Relevant sections in this publication
<p>7. Amendments to FRS 104</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2018</p> <p>Insights – Insurance IFRS 4 amendments</p>	<p>Amendments to FRS 104 Insurance Contracts – Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</p> <p>The amendments introduce two optional solutions for insurers (i.e. entities that issue insurance contracts) to reduce the impact of the differing effective dates of FRS 109 <i>Financial Instruments</i> and the new insurance contracts standard, and respond to concerns regarding temporary accounting mismatches and volatility.</p> <p>Two optional solutions are provided:</p> <ul style="list-style-type: none"> • Temporary exemption from FRS 109: Rather than having to implement FRS 109 in 2018 (for entities with December year-ends), some entities will be permitted to continue to apply FRS 39 for annual periods beginning before 1 January 2021. To qualify, a reporting entity’s activities need to be predominantly connected with insurance on its annual reporting date immediately before 1 April 2016. Management may have to consider both qualitative and quantitative factors in determining whether the entity meets the eligibility criteria. Applying the temporary exemption for entities within a group structure could result in entities preparing financial information under both FRS 39 and FRS 109. • Overlay approach: This optional solution provides an overlay approach to presentation to alleviate temporary accounting mismatches and volatility. For designated financial assets, an entity is permitted to reclassify between profit or loss and OCI, the difference between the amounts recognised in profit or loss under FRS 109 and those that would have been reported under FRS 39. Entities applying the overlay approach will have to produce and track FRS 39 and FRS 109 values in parallel for designated financial assets. <p>A first-time adopter is permitted to apply these amendments – i.e. the temporary exemption from IFRS 9 and the overlay approach – if they meet the applicable eligibility criteria.</p> <p>In assessing its eligibility for the temporary exemption, a first-time adopter uses carrying amounts determined under IFRS for its initial eligibility assessment – i.e. on its annual reporting date immediately before 1 April 2016.</p> <p>A first-time adopter that applies the overlay approach restates comparative information to reflect the overlay approach if it restates comparative information under IFRS 9.</p>	<p>-</p>

FRS	Overview of key changes	Relevant sections in this publication
<p>8. INT FRS 122</p> <p>Issued Dec 2016</p> <p>Effective 1 Jan 2018</p> <p>Insights – Foreign currency transactions – Advance consideration</p>	<p><i>Foreign Currency Transactions and Advance Consideration</i></p> <p>The new interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. The interpretation applies when an entity:</p> <ul style="list-style-type: none"> • pays or receives consideration in a foreign currency; and • recognises a non-monetary asset or liability – e.g. non-refundable advance consideration – before recognising the related item. <p>On initial application, entities may choose to apply the interpretation:</p> <ul style="list-style-type: none"> • retrospectively; or • prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after: <ul style="list-style-type: none"> - the beginning of the reporting period an entity first applies the interpretation; or - the beginning of a prior reporting period presented as comparative information. <p>A first-time adopter need not apply the interpretation to foreign currency assets, expenses and income in the scope of the interpretation initially recognised before the date of transition.</p>	-
<p>9. FRS 116</p> <p>Issued Jun 2016</p> <p>Effective 1 Jan 2019</p> <p>Insights – Leases</p> <p>Financial Reporting Matters – Apr 2016</p>	<p><i>Leases</i></p> <p><i>For Lessee:</i> FRS 116 eliminates the lessee’s classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with terms of more than 12 months, unless the underlying assets are of low value. Subsequent to initial recognition, a lessee depreciates ROU assets over the shorter of the useful life of the ROU assets or the lease term. A lessee also recognises interest expense on the lease liabilities.</p> <p><i>For Lessor:</i> FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 <i>Leases</i>. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.</p> <p>When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 <i>Determining whether an Arrangement contains a Lease</i>, INT FRS 15 <i>Operating Leases – Incentives</i>, and INT FRS 27 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p>	Note 43

FRS	Overview of key changes	Relevant sections in this publication
	<p>FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 <i>Revenue from Contracts with Customers</i> is also applied.</p> <p>Both lessor and lessee are required to retrospectively apply FRS 116's requirements upon application. However, FRS 116 provides an option for a modified retrospective approach and certain practical expedients.</p>	
<p>10. Amendments to FRS 110 and FRS 28</p> <p>Issued Nov 2014</p> <p><i>In the Headlines</i> – Issue 2014/17</p>	<p>Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>There is an inconsistency between the current requirements in FRS 110 and those in FRS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The amendment clarifies that when a parent loses control over a subsidiary to its associate or joint venture, gain/loss is recognised in its entirety when the transferred assets constitutes a business under FRS 103 <i>Business Combinations</i>.</p> <p>The amendments are to be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined.</p> <p>* (In December 2015, the mandatory effective date of the amendments has been deferred indefinitely, via <i>Amendments to Effective Date of Amendments to FRS 110 and FRS 28</i>.)</p>	-

Appendix V

Key differences between FRS and IFRS as at 31 August 2017

A. Differences relating to mandatory effective dates

FRS

FRS 110 Consolidated Financial Statements
(effective FY 1 January 2014)

FRS 27 Separate Financial Statements
(effective FY 1 January 2014)

FRS 111 Joint Arrangements
(effective FY 1 January 2014)

FRS 28 Investments in Associates and Joint Ventures
(effective FY 1 January 2014)

FRS 112 Disclosure of Interests in Other Entities
(effective FY 1 January 2014)

FRS 36 (Revised) Impairment of Assets
(effective for annual periods beginning on or after FY 1 July 2004)

FRS 38 (Revised) Intangible Assets
(effective for annual periods beginning on or after FY 1 July 2004)

FRS 103 Business Combinations (2004)
(effective FY 1 July 2004)

Comparison with IFRS

IFRS 10 Consolidated Financial Statements
(effective FY 1 January 2013)

IAS 27 Separate Financial Statements
(effective FY 1 January 2013)

IFRS 11 Joint Arrangements
(effective FY 1 January 2013)

IAS 28 Investments in Associates and Joint Ventures
(effective FY 1 January 2013)

IFRS 12 Disclosure of Interests in Other Entities
(effective FY 1 January 2013)

IAS 36 Impairment of Assets

IAS 36 is applicable to:

- (a) goodwill and intangible assets acquired in business combinations for which agreement date is on or after 31 March 2004; and
- (b) all other assets prospectively from the beginning of the first annual period beginning from 31 March 2004.

IAS 38 Intangible Assets

IAS 38 is applicable to:

- (a) intangible assets acquired in business combinations for which agreement date is on or after 31 March 2004; and
- (b) all other assets prospectively from the beginning of the first annual period beginning from 31 March 2004.

IFRS 3 Business Combinations (2004)

IFRS 3 is applicable to accounting for business combinations for which agreement date is on or after 31 March 2004.

The predecessor of FRS 103 is FRS 22 and the predecessor of IFRS 3 is IAS 22. Except for implementation dates relating to mandatory capitalisation and amortisation of goodwill, there are no significant differences between IAS 22 and FRS 22. IAS 22 requires goodwill to be capitalised and amortised for all acquisitions with effect from 1 January 1995, whereas FRS 22 only requires this treatment with effect from 1 October 2000.

Note that the latest IFRS 3, which is applied prospectively, is effective for annual periods from 1 July 2009, and is identical to FRS 103.

B. Differences relating to requirements for consolidated financial statements

FRS

FRS 28 *Investments in Associates and Joint Ventures*
(effective FY 1 January 2014)

FRS 110 *Consolidated Financial Statements*
(effective FY 1 January 2014)

Comparison with IFRS

IAS 28 *Investments in Associates and Joint Ventures*

Under IAS 28, a company does not have to account for its investments in associates and joint ventures using the equity method if its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with IFRS.

IFRS 10 *Consolidated Financial Statements*

Under IFRS 10, for a company to be exempted from presenting consolidated financial statements, its ultimate or any intermediate parent should produce consolidated financial statements that are available for public use and comply with IFRS.

FRS 28 and FRS 110 only require the ultimate or any intermediate parent's consolidated financial statements to be available for public use. FRS 28 and FRS 110 do not specify the accounting standards that the ultimate or any intermediate parent should use to produce its consolidated financial statements.

C. Differences relating to transitional provisions

FRS

FRS 16 *Property, Plant and Equipment*
(effective FY 1 January 2005)

FRS 102 (Revised) *Share-based Payment*
(effective FY 1 January 2005 for listed companies and 1 January 2006 for all other companies)

Comparison with IFRS

IAS 16 *Property, Plant and Equipment*

There are no significant difference between IAS 16 and FRS 16, except for a "grandfathering" clause for one-off revaluations.

FRS 16 exempts an enterprise that has revalued its property, plant and equipment before 1 January 1984 or had performed a one-off revaluation between 1 January 1984 and 31 December 1996 (both dates inclusive) from the need to revalue its assets periodically.

IFRS 2 *Share-based Payment*

For equity-settled share-based payments (SBP) transactions, IFRS 2 is applicable for equity instruments granted after 7 November 2002 and not yet vested at 1 January 2005.

FRS 102 is applicable to equity-settled SBP transactions where the equity instruments were granted after 22 November 2002 and not yet vested at 1 January 2005 (for listed companies) or 1 January 2006 (for all other companies).

D. Additional guidance issued by ASC/ISCA

FRS

INT FRS 115 *Agreements for the Construction of Real Estate, with an Accompanying Note*
(effective FY 1 January 2011)

RAP 8 *Foreign Income not Remitted to Singapore*
(approved on 1 November 2004)

Comparison with IFRS

IFRIC 15 *Agreements for the Construction of Real Estate*
INT FRS 115 is similar to IFRIC 15. In addition, INT FRS 115 was issued together with an Accompanying Note that provides additional guidance on standard sale of uncompleted residential property units in Singapore taking into account the legal framework in Singapore that is directly relevant to the application of INT FRS 115 in Singapore.

Standard residential property sales in Singapore would result in the transfer to the purchasers of the control and the significant risk and rewards of ownership of the uncompleted property units in their current state as construction progresses. Revenue is recognised by reference to the stage of completion when all other recognition criteria under FRS 18.14 are met continuously as construction progresses.

IAS 12 *Income Taxes*

IAS 12.39 provides an exception to the recognition of deferred tax liability in the case of profits that are retained in subsidiaries, branches, associates and joint ventures that would be taxable if these were to be distributed to the investor.

The exception applies provided the parent, investor or venturer is able to control the timing of the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future. IAS 12 does not extend this exception to other types of temporary differences (e.g. foreign-sourced income not remitted to Singapore that would be taxable if remitted).

RAP 8 recommends that a deferred tax liability in respect of a foreign-sourced income not remitted to Singapore (e.g. interest income earned from deposits placed outside of Singapore) should be recognised and accounted for in the same way as temporary differences associated with the unremitted profits from subsidiaries, branches, associates and joint ventures.

E. IFRS/IFRIC/Amendments to IFRS/IFRIC not yet issued in Singapore

IFRS/IFRIC	Overview of key changes
<p>1. IFRIC 2</p> <p>Issued by IASB Nov 2004</p> <p>Internationally effective FY 1 Jan 2005</p>	<p>Members' Shares in Co-operative Entities and Similar Instruments</p> <p>Members' shares in co-operatives and other similar entities have some characteristics of equity (for example, voting rights). They may also give the holder the right to request redemption for cash, which may be subject to certain limitations. IFRIC 2 gives guidance on how to apply the requirements of IAS 32 in terms of classifying such financial instruments as liabilities or equity. Under IFRIC 2, members' shares are equity if:</p> <ul style="list-style-type: none"> • the entity has an unconditional right to refuse redemption; or • redemption is unconditionally prohibited by local law, regulation, or the entity's governing charter.
<p>2. IFRS 9</p> <p>Issued by IASB Nov 2009</p> <p>Oct 2010</p> <p>Dec 2011</p> <p>Nov 2013</p> <p>Entities may still choose to early apply the entire IFRS 9 or specific part(s) of IFRS 9.</p> <p>IFRS Newsletter – May 2015</p> <p>Insights - Financial Instruments</p> <p>ASC press release – Dec 2014</p>	<p>IFRS 9 Financial Instruments (Chapters on Classification and Measurement of Financial Assets)</p> <p>Additions to IFRS 9 Financial Instruments (Financial Liability Accounting)</p> <p>Amendments to IFRS 9 and IFRS 7 Financial Instruments – Mandatory Effective Date and Transition Disclosures</p> <p>Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39</p> <p>IFRS 9 which includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting was issued by the IASB in July 2014. IFRS 9 is part of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The ASC has issued the July 2014 version of IFRS 9 as FRS 109 <i>Financial Instruments</i> in December 2014.</p> <p>Before IFRS 9 was issued, the IASB had issued three earlier versions of the standard. Entities applying IFRS are permitted to apply any of the earlier versions, but only if the date of initial application is before 1 February 2015. The ASC concluded that the application of the earlier versions of IFRS 9 should not be permitted under FRS 109. The above IFRS and amendments to IFRS relate to the earlier versions of IFRS 9 which will not be issued as FRS by the ASC.</p> <p>i. Classification and Measurement of Financial Assets and Financial Liabilities</p> <p>The key changes to the classification and measurement of financial assets and financial liabilities arising from the chapters issued in 2009 and 2010 as compared to IAS 39 include:</p> <p><i>Financial assets:</i></p> <ul style="list-style-type: none"> • IFRS 9 contains only two primary measurement categories for financial assets: amortised cost and fair value; the existing 'held to maturity', 'loans and receivables' and 'available-for-sale' categories for financial assets under IAS 39 are eliminated. • A financial asset is measured at amortised cost if the following conditions are met: <ul style="list-style-type: none"> - It is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and - Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

IFRS/IFRIC	Overview of key changes
	<ul style="list-style-type: none"> • All other financial assets are measured at fair value with changes in fair value recognised in profit or loss, with one exception: for investments in equity instruments which are not held for trading, an entity can choose to recognise fair value changes in OCI with no reclassification to profit or loss. <p><i>Financial liabilities:</i></p> <ul style="list-style-type: none"> • For financial liabilities designated under the fair value option, the portion of the fair value changes attributable to changes in the liability's credit risk is recognised directly in OCI with no reclassification to profit or loss. • There are two exceptions to the split presentation: <ul style="list-style-type: none"> - If the accounting treatment of the effects of changes in the liability's credit risk creates or enlarges an accounting mismatch in profit or loss, then all fair value changes are recognised in profit or loss. - All gains and losses on loan commitments and financial guarantee contracts designated at fair value through profit or loss are recognised in profit or loss. <p>ii. Amendments to IFRS 9 and IFRS 7 <i>Financial Instruments – Mandatory Effective Date and Transition Disclosures</i></p> <p>These amendments issued in 2011:</p> <ul style="list-style-type: none"> • Defer the effective date of IFRS 9 to annual periods beginning from 1 January 2015 (<i>this is further deferred by the November 2013 amendments to IFRS 9, see (iii) below</i>); • Provide modified transition relief with respect to restatement of prior periods; and • Require additional disclosures on the effect of transition from IAS 39 to IFRS 9. <p>iii. Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39</p> <p>In November 2013, the IASB:</p> <ul style="list-style-type: none"> • Introduced a new general hedge accounting model that aligns hedge accounting more closely with risk management; • Allowed the adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss before applying any of the other amendments to IFRS 9; and • Removed the 1 January 2015 mandatory effective date from IFRS 9. <p>The key changes in the 2013 revisions compared to IAS 39 include:</p> <ul style="list-style-type: none"> • Hedge qualification will be based on qualitative, forward-looking hedge effectiveness assessments, rather than arbitrary bright lines. Ongoing retrospective hedge effectiveness assessment is eliminated. • Hedging relationships may need to be rebalanced, without terminating hedge accounting, due to certain changes in circumstances. Voluntary terminations of otherwise qualifying hedging relationships will be prohibited. • Additional exposures (e.g. risk components of non-financial items; net positions and layer components of items and aggregated exposures) may be hedged items. • The time value of purchased options, the forward element of forward contracts, and foreign currency basis spreads may be deferred or amortised. • Certain credit exposures that are managed for credit risk with credit derivatives and own-use contracts may be designated at fair value through profit or loss as alternatives to hedge accounting. • More extensive disclosures on risk management and hedging activities.

IFRS/IFRIC	Overview of key changes
<p>3. IFRS 17</p> <p>Issued by IASB May 2017</p> <p>Internationally effective FY 1 Jan 2021</p> <p><i>Insights – New insurance contracts standard – Introducing IFRS 17</i></p>	<p><i>Insurance Contracts</i></p> <p>IFRS 17 replaces IFRS 4, which was brought in as an interim standard in 2004. IFRS 4 has given entities dispensation to carry on accounting for insurance contracts using their existing accounting practices, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar entities.</p> <p>IFRS 17 solves the comparison problems under IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance entities. In addition, increased transparency about the profitability of new and in-force business will give users more insight into an insurer’s financial health. Separate presentation of underwriting and finance results will provide added transparency about the sources of profits and quality of earnings. Premium volumes that will no longer drive the ‘top line’ as investment components and cash received are no longer considered to be revenue. Accounting for options and guarantees will be more consistent and transparent.</p> <p>Insurance obligations will be accounted for using current values, instead of historical cost. The information will be updated regularly at each reporting date, providing more useful information to users of financial statements.</p> <p>IFRS 17 requires an entity that issues insurance contracts to report them on the balance sheet as the total of:</p> <ul style="list-style-type: none"> a) the fulfilment cash flows, which are a risk-adjusted, explicit, unbiased and probability-weighted estimate of the present value of future cash flows that will arise as the entity fulfils the contracts; and b) the contractual service margin (CSM), which is the amount that represents the unearned profit that the entity will recognise in profit or loss as services are provided. <p>The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. IFRS 17 requires the entity to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be loss-making, at initial recognition.</p> <p>Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the entity determines that losses are expected.</p> <p>IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current assumptions. Changes in estimates of the fulfilment cash flows are reflected in either profit or loss or OCI – or, in some cases, they adjust the CSM – depending on their nature.</p> <p>IFRS 17 also requires disclosures which, together with information presented in the primary financial statements to enable users of financial statements, will provide a basis for users of the entity’s financial statements to assess the effects that insurance contracts have on its financial position, financial performance and cash flows.</p>

IFRS/IFRIC	Overview of key changes
	<p>IFRS 17 is applied for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted for entities that apply IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.</p> <p>IFRS 17 supersedes IFRS 4, including the amendments to IFRS 4 introduced in 2016, which include:</p> <ul style="list-style-type: none"> • the temporary exemption from FRS 109; and • the overlay approach. <p>IFRS 17 is applied retrospectively unless this is impracticable. The standard offers a range of transition options. An entity can apply IFRS 17 retrospectively to groups of insurance contracts. If impracticable to apply IFRS 17 retrospectively, the entity is permitted to choose between a modified retrospective approach and the fair value approach. The objective of the modified retrospective approach is to use reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to full retrospective application. However, if an entity cannot obtain reasonable and supportable information, then it applies the fair value approach.</p> <p>Under the fair value approach, an entity determines the CSM or loss component at the transition date for a group of contracts based on the difference between the fair value of the group and the fulfilment cash flows of the group at that date. This fair value is determined using the requirements in IFRS 13, except for demand liability for which the fair value cannot be lower than the amount payable on demand.</p>
<p>4. IFRIC 23</p> <p>Issued by IASB Jun 2017</p> <p>Internationally effective FY 1 Jan 2019</p> <p><u>Insights – Income tax exposures</u></p>	<p><i>Uncertainty over Income Tax Treatments</i></p> <p>IFRIC 23 clarifies the accounting for uncertainties in income taxes. The Interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 <i>Income Taxes</i>. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.</p> <p>Under IFRIC 23, 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.</p> <p>The uncertainty should be reflected using the measure that provides the better prediction of the resolution of the uncertainty either the most likely amount or the expected value. The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value while the expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value.</p> <p>The Interpretation also requires consistent judgements and estimates to be applied to current and deferred taxes. In addition, entities are to reassess the judgements and estimates applied if facts and circumstances change.</p>

IFRS/IFRIC	Overview of key changes
	<p>IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in accordance with IAS 1, about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected.</p> <p>On transition, IFRIC 23 provides two options:</p> <ul style="list-style-type: none">• Retrospective method: Entities apply the amendments retrospectively, but only if it does not involve the use of hindsight.• Cumulative effect method: Entities recognise the cumulative effect of applying IFRIC 23 at the date of initial application, with no restatement of the comparative periods presented. Instead, the entity recognises the cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which the entity first applies IFRIC 23. <p>A first-time adopter whose date of transition is before 1 July 2017 may elect not to reflect the application of IFRIC 23 in comparative information in its first IFRS financial statements. An entity that makes that election shall recognise the cumulative effect of applying IFRIC 23 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of its first IFRS reporting period.</p>

Keeping in touch

Follow 'KPMG IFRS' on LinkedIn or visit kpmg.com/ifrs for the latest on IFRS.

Whether you are new to IFRS or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists.

Delivering insight, analysis and practical guidance on IFRS



IFRS toolkit

Insights into IFRS

Helping you apply IFRS to real transactions and arrangements.



Guides to financial statements

Illustrative IFRS disclosures and checklists of currently effective requirements.



Newly effective standards



IFRS compared to US GAAP



Q&A: Fair Value Measurement



Combined and/or carve-out financial statements



Amendments to existing standards

Business combinations and consolidation



Presentation and disclosures



IFRS readiness for 2018...

It's time for action

Practical guidance on the new standards



Are you good to go?

Sector-specific guidance



Revenue



Financial instruments



... and beyond

Leases



Insurance contracts



IFRS news



IFRS for banks



For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This web-based subscription service can be a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 30-day trial, go to aro.kpmg.com and register today.

CONTACT US



Roger Tay

Head, Audit

T: +65 6213 2680

E: rtay@kpmg.com.sg



Reinhard Klemmer

Head, Professional Practice

T: +65 6213 2333

E: rklemmer2@kpmg.com.sg



Chan Yen San

Partner, Professional Practice

T: +65 6213 2106

E: ychan@kpmg.com.sg

CONTACT US

KPMG

16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
T: +65 6213 3388

kpmg.com/socialmedia



kpmg.com/app



While care has been taken in the preparation of this publication, reference to accounting standards and other authoritative material should be made, and specific advice sought, in respect of any particular transaction or specific circumstances. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by KPMG LLP in Singapore or any member of KPMG International.

This publication is based on *Guide to annual financial statements – Illustrative disclosures* (October 2016) (the 'Original Publication'). The copyright in the Original Publication is vested in KPMG IFRG Limited and KPMG IFRG Limited reserves all rights in relation to the Original Publication.

© 2017 KPMG LLP (Registration No. T08LL1267L) an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A), and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Singapore.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Publication name: Singapore Illustrative Financial Statements 2017