Singapore Illustrative Financial Statements 2018

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About Singapore Illustrative Financial Statements 2018

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

Full convergence with International Financial Reporting Standards and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and is effective on 1 January 2018. An entity that complies with SFRS(I) can also elect to simultaneously include an explicit and unreserved statement of compliance with IFRS in its first SFRS(I) financial statements, and thereafter, in its subsequent SFRS(I) financial statements.

Following the issuance, the following entities are required to apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018:

- Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market (Singapore Exchange (SGX)-listed or over-the-counter) in Singapore;
- Foreign-incorporated companies and business trusts that are SGX-listed and were reporting under Financial Reporting Standards in Singapore (FRS); and
- Business trusts that are constituted in Singapore and whose units are offered to the public, and must be registered by Monetary Authority of Singapore.

Singapore-incorporated companies and branches (excluding charities registered or approved under the Charities Act) may voluntarily apply SFRS(I) from any annual periods beginning on or after 1 January 2018.

This publication is intended to help entities in preparing and presenting their first SFRS(I) financial statements. It illustrates one possible format, based on a fictitious multinational corporation incorporated in Singapore and listed on the SGX. This fictitious corporation previously was reporting under FRS and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* is applied in making the transition from FRS to SFRS(I).

This publication reflects SFRS(I)s in issue at 15 August 2018 that are required to be applied by a first-time adopter of SFRS(I) (first-time adopter), with a first annual SFRS(I) reporting date of 31 December 2018. Therefore this publication includes the disclosures that are required when the entity adopts SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments* at the same time it adopts SFRS(I). The early adoption of SFRS(I)s that are effective for annual reporting periods beginning after 1 January 2018 ('forthcoming requirements') has not been illustrated.

In the case of SFRS(I) 1, a number of implementation choices exist and only one possible combination is illustrated. The publication does not repeat all of the requirements of SFRS(I) 1 and should be read in conjunction with the standard and related implementation guidance, as well as *Insights into IFRS: KPMG's Practical Guide to International Financial Reporting Standards (15th Edition)* ('Insights into IFRS') Chapter 6.1.

In addition, SFRS(I) and its interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to the standards and other relevant interpretative guidance.

This publication does not illustrate the requirements of SFRS(I) 4 *Insurance Contracts*, SFRS(I) 6 *Exploration for and Evaluation of Mineral Resources*, SFRS(I) 14 *Regulatory Deferral Accounts*, SFRS(I) 1-26 *Accounting and Reporting by Retirement Benefit Plans*, SFRS(I) 1-29 *Financial Reporting in Hyperinflationary Economies* and SFRS(I) 1-34 *Interim Financial Reporting*.

What else is new in 2018?

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.

Significant changes following consequential amendments from adopting SFRS(I) 1, 9 and 15, on the presentation and disclosure of financial information in this publication (other than presentation of three statements of financial position and related notes, and changes to the naming convention from FRS to SFRS(I)) are highlighted by a thick-line border running down the right margin of the content.

Need for judgement

This publication focuses on compliance with SFRS(I). Although it is not exhaustive, this publication illustrates the disclosures required by SFRS(I) for a hypothetical corporation; for illustrative purposes and, as such, the disclosures here are generally presented without regard to materiality.

This guide should not be used as a boiler plate template. The preparation and presentation of financial statements require the preparer to exercise judgement, e.g. in terms of the choice of accounting policies, the ordering of notes to the financial statements, how the disclosures should be tailored to reflect the reporting entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

Materiality

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29 - 31 of SFRS(I) 1-1 *Presentation of Financial Statements*. In August 2018, the ASC issued SFRS(I) Practice Statement 2 *Making Materiality Judgements*, which provides guidance on applying materiality in the preparation of financial statements.

Materiality is relevant to the presentation and disclosure of the items in the financial statements. Preparers need to consider whether the financial statements include all of the information that is relevant to understanding an entity's financial position at the reporting date and its financial performance during the reporting period. Preparers also need to take care not to reduce the understandability of their financial statements by obscuring material information with immaterial information or by aggregating material information that is different by nature or function. Individual disclosures that are not material to the financial statements do not have to be presented – even if they are a minimum requirement of a standard. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period.

Better communication

Financial reporting is not just about technical compliance, but also effective communication. Investors continue to ask for a step-up in the quality of business reporting, so preparers should be careful not to become buried in compliance to the exclusion of relevance. In preparing their financial statements, entities need to focus on improving their communication by reporting financial information in a meaningful way and innovating their financial statement presentation and disclosure in the broader context of better business reporting. For more information, see our Better business reporting website.

Reporting date

A number of terms are used, either in SFRS(I) 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 certain circumstances and must be approved by the Registrar. 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 SFRS(I) 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 SFRS(I).

For an overview of all disclosure requirements that may be applicable under SFRS(I), see *Guide to annual financial statements - Disclosure Checklist* that has been prepared based on the disclosure requirements of IFRS. The differences between SFRS(I) 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, SFRS(I) 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
5.40: refers to paragraph 40 of Singapore Financial Reporting Standard (International) (SFRS(I)) 5
1-8.28: refers to paragraph 28 of SFRS(I) 1-8
7.IG19: refers to paragraph 19 of the Implementation Guidance accompanying SFRS(I) 7
INT 17.15: refers to paragraph 15 of the SFRS(I) Interpretation (SFRS(I) INT) 17
INT 1-15.5: refers to paragraph 5 of the SFRS(I) INT 1-15
IFRS 15.BC367: refers to paragraph 367 of the Basis for Conclusions accompanying International Financial Reporting Standard (IFRS) 15
FRS 39.58: refers to paragraph 58 of Financial Reporting Standard (FRS) 39 which is effective for annual periods before 1 January 2018
SGX 1207(3): refers to Rule 1207(3) of the SGX Listing Manual
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
ECL: Expected credit loss
FVOCI: Fair value through other comprehensive income
FVTPL: Fair value through profit or loss
NCI: Non-controlling interests
Notes: Notes to the financial statements
OCI: Other comprehensive income

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Note	*Reference*	**Explanatory note**
1.	*1-1.10*	In these illustrative financial statements, the titles of the statements are consistent with the titles used in SFRS(I) 1-1. However, these terms are not mandatory and different titles are permitted, as long as the meaning is clear and they are not misleading.
2.	*1-1.55, 58*	Additional line items, headings and subtotals are presented separately in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. The judgement used is based on an assessment of the nature and liquidity of the assets, the function of assets within the entity, as well as the amounts, nature and timing of liabilities. Additional line items may include, for example, subsidiaries, prepayments, employee benefits and bank overdraft as illustrated here.
3.	*1.1, 21*	An entity's first SFRS(I) financial statements comprise at least three statements of financial position, two statements of profit or loss, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity and related notes, including comparative information.
		Comparative information are not labelled as 'restated' as there were no SFRS(I) financial statements previously published. The adjustments are arising from SFRS(I) 1 and this is a change in accounting framework, not just a change in accounting policies from adopting new accounting standards.
	1.12, 20	SFRS(I) 1 does not provide relief from the presentation and disclosure requirements in other SFRS(I)s. However, SFRS(I) 1 establishes mandatory and optional exceptions to the principle that an entity's opening SFRS(I) statement of financial position shall comply with each SFRS(I).
4.		See explanatory note 10 on page 8.
5.	*S201(5)*	Only the statement of financial position of the Company is required to be presented with the consolidated financial statements.
6.		See explanatory note 3 of page 8.
7.	*1-12.74*	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 11 below), and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either: • the same taxable entity; or • different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
8.	*IFRS 15.BC301*	An asset arising from the costs of obtaining a contract is presented separately from the contract asset or liability.
9.		See explanatory note 5 on page 8.
10.		See explanatory note 8 on page 8.
11.	*1-12.71*	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.
12.	*15.B21,* *IFRS 15.BC367*	SFRS(I) 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. The Group has included the assets in 'Inventories' and disclosed them separately in the notes.
13.	*5.40*	Comparatives are not restated to reflect classification as held for sale or distribution at the end of the reporting date.
	1-1.66, 5.3, *IFRS 5.BC9-10*	Non-current assets and assets of disposal groups classified as held-for-sale or held-for-distribution are classified as current in the statement of financial position. In our view, liabilities of such disposal groups should also be classified as current in the statement of financial position. Consequently, it would not generally be appropriate to present 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. This issue is discussed in *Insights into IFRS* (5.4.110.30).

Reference

Statements of financial position[1, 2, 3, 4]

S201(5), 1-1.10(a), 10(ea), 29, 38, 1.1, 21

As at 31 December 2018

Reference		Note	Group 31 Dec 2018 $'000	Group 31 Dec 2017 $'000	Group 1 Jan 2017 $'000	Company[5] 31 Dec 2018 $'000	Company[5] 31 Dec 2017 $'000	Company[5] 1 Jan 2017 $'000
1-1.113								
	Assets							
1-1.54(a)	Property, plant and equipment	4	16,936	31,049	34,937	5,816	5,618	6,471
1-1.54(c)	Intangible assets and goodwill	5	5,826	4,661	5,429	-	-	-
1-1.54(f)	Biological assets	6	4,970	6,671	6,279	-	-	-
1-1.54(b), 1-17.49	Investment property	7	2,070	1,050	950	-	-	-
1-1.55	Subsidiaries[2]	37	-	-	-	7,537	4,950	4,950
1-1.54(e)	Associates and joint venture	8	7,179	3,638	2,930	-	300	300
1-1.54(d)	Other investments, including derivatives[6]	9	3,631	3,525	3,270	3,512	3,390	3,089
1-1.54(o), 56	Deferred tax assets[7]	10	-	1,350	1,902	-	-	-
1-1.54(h)	Trade and other receivables	13	213	-	-	-	-	-
1-1.55	Employee benefits[2]	17	635	731	530	-	-	-
1-1.55	Contract costs[8]	23	86	199	134	-	-	-
1-1.60	**Non-current assets[9]**		41,546	52,874	56,361	16,865	14,258	14,810
1-1.54(f)	Biological assets	6	135	105	234	-	-	-
1-1.54(d)	Other investments, including derivatives[6]	9	662	1,032	821	317	564	405
1-1.54(n)	Current tax assets[11]		-	228	-	-	-	-
1-1.54(g)	Inventories[12]	12	9,881	11,920	12,582	4,694	5,751	5,986
1-1.55	Contract assets[2, 10]	23	348	280	259	-	-	-
1-1.54(h)	Trade and other receivables	13	16,213	17,719	16,220	20,698	13,219	12,597
1-1.55	Prepayments[2]		530	1,400	895	278	975	1,061
1-1.54(i)	Cash and cash equivalents	14	1,505	1,850	2,529	738	829	955
			29,274	34,534	33,540	26,725	21,338	21,004
5.38, 40, 1-1.54(j)	Assets held for sale[13]	11	14,410	-	-	-	-	-
1-1.60	**Current assets[9]**		43,684	34,534	33,540	26,725	21,338	21,004
	Total assets		85,230	87,408	89,901	43,590	35,596	35,814

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 2 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 *Insights into IFRS* (7.10.40.50 and 7I.8.50.50).
4.		See explanatory note 7 on page 6.
5.	*1-1.60, 61*	The Group has made a current/non-current distinction in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such a presentation provides information that is reliable and more relevant. *Guide to annual financial statements – Illustrative disclosures for banks* provides an example presentation of assets and liabilities in order of liquidity. 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.
6.		See explanatory note 11 on page 6.
7.	*15.55*	The Group has presented its refund liabilities as 'trade and other payables'. The Group's returns policy offers only an exchange for another good – i.e. the Group does not offer a cash refund. Therefore, refund liabilities do not meet the definition of a financial liability in SFRS(I) 1-32. If a refund liability or a liability related to a repurchase agreement meets the definition of a financial liability in SFRS(I) 1-32, then it is subject to the disclosure requirements in SFRS(I) 7.
8.	*1-1.54,55, 15.105, 109, A, IFRS 15. BC320-321*	Although it is not specifically required, the Group has presented in the statement of financial position line items related to contract assets and contract liabilities. An entity also applies the requirements in SFRS(I) 1-1 in classifying contract assets and contract liabilities as current or non-current. Although this guide uses the terms 'contract assets' and 'contract liabilities', an entity may also use other terms.
9.		See explanatory note 13 on page 6.
10.	*1.E1, E2*	SFRS(I) 1 has a short-term exemption that allows a first-time adopter not to restate comparatives when applying SFRS(I) 9 for the first time. The Group has chosen this exemption and recognises the cumulative effect of adopting SFRS(I) 9 in the opening retained earnings (or other component of equity, as appropriate) as at 1 January 2018. The Group has calculated the cumulative effect as the difference between: • the carrying amounts determined in accordance with previous GAAP at 31 December 2017; and • the new carrying amounts determined in accordance with SFRS(I) 9 at 1 January 2018. The requirements of FRS 39 and FRS 107 are applied in place of the requirements of SFRS(I) 9 and SFRS(I) 7 to comparative information about items within the scope of SFRS(I) 9.
	1.D34, D35	Under SFRS(I) 1, the Group cannot apply the cumulative effect approach to transit to SFRS(I) 15. The cumulative effect approach allows the cumulative effect of applying SFRS(I) 15 to be recognised directly in opening equity at the date of initial application of SFRS(I) 15 with no adjustments to the comparative information. SFRS(I) 1 has specific provisions regarding how a first-time adopter should apply SFRS(I) 15. The transitional provisions in SFRS(I) 15 are not applicable as the provisions in SFRS(I) 1 take precedence. Under SFRS(I) 1, an entity can only adopt the retrospective approach, subject to certain expedients that are available. An entity is able to elect the practical expedients available in SFRS(I) 15 when adopting the standard. This issue is discussed in *Insights into IFRS* (6.1.1360.10 and 20). The Group has applied SFRS(I) 15 retrospectively and adjusted each comparative period presented in the 2018 financial statements.

Reference

Statements of financial position (continued)

S201(5), 1-1.10(a), 10(ea), 29, 38
1.1, 21

As at 31 December 2018

Reference		Note	Group 31 Dec 2018 $'000	Group 31 Dec 2017 $'000	Group 1 Jan 2017 $'000	Company[1] 31 Dec 2018 $'000	Company[1] 31 Dec 2017 $'000	Company[1] 1 Jan 2017 $'000
1-1.113								
	Equity							
1-1.54(r), 78(e)	Share capital	*15*	19,737	18,050	18,050	19,737	18,050	18,050
1-1.54(r), 78(e)	Reserves	*15*	1,417	578	451	29	(200)	17
1-1.55, 78(e)	Retained earnings		8,285	13,917	10,471	5,639	5,525	5,790
	Equity attributable to owners of the Company		29,439	32,545	28,972	25,405	23,375	23,857
1-1.54(q)	**Non-controlling interests**	*38*	1,495	802	601	-	-	-
	Total equity		30,934	33,347	29,573	25,405	23,375	23,857
	Liabilities							
1-1.54(m)	Loans and borrowings	*16*	20,133	19,206	26,270	11,708	6,144	6,154
1-1.55, 78(d)	Employee benefits[2]	*17*	962	825	790	-	-	-
1-1.54(k)	Other payables, including derivatives[3]	*21*	290	5	-	-	-	-
1-1.55, 1-20.24	Deferred income	*19*	1,462	1,613	-	-	-	-
1-1.54(l)	Provisions	*20*	1,010	140	682	70	60	75
1-1.54(o), 56	Deferred tax liabilities[4]	*10*	2,239	1,541	1,436	1,285	819	635
1-1.60	**Non-current liabilities[5]**		26,096	23,330	29,178	13,063	7,023	6,864
1-1.55	Bank overdraft[2]	*14*	334	282	303	-	-	-
1-1.54(m)	Loans and borrowings	*16*	2,090	4,386	2,017	51	-	-
1-1.54(n)	Current tax liabilities[6]		762	-	25	-	-	-
1-1.55, 78(d)	Employee benefits[2]	*17*	20	16	14	-	-	-
1-1.54(k)	Trade and other payables, including derivatives[3, 7]	*21*	19,784	24,370	27,305	4,943	5,104	4,960
1-1.55	Contract liabilities[8]	*23*	140	17	20	-	-	-
1-1.54(l)	Provisions	*20*	660	1,660	1,466	128	94	133
			23,790	30,731	31,150	5,122	5,198	5,093
5.38, 40, 1-1.54(p)	Liabilities directly associated with the assets held for sale[9]	*11*	4,410	-	-	-	-	-
1-1.60	**Current liabilities[5]**		28,200	30,731	31,150	5,122	5,198	5,093
	Total liabilities		54,296	54,061	60,328	18,185	12,221	11,957
	Total equity and liabilities		85,230	87,408	89,901	43,590	35,596	35,814

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

Note	*Reference*	**Explanatory note**
1.		See explanatory note 2 on page 12.
2.	*15.113, 1-1.29,30, 85*	It appears that an entity is not required to present revenue from contracts with customers as a separate line item in the statement of profit or loss and may aggregate it with other types of revenue considering the requirements in SFRS(I) 1-1. However, in providing a separate disclosure of revenue from contracts with customers – either in the notes or in the statement of profit or loss – we believe that an entity should not include amounts that do not fall in the scope of SFRS(I) 15. This issue is discussed in *Insights into IFRS* (4.2.480.25).
3.	*1-1.82(a)*	The Group has presented interest income on financial assets that are subsequently measured at amortised cost or FVOCI as part of 'finance income' because it does not consider it as part of its revenue-generating activities. If the interest income, calculated using the effective interest method, constituted revenue, then the entity would be required to separately present that income as interest revenue in the statement of profit or loss. It appears that an entity may present interest income from other financial assets in another revenue line item if it arises in the course of the entity's ordinary activities. This issue is discussed in *Insights into IFRS* (7.10.60.30).
4.	*1-1.82(ba), 85, 31, 97, 99*	An entity that presents the analysis of expenses by function or by nature in the statement of profit or loss may face challenges in determining how this presentation interacts with the specific requirements to present the effect of some events or circumstances as a single amount in the statement of profit or loss – e.g. impairment losses under SFRS(I) 9. The Group has applied judgement in determining an appropriate presentation, ensuring that the chosen presentation is not misleading and is relevant to the users' understanding of its financial statements. Consequently, the Group has disaggregated the impairment loss amount into: • impairment related to trade receivables and contract assets, which is presented separately in the statement of profit or loss. Although it is not explicitly required, the Group (as a first-time adopter of SFRS(I)) has reclassified the comparative impairment loss (recognised under previous GAAP) from 'other expenses'; and • impairment related to debt investments, which is included within 'finance costs' due to materiality. This issue is discussed in *Insights into IFRS* (4.1.20.40).
5.	*1-1.85*	The Group has presented a subtotal of 'results from operating activities'. When an entity presents results from operating activities, it ensures 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.
6.	*1-1.82(ea), 5.33(a), (b)*	The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss, and has analysed that single amount into revenue, expenses and the pre-tax profit or loss in the notes. Alternatively, an entity may present the analysis in the statement.
7.	*1-33.73*	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 *Insights into IFRS* (5.3.560.50).
8.	*1-33.67, 69*	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 *Insights into IFRS* (5.3.560.30).

Reference	# Consolidated statement of profit or loss[1]			
S201(5), 1-1.10(b), 10A, 29, 38, 81A				
1.1, 21	**Year ended 31 December 2018**			
1-1.113		*Note*	**2018 $'000**	**2017 $'000**
	Continuing operations			
1-1.82(a)	Revenue[2, 3]	23	100,160	96,636
1-1.99, 103	Cost of sales		(55,592)	(56,186)
1-1.103	**Gross profit**		44,568	40,450
INT 17.15	Gain on distribution to owners of the Company	15	2,556	-
1-1.85	Other income	24	1,021	194
1-1.99, 103	Distribution expenses		(17,984)	(18,012)
1-1.99, 103	Administrative expenses		(17,142)	(15,269)
1-1.99, 103, 1-38.126	Research and development expenses		(1,109)	(697)
1-1.82(ba)	Impairment loss on trade receivables and contract assets[4]		(150)	(30)
1-1.99, 103	Other expenses	25	(826)	-
1-1.85	**Results from operating activities**[5]		10,934	6,636
1-1.82(a), 85	Finance income[3]	26	981	480
1-1.82(b)	Finance costs	26	(1,527)	(1,646)
1-1.85	**Net finance costs**		(546)	(1,166)
1-1.82(c)	Share of profit of equity-accounted investees (net of tax)	8	541	708
1-1.85	**Profit before tax**		10,929	6,178
1-1.82(d), 1-12.77	Tax expense	28	(3,371)	(1,800)
1-1.85	**Profit from continuing operations**		7,558	4,378
	Discontinued operation			
5.33(a), 1-1.82(ea)	Profit (loss) from discontinued operation (net of tax)[6]	29	379	(422)
	Profit for the year	27	7,937	3,956
	Profit attributable to:			
1-1.81B(a)(ii)	Owners of the Company		7,413	3,737
1-1.81B(a)(i)	Non-controlling interests	38	524	219
	Profit for the year		7,937	3,956
1-33.4	**Earnings per share**[7]			
1-33.66	Basic earnings per share (dollars)[8]	30	2.25	1.07
1-33.66	Diluted earnings per share (dollars)[8]	30	2.11	1.07
	Earnings per share - Continuing operations			
1-33.66	Basic earnings per share (dollars)[8]	30	2.12	1.21
1-33.66	Diluted earnings per share (dollars)[8]	30	1.99	1.20

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

Note	*Reference*	**Explanatory note**
1.		See explanatory note 1 on page 6.
2.	*1-1.99, 100*	The Group has elected to present comprehensive income using a 'two-statement' approach (consisting of a separate income statement displaying profit or loss and a second statement displaying the components of OCI), and has analysed expenses based on functions within the Group. Alternatively, an entity may present the analysis based on nature if this presentation provides information that is reliable and more relevant. The analysis may also be presented in the notes. The alternative 'one-statement' approach and the statement of profit or loss presenting analysis of expenses based on their nature are illustrated in Appendix I-A and Appendix I-B respectively.
3.	*1-1.82A*	An entity is required to present items of OCI, classified by nature (including share of OCI of equity-accounted investees), separately: • those that may be reclassified to profit or loss in the future if certain conditions are met; and • those that would never be reclassified to profit or loss.
4.	*1-1.92, 94*	An entity may present reclassification adjustments in the statement(s) of comprehensive income or in the notes. In these illustrative financial statements, we have illustrated the presentation in the statement of comprehensive income.
5.	*1-1.90-91*	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]

Year ended 31 December 2018

Reference		Note	2018 $'000	2017 $'000
	Profit for the year		7,937	3,956
	Other comprehensive income			
1-1.82A(a)(i)	**Items that will not be reclassified to profit or loss:**			
1-1.85	Revaluation of property, plant and equipment	4	200	-
1-1.85	Defined benefit plan remeasurements	17	72	(15)
7.20(a)(vii)	Equity investments at FVOCI – net change in fair value		163	-
1-1.91(b)	Related tax[5]	28	(144)	5
			291	(10)
1-1.82A(a)(ii)	**Items that are or may be reclassified subsequently to profit or loss:**			
1-1.85	Net loss on hedge of net investment in foreign operation		(3)	(8)
1-21.52(b)	Foreign currency translation differences - foreign operations		500	330
1-1.92	Foreign currency translation differences on loss of significant influence reclassified to profit or loss	32	(20)	-
1-1.82A(b)(ii)	Share of foreign currency translation differences of equity-accounted investees		21	-
7.24C(b), FRS 107.23(c)	Effective portion of changes in fair value of cash flow hedges		(68)	77
7.24C(b), 1-1.92, FRS 107.23(d)	Net change in fair value of cash flow hedges reclassified to profit or loss[4]		(31)	(11)
1-1.85	Cost of hedging reserve – changes in fair value		18	-
1-1.92	Cost of hedging reserve – reclassified to profit or loss		(18)	-
FRS 107.20(a)(ii)	Net change in fair value of available-for-sale financial assets		-	94
7.20(a)(viii)	Debt investments at FVOCI – net change in fair value		36	-
7.20(a)(viii), 1-1.92	Debt investments at FVOCI – reclassified to profit or loss		(64)	-
1-1.91(b)	Related tax[5]	28	40	(53)
			411	429
1-1.81A(b)	**Other comprehensive income for the year, net of tax**		702	419
1-1.81A(c)	**Total comprehensive income for the year**		8,639	4,375
	Total comprehensive income attributable to:			
1-1.81B(b)(ii)	Owners of the Company		8,088	4,134
1-1.81B(b)(i)	Non-controlling interests	38	551	241
	Total comprehensive income for the year		8,639	4,375

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

Note	*Reference*	**Explanatory note**
1.	*1-1.80*	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.	*1-1.106A*	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

1-1.10(c), 29, 108-109

Year ended 31 December 2018

Reference		Note	Share capital[1] $'000	Translation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
1-1.113			Attributable to owners of the Company									
	At 1 January 2017		18,050	-	434	17	-	-	10,471	28,972	601	29,573
	Total comprehensive income for the year											
1-1.106(d)(i)	**Profit for the year**		-	-	-	-	-	-	3,737	3,737	219	3,956
1-1.106(d)(ii)	**Other comprehensive income**											
1-21.52(b)	Foreign currency translation differences		-	308	-	-	-	-	-	308	22	330
1-21.52(b)	Net loss on hedge of net investment 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)
1-1.106A	**Total other comprehensive income[2]**		-	300	44	63	-	-	(10)	397	22	419
1-1.106(a)	**Total comprehensive income for the year**		-	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.	*1-32.33*	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 SFRS(I) 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.		SFRS(I) 2 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 SFRS(I). 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 SFRS(I) 10 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)

1-1.10(c), 29, 108-109

Year ended 31 December 2018

1-1.113

	Note	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	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company									
Transactions with owners, recognised directly in equity											
1-1.106(d)(iii) **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 2017		18,050	300	478	80	-	(280)	13,917	32,545	802	33,347

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

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Reference

Consolidated statement of changes in equity (continued)

1-1.10(c), 29, 108-109

Year ended 31 December 2018

Reference		Note	Share capital $'000	Translation reserve $'000	Hedging reserve $'000	Cost of hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
1-1.113			Attributable to owners of the Company										
	At 1 January 2018		18,050	300	478	-	80	-	(280)	13,917	32,545	802	33,347
1.E2(c), 1-8.28(f)(i)	Adjustment on initial application of of SFRS(I) 9 (net of tax)	*42*	-	-	-	82	4	-	-	(69)	17	(17)	-
	Adjusted balance at 1 January 2018		18,050	300	478	82	84	-	(280)	13,848	32,562	785	33,347
	Total comprehensive income for the year												
1-1.106(d)(i)	**Profit for the year**		-	-	-	-	-	-	-	7,413	7,413	524	7,937
1-1.106(d)(ii)	**Other comprehensive income**												
1-21.52(b)	Foreign currency translation differences		-	453	-	-	-	-	-	-	453	27	480
1-21.52(b)	Share of foreign currency translation differences of equity-accounted investees		-	21	-	-	-	-	-	-	21	-	21
1-21.52(b)	Net loss on hedge of net investment in foreign operation		-	(3)	-	-	-	-	-	-	(3)	-	(3)
1-16.77(f)	Revaluation of property, plant and equipment	*4*	-	-	-	-	-	200	-	-	200	-	200
7.24C(b)	Effective portion of changes in fair value of cash flow hedges		-	-	(68)	-	-	-	-	-	(68)	-	(68)
7.24C(b)	Net change in fair value of cash flow hedges reclassified to profit or loss		-	-	(31)	-	-	-	-	-	(31)	-	(31)
	Cost of hedging reserve – changes in fair value		-	-	-	18	-	-	-	-	18	-	18
	Cost of hedging reserve – reclassified to profit or loss		-	-	-	(18)	-	-	-	-	(18)	-	(18)
	Net change in fair value –												
7.20(a)(vii)	equity investments at FVOCI		-	-	-	-	163	-	-	-	163	-	163
7.20(a)(viii)	debt investments at FVOCI		-	-	-	-	36	-	-	-	36	-	36
7.20(a)(viii)	Debt investments at FVOCI – 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)
1-1.106A	**Total other comprehensive income**		-	471	(68)	-	90	134	-	48	675	27	702
1-1.106(a)	**Total comprehensive income for the year**		-	471	(68)	-	90	134	-	7,461	8,088	551	8,639

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

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Reference

Consolidated statement of changes in equity (continued)

1-1.10(c), 29, 108-109

Year ended 31 December 2018

Reference		Note	Share capital $'000	Capital reserves $'000	Translation reserve $'000	Hedging reserve $'000	Cost of hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
1-1.113			Attributable to owners of the Company											
	Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-	6	-	-	-	-	-	6	-	6
	Transactions with owners, recognised directly in equity													
1-1.106(d)(iii)	**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.

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Reference

Consolidated statement of changes in equity (continued)

1-1.10(c), 29, 108-109

Year ended 31 December 2018

Reference		Note	Share capital $'000	Capital reserves $'000	Translation reserve $'000	Hedging reserve $'000	Cost of hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
1-1.113			Attributable to owners of the Company											
1-1.106(d)(iii)	**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 2018		19,737	119	779	416	82	174	107	(260)	8,285	29,439	1,495	30,934

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

Note	*Reference*	**Explanatory note**
1.	*1-7.50*	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.	*1-7.22*	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.	*1-7.18-9*	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.	*1-7.18, 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? SFRS(I) 1-7 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.	*1-7.18(b)*	If interest expense is recognised due to a significant financing component in respect of a contract liability and an entity applies the indirect method to present cash flows from operating activities, then the interest is presented as a non-cash transaction in the reconciliation. Conversely, if interest income is recognised in respect of a contract asset, then that interest is presented as a cash transaction.
6.	*1-7.35*	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]

1-1.10(d), 29, 38, 113 **Year ended 31 December 2018**

Reference		Note	2018 $'000	2017 $'000
	Cash flows from operating activities[3]			
	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)
	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)	-
	Equity-settled share-based payment transactions		755	250
	Tax expense		3,346	1,756
			13,772	13,641
	Changes in:			
	- contract costs		113	(65)
	- inventories		(465)	830
	- current biological assets due to sales		127	63
	- intangible assets – service concession arrangement		(95)	-
	- contract assets[5]		(68)	(21)
	- trade and other receivables		(9,572)	(1,645)
	- prepayments		870	(505)
	- trade and other payables		5,014	(2,865)
	- contract liabilities[5]		123	(3)
	- provisions and employee benefits		126	(527)
	- deferred income, including government grant		(151)	1,613
	Cash generated from operations		9,794	10,516
1-7.35	Tax paid[6]		(428)	(1,527)
1-7.10	**Net cash from operating activities**		9,366	8,989

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

Note	*Reference*	**Explanatory note**
1.	*1-7.31*	SFRS(I) requires cash flows from interest and dividends received and paid to be disclosed separately. In our view, such disclosure is required in the statement of cash flows, rather than in the notes. SFRS(I) 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* (2.3.50.10-20). The Group has elected to classify cash flows from interest and dividends paid as financing activities, and cash flows from interest and dividends received as investing activities.
2.	*1-7.10, 5.33(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 requirements of SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* and SFRS(I) 1-7 regarding cash flow presentation may be met. This issue is discussed in *Insights into IFRS* (5.4.220.50).
3.	*1-7.16, 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.	*1-7.43*	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.	*1-7.16*	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.
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. The Group has presented capitalised interest consistently with interest cash flows that are not capitalised. This issue is discussed in *Insights into IFRS* (2.3.50.38).

Reference

Consolidated statement of cash flows (continued)

Reference	Year ended 31 December 2018	Note	2018 $'000	2017 $'000
	Cash flows from investing activities			
1-7.31	Interest received[1]		211	155
1-7.31	Dividends received[1]		369	330
1-24.18(a)	Dividends from equity-accounted investees	8	21	-
1-7.16(b)	Proceeds from sale of property, plant and equipment		1,177	481
1-7.16(d), 16(h)	Proceeds from sale of investments		891	2,034
1-7.39	Disposal of discontinued operation, net of cash disposed of[2]	29	10,890	-
1-7.39	Acquisition of subsidiary, net of cash acquired[3]	32	(1,799)	-
1-7.39	Formation of equity-accounted investees	8	(3,600)	-
1-7.16(a)	Acquisition of property, plant and equipment		(15,657)	(2,228)
1-7.16(a)	Acquisition of investment property		(300)	(40)
1-7.16(a)	Plantations and acquisitions of non-current biological assets		(305)	(437)
1-7.16(c), 16(g)	Acquisition of other investments		(319)	(2,411)
1-7.16(a)	Development expenditure		(1,235)	(503)
1-7.10	**Net cash used in investing activities**[4]		(9,656)	(2,619)
	Cash flows from financing activities			
1-7.17(a)	Proceeds from issue of share capital		1,550	-
1-7.17(c)	Proceeds from issue of convertible notes		5,000	-
1-7.17(c)	Proceeds from issue of redeemable preference shares		2,000	-
1-7.17(a)	Proceeds from sale of own shares		30	-
1-7.17(a)	Proceeds from exercise of share options		50	-
1-7.16(h)	Proceeds from settlement of derivatives[5]		5	11
1-7.21	Payment of transaction costs related to loans and borrowings		(343)	-
1-7.42A	Acquisition of non-controlling interests	32	(200)	-
1-7.17(b)	Repurchase of own shares		-	(280)
1-7.17(c)	Proceeds from borrowings		522	260
1-7.17(d)	Repayment of borrowings		(5,517)	(4,705)
1-7.17(e)	Payment of finance lease liabilities		(454)	(394)
1-7.31, 34	Dividends paid to owners of the Company[1]		(1,213)	(531)
1-7.31, 34	Dividends paid to non-controlling interests[1]		(30)	(40)
1-7.31, 32	Interest paid[1, 6]		(1,424)	(1,324)
1-7.10	**Net cash used in financing activities**	16	(24)	(7,003)
	Net decrease in cash and cash equivalents		(314)	(633)
	Cash and cash equivalents at 1 January		1,568	2,226
1-7.28	Effect of exchange rate fluctuations on cash held		(83)	(25)
	Cash and cash equivalents at 31 December	14	1,171	1,568

1-1.10(d), 29, 38, 113

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

Note	*Reference*	**Explanatory note**
1.	*1-1.113 - 114*	Notes are presented, to the extent practicable, in a systematic manner and are cross-referenced to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Group has applied its judgement in presenting related information together in a manner that it considers to be the most relevant to an understanding of its financial performance and financial position. 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. SFRS(I) 1-1 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.	*1.1, 21* *1-1.38*	An entity's first SFRS(I) financial statements comprise at least three statements of financial position, two statements of profit or loss, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity and related notes, including comparative information. In the context of the statement of financial position as at date of transition, in our view the requirement for "related notes" should be interpreted as disclosure of those notes that are relevant to an understanding of how the transition from FRS to SFRS(I) affected the entity's financial position at the date of transition. In deciding which notes and other comparative information may be omitted, regard should be given to materiality and the particular facts and circumstances of the entity. In these illustrative financial statements, we have included all the notes disaggregating the line items in the statement of financial position at 1 January 2017 and have omitted selected supporting (descriptive) comparative information. The most appropriate level of disclosure for each entity will depend on the facts and circumstances of the entity and may differ from the context of note disclosure presented in this publication. Careful consideration based on materiality and taking account of all facts and circumstances of the particular entity is needed to determine the appropriate disclosures related to the date of transition. This issue is discussed in *Insights into IFRS* (6.1.1520.20).
3.		See explanatory note 1 on page 30.
4.		See explanatory note 2 on page 30.
5.		See explanatory note 3 on page 30.
6.		See explanatory note 4 on page 30.
7.		See explanatory note 5 on page 30.
8.		See explanatory note 6 on page 30.
9.		See explanatory note 7 on page 30.
10.		See explanatory note 2 on page 34.

Reference

Notes to the financial statements[1, 2]

1-1.10(e) These notes form an integral part of the financial statements.

1-10.17 The financial statements were authorised for issue by the Board of Directors on [date].[3]

1. Domicile and activities

1-1.51(a)-(c), 138(a), (b) [Name] (the 'Company') is a company incorporated in Singapore. The address of the Company's registered office is [address].[4]

The financial statements of the Group as at and for the year ended 31 December 2018[5] 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.

2. Basis of preparation

1-1.112(a), 116

2.1 Statement of compliance

1-1.16, 1.3 The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).[6] These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

1.23, 27 In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 42.[7]

2.2 Basis of measurement

1-1.117(a) The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

7.19 As explained in note 16, the Group exceeded its maximum leverage threshold in the third quarter of 2018 but management has obtained a waiver from the bank in October 2018 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.[8]

2.3 Functional and presentation currency[9]

1-1.51(d), (e) 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 judgements[10]

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

Note	*Reference*	**Explanatory note**
1.	*1-10.17*	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.
2.	*1-1.138 (a)*	An entity discloses the principal place of business instead of the address of its registered office, if different from the registered office.
3.	*1-1.36*	The annual reporting date may change only in certain circumstances and must be approved by the Registrar. 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.
4.	*1-1.19, 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.
5.	*1.23, 27*	SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* does not deal with changes in accounting policy when an entity first adopts SFRS(I) and therefore disclosure requirements of SFRS(I) 1-8 do not apply. Instead, SFRS(I) 1 requires an entity to provide extensive disclosures to explain how the transition from previous FRS to SFRS(I) affected its reported financial position, financial performance and cash flows. The transition provisions in other SFRS(I)s do not apply to a first-time adopter's transition to SFRS(I), except as specified in Appendices B – E of SFRS(I) 1.
6.	*1-1.25, 1-10.16(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-E for example disclosures for entities that require going concern disclosures.
7.	*1-21.53*	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.
	1-21.54	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.

Reference

Notes to the financial statements

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

1-1.122 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 – revenue recognition: whether revenue from made-to-order furniture, storage units and warehouses is recognised over time or at a point in time;
- Note 33 – lease classification; and
- Note 37 – consolidation: whether the Group has de facto control over an investee.

1-1.125, 129, 130 Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 5 – impairment test of intangible assets and goodwill: 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;
- Note 22 – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate;
- Note 21 and 23 – revenue recognition: estimate of expected returns and total contract costs to complete; 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.

13.93(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 SFRS(I), 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.	*13.6(a)*	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 SFRS(I) 13 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 SFRS(I) 13 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.	*1-1.117(b)*	The accounting policies describe each specific accounting policy that is relevant to an understanding of the financial statements.
	1-8.5	Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
	1.7, 8	In preparing its first SFRS(I) financial statements, an entity selects accounting policies based on SFRS(I)s that are effective as at the first annual SFRS(I) reporting date; this may include the early adoption of new standards or interpretations that are not effective for the first SFRS(I) reporting period but for which early adoption is permitted. An entity does not apply earlier versions of standards that no longer are effective. Generally those policies are applied consistently at the date of transition to fully restate on a retrospective basis the opening statement of financial position on an SFRS(I) basis, and in each of the periods presented in the first SFRS(I) financial statements; this is the case even if a particular standard does not require retrospective application for existing SFRS(I) users. The retrospective application of SFRS(I)s effectively requires an entity to remeasure all transactions and events as of the date that they arose originally, using SFRS(I)s effective as at the entity's first annual SFRS(I) reporting date. The mandatory exceptions and optional exemptions provide relief from this general principle.
4.		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 SFRS(I) 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 SFRS(I) are discussed in *Insights into IFRS*.

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).

13.95 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 arrangements[1];
- Note 22 – financial instruments; and
- Note 32 – acquisitions of subsidiary[2] and NCI.

1.7, 8, 1-1.112(a), 117

3. Significant accounting policies[3, 4]

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

10.19, 1-28.35 The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

3.4 The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

3.32 For acquisitions from 1 January 2017, 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.

Note	*Reference*	**Explanatory note**
1.	*FRS 103.64, 1.C1*	FRS 103 was applied prospectively to all business combinations for which the acquisition date was on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. A first-time adopter may elect not to apply SFRS(I) 3 retrospectively to past business combinations that occurred before the date of transition to SFRS(I).
	1.C1	Alternatively, a first-time adopter may choose to restate past business combinations that occurred at a particular date before the date of transition to comply with SFRS(I) 3. However, if a first-time adopter chooses to restate any business combinations to comply with SFRS(I) 3, it shall restate all later business combinations and shall also apply SFRS(I) 10 from the same date.
	1.C4(a)	If a first-time adopter does not apply SFRS(I) 3 retrospectively to a past business combination, the first-time adopter keeps the same classification (as an acquisition by the legal acquirer, a reverse acquisition by the legal acquiree, or a uniting of interests) as in its previous FRS financial statements.
		This exemption also applies to past acquisitions of associates and joint ventures, if a first-time adopter chooses to restate past business combinations, it must also restate all acquisitions of associates and joint ventures that occurred from the chosen date.
		The Group has applied the optional exemption in SFRS(I) 1 not to apply SFRS(I) 3 to past business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017.

2.	*1-1.122-4*	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 SFRS(I) 1-1 indicate that such disclosure is based on qualitative information.
	1-1.125-9	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 SFRS(I) 1-1 indicate that such disclosure is based on quantitative data (e.g. appropriate discount rates).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)

Acquisitions from 1 January 2017 (continued)

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

3.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.

3.40, 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.

3.30, 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.

3.19 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 SFRS(I)s.

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

10.23, 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.

Acquisitions before 1 January 2017 [1]

1.C1, C4(g)-(i) As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Note *Reference* **Explanatory note**

1.	*12.11*	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: • 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 SFRS(I) is discussed in *Insights into IFRS* (5.13). These illustrative financial statements illustrate one possible method to account for common control transactions.

3.		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 *Insights into IFRS* (5.10.140.150).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(ii) Subsidiaries[1]

10.6, 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.

10.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 control[2]

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

10.25, B98-99 When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associates and joint ventures (equity-accounted investees)[3]

1-28.3, 5, 11.16 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.

1-28.10, 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.

1-28.38-39 When the Group's share of losses exceeds its investment 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.

Note	*Reference*	**Explanatory note**
1.		SFRS(I) 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 *Insights into IFRS* (3.5.430.30).
2.	*FRS 21.58, 59, 1.C2, C3*	FRS 21 required entities to apply paragraph 47 of FRS 21 prospectively to all acquisitions that occurred after the beginning of the first annual reporting period beginning on or after 1 January 2005. Any goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate at each reporting date. SFRS(I) 1 provides optional exemptions for first-time adopters to elect not to apply paragraph 47 of SFRS(I) 1-21 (which is identical to paragraph 47 of FRS 21) retrospectively to goodwill and fair value adjustments arising from business combinations that occurred before the date of transition to SFRS(I). A first-time adopter that elects this optional exemption would not need to restate its foreign currency translation reserve for the effects of translating goodwill and fair value adjustments relating to acquisitions before the date of transition to SFRS(I) to the closing exchange rate to comply with paragraph 47 of SFRS(I) 1-21. Alternatively, a first-time adopter may also elect to apply paragraph 47 of SFRS(I) 1-21 retrospectively to goodwill and fair value adjustments arising from all business combinations or those business combinations that it elects to restate to comply with SFRS(I) 3 from a particular date. The Group has applied the optional exemption to reset its cumulative foreign currency translation reserve (FCTR) for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR as at the date of transition to retained earnings.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(vi) Joint operations

11.4, 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

1-28.28, 10.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.[1] 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

1-27.10, 1-28.44

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

1-21.21, 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.

1-21.23, 9.B5.7.3, FRS 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 generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2017: 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; and
- qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations[2]

1-21.39

The assets and liabilities of foreign operations, including 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.

Note	*Reference*	**Explanatory note**
1.	*1.D12, D13*	Generally, SFRS(I) 1-21 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 FRS at that date to retained earnings. When this exemption is applied, it is applied to all foreign operations of the Group, and 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 SFRS(I) 1-21 retrospectively, except for the requirement in paragraph 47 of SFRS(I) 1-21 on goodwill and fair value adjustments arising on acquisitions, when the exemption in paragraph C2 of SFRS(I) 1 is applied (see explanatory note 2 on page 38).
2.	*9.4.1.1, B4.4.1*	Under SFRS(I) 9, the reclassification of financial assets is required if, and only if, the objective of the entity's business model for managing those financial assets changes. Such changes are expected to be very infrequent, and are determined by an entity's senior management as a result of external or internal changes. These changes have to be significant to the entity's operations and demonstrable to external parties. Accordingly, a change in the objective of an entity's business model will occur only when an entity either begins or ceases to carry out an activity that is significant to its operations - e.g. when the entity has acquired, disposed of or terminated a business line. For further guidance, refer to *Insights into IFRS* (7.4.450). Such reclassifications require additional disclosures under paragraph 12B – D of SFRS(I) 7 to be made.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)
3.2 Foreign currency (continued)
(ii) Foreign operations (continued)

1-21.41, 48 - 48D
10.B94

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity.[1] 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.

1-21.15

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.

7.21, FRS 107.21

3.3 Financial instruments
(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

9.3.1.1,
FRS 39.14

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

9.5.1.1, 5.1.3, 15.D,
FRS 39.43, 44A

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

9.4.1.1

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

9.4.4.1, 5.6.1

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.[2]

Financial assets at amortised cost

9.4.1.2

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets 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 amount outstanding.

Note *Reference* **Explanatory note**

1.	*9.B4.1.1-2*	The objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its business or businesses. A single reporting entity may have more than one business model for managing its financial instruments. This issue is discussed in *Insights into IFRS* (7.4.70.30).

2.		SFRS(I) 9 does not provide specific guidance for business model assessment related to portfolios of financial assets for which the entity's objectives include transfers of financial assets to third parties in transactions that do not qualify for derecognition. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances. This issue is discussed in *Insights into IFRS* (7.4.110.50).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)
3.3 Financial instruments (continued)
(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets – Policy applicable from 1 January 2018 (continued)

Debt investments at FVOCI

9.4.1.2A A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

9.4.1.4, 5.7.5 On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

9.4.1.5 All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

9.B4.1.2 The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level[1] because this best reflects the way the business is managed and information is provided to management. The information considered includes:

9.B4.1.2B-B4.1.2C, B4.1.4A, B4.1.5

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.[2]

9.B4.1.6 Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

9.4.1.3, B4.1.7A-7B, B4.1.9A-9E

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

9.B4.1.11(b), B4.1.12

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

7.B5(e)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

9.5.7.1

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

9.5.7.2

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

9.5.7.10-11

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Note *Reference* **Explanatory note**

1.	Under FRS 39, an entity may have elected or may have been required to reclassify financial assets from one category to another subsequent to its initial recognition. However, reclassifications were permitted or required only if certain criteria were met and may not have been allowed at all without tainting implications. For further guidance, refer to Insights into IFRS (7I.4.210). Such reclassifications required additional disclosures under paragraph 12 – 12A of FRS 107 to be made.

2.	Subject to certain exceptions, an entity was not permitted to classify any investments as held-to-maturity if the entity had, 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 *Insights into IFRS* (7I.4.80.50).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018 (continued)

Equity investments at FVOCI

9.5.7.5-6, B5.7.1

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

FRS 39.45

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.[1]

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Financial assets at FVTPL

FRS 39.43, 46, 55(a), 7.B5(e)

A financial asset was classified at FVTPL if it was classified as held-for-trading or was designated as such upon initial recognition. Financial assets were designated at FVTPL if the Group managed such investments and made 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 were recognised in profit or loss as incurred. Financial assets at FVTPL were measured at fair value, and changes therein, which took into account any dividend income, were recognised in profit or loss.

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

FRS 107.B5(a)

Financial assets designated at FVTPL comprised equity investments that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets[2]

FRS 39.43, 46(b)

If the Group had the positive intent and ability to hold debt investments to maturity, then such financial assets were 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 were measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprised debt investments.

Loans and receivables

FRS 39.43, 46(a)

Loans and receivables were financial assets with fixed or determinable payments that were 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 were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets

FRS 39.43, 46, 55(b)

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were 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 were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments and debt investments.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

9.5.7.1, FRS 39.47, 55(a)

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

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derecognition

Financial assets

9.3.2.3-6, FRS 39.17-20

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

9.3.2.6(b), FRS 39.20(b)

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

9.3.3.1-2, FRS 39.39-40

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

9.3.3.3, FRS 39.41

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iv) Offsetting

1-32.42 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 set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

1-7.8, 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, 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.

(vi) 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 from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash depends only on the passage of time. Such financial assets are measured at fair value on initial recognition and classified as financial assets 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 initially recognised at the fair value of the consideration.

(vii) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

9.4.3.3 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 host contract is not a financial asset and certain criteria are met.

9.5.1.1, 5.2.1(c) Derivatives are initially measured at fair value and any directly 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 generally recognised in profit or loss.

9.6.4.1(a), (c) The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting (continued)

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (continued)

Cash flow hedges (continued)

9.6.5.11, 16 When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

9.6.5.6-7, 12 If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

9.6.5.13-14 When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Note	*Reference*	**Explanatory note**
1.	*9.6.5.11, FRS 39.98-99*	Under FRS 39, for a hedge of a forecast transaction that subsequently results in the recognition of a non-financial item, an entity chooses an accounting policy, 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 periods during which the non-financial item affects profit or loss. Under FRS 39, the Group had elected to apply the second approach. Under SFRS(I) 9, only the first approach is permitted.
2.		Issues related to the classification of preference share capital as debt or equity are discussed in *Insights into IFRS* (7.3.390 and 7I.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)

(vii) Derivative financial instruments and hedge accounting (continued)

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

FRS 39.11,46,95, 97-101 The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of SFRS(I) 9. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under SFRS(I) 9. Furthermore, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.[1] Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

(viii) Compound financial instruments

1-32.28-32 Compound financial instruments issued by the Group comprise convertible notes denominated in Singapore dollars that can be converted to ordinary shares at the option of the holder, where the number of shares to be issued is fixed and does not vary with changes in fair value.

1-32.38, AG31, 9.5.1.1, FRS 39.43 The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised 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.

9.5.3.1, 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.

1-32.AG32 Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

(ix) Share capital

Ordinary shares

1-32.35 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 capital [2]

1-32.AG25-26 The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

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

1-32.33 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.

Note	*Reference*	**Explanatory note**
1.	*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.
	1.D6	An entity may elect to use a previous FRS 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 SFRS(I) adjusted to reflect, for example, changes in a general or specific price index. The Group has elected to use the fair value of certain items of property, plant and equipment as the deemed cost at 1 January 2017, the date of transition. The accounting policy for the determination of the cost of property, plant and equipment at the date of transition to SFRS(I) has been included because the Group regards this information as relevant to an understanding of its financial statements.
2.	*1.D8*	An entity also may use an event-driven fair value as a deemed cost when, under previous FRS, 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 items of property, plant and equipment, but may be applied to all individual assets and liabilities that were part of the remeasurement event.
3.	*1.D23*	An entity may apply the transitional requirements of SFRS(I) 1-23 *Borrowing Costs* from the date of transition or from an earlier date as permitted in SFRS(I) 1-23. If a first-time adopter applies the optional exemption for borrowing costs, then: • it accounts for borrowing costs incurred on or after the chosen date of transition in accordance with SFRS(I) 1-23, including those incurred on qualifying assets already under construction; and • it does not restate the borrowing costs capitalised under previous FRS before the date of initial application of SFRS(I) 1-23. This issue is discussed in our publication *Insights into IFRS* (6.1.500.10). The Group has elected to apply the requirements of SFRS(I) 1-23 from the date of transition to SFRS(I).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ix) Share capital (continued)

Distribution of non-cash assets to owners of the Company

INT 17.11 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.

(x) 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.

9.5.1.1, 9.4.2.1(c) Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

9.A, 5.5.1, B5.5.28, 32 ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018

FRS 39.43, 47(c) The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3.4 Property, plant and equipment

(i) Recognition and measurement

1.D5, 1-16.30, 73(a) Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.[1, 2]

1-16.16 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.[3]

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

1-16.45 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.

1-16.71 The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

1-16.13 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

1-16.44, 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.

1-16.58, 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.

1-16.55 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.

1-16.73(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

1-16.51 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

1-40.62 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.

Note *Reference* **Explanatory note**

1.	See explanatory note 3 on page 56.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

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

1-28.32, 1-38.107-108 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

1-38.54-55 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.

1-38.57, 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[1]. Other development expenditure is recognised in profit or loss as incurred.

1-38.74 Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Service concession arrangements

INT 12.17 The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use 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 on initial recognition with 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[1], less accumulated amortisation and accumulated impairment losses.

(iv) Other intangible assets

1-38.74 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

1-38.18 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

1-38.8 Amortisation is calculated based on the cost of the asset, less its residual value.

1-38.97, 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

Note	*Reference*	**Explanatory note**
1.	*1-41.54(a), (b)*	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.	*1-40.75(c)*	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.	*1-40.79(a), (b), (e)*	If an entity accounts for investment property using the cost model, then it discloses: • the depreciation method; • the useful lives or the depreciation rates used; and • the fair value of such investment property.
4.		See explanatory note 3 on page 56.
5.	*INT 1-27.10(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.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.5 Intangible assets and goodwill (continued)

(vi) Amortisation (continued)

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.

1-38.104 Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Biological assets

1-41.12, 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

1-40.7, 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.[4]

1-16.41 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.

1-40.60 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 assets[5]

1-17.8, 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.

1-17.8 Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

1-2.9, 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.

Note	*Reference*	**Explanatory note**
1.		The following are examples of instruments that are subject to recognition of allowances for ECLs under SFRS(I) 9: • Financial assets that are debt instruments measured at amortised cost or at FVOCI • Debt investments/ interest receivables • Cash at bank • Receivables from the sale of investments • Dividend receivables • Lease receivables in the scope of SFRS(I) 1-17 or SFRS(I) 16 • Trade receivables and contract assets in the scope of SFRS(I) 15 • Loan commitments not measured at FVTPL • Financial guarantee contracts not accounted for as insurance contracts and not measured at FVTPL • Intra-group financial guarantee contracts in the separate financial statements, not accounted for as insurance contracts and not measured at FVTPL
2.	*9.5.5.15*	For trade receivables and contract assets that have a significant financing component, and lease receivables, an entity can choose as an accounting policy to measure the loss allowance either in accordance with the general approach or as lifetime ECLs. The Group has chosen the latter policy.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.9 Inventories (continued)

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

1-2.6 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.

1-2.20 The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

3.10 Impairment

(i) Non-derivative financial assets and contract assets

Policy applicable from 1 January 2018

9.2, 5.5.1 The Group recognises loss allowances for ECLs on[1]:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts (FGC).

9.5.5.3, 5.5.5, A Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

Simplified approach

9.5.5.15-16 The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.[2]

General approach

9.5.5.1-11, IFRS 9.BC5.198 The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

9.5.5.3, 9 At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

9.5.5.11 When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

9.5.5.5, 7 If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.10 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable from 1 January 2018 (continued)

7.35F(b), B8A The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

7.35F(b), B8A The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

7.35F(b), B8A The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

9.5.5.19, B5.5.38 The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

9.5.5.17, A, B5.5.28-30, 33 ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

7.35F(d), 35G(a)(iii), 9.A At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

7.35F(d), 9.A Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

9.5.5.1 Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

9.5.5.2 For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

9.5.5.1, 4.2.1(c) Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

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 investments 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* (7I.6.430.40). 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* (7I.6.430.50).
2.	*15.107, C9*	Impairment of contract assets are within the scope of SFRS(I) 9. As the Group elected not to apply SFRS(I) 9 to the comparative information, any contract assets arising from the application of SFRS(I) 15 to the comparative period is subject to FRS 39 impairment measurement.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.10 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable from 1 January 2018 (continued)

Write-off

7.35F(e), 9.5.4.4

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

1-28.40, FRS 39.58, 59, FRS 107.B5(f)

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included 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 would 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 decline[1] in its fair value below its cost was objective evidence of impairment. The Group considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables, contract assets and held-to-maturity investment securities

FRS 39.63-64

The Group considered evidence of impairment for loans and receivables, contract assets[2] and held-to-maturity investment securities at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

Note	*Reference*	**Explanatory note**
1.		Although an entity applies paragraph 41A and 41C of SFRS(I) 1-28 to determine if there is an indication of impairment, the standard is silent in respect of reversals of impairment. In our view, an entity applies SFRS(I) 1-36 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 *Insights into IFRS* (3.10.585.20).
2.	*1-36.2*	In these illustrative financial statements, the accounting policies for impairment excluded investment property because the Group elected to measure investment property at fair value. For investment property that are measured using the cost model, SFRS(I) 1-36 shall apply.
3.		See explanatory note 2 on page 68.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.10 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Policy applicable before 1 January 2018 (continued)

Loans and receivables, contract assets and held-to-maturity investment securities (continued)

FRS 39.63-65, FRS 107.B5(d)

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

FRS 39.67 - 70

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was 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. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Associates and joint venture[1]

1-28.40 - 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 the requirements for non-financial assets. 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.

(iii) Non-financial assets

1-36.9, 10, 59

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property[2], inventories, contract assets[3] 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.

Note *Reference* **Explanatory note**

1.	SFRS(I) does not specify the line item in the statement of profit or loss in which an impairment loss on non-financial assets 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 *Insights into IFRS* (3.10.410.20).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.10 Impairment (continued)

(iii) Non-financial assets (continued)

1-36.6, 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.

1-36.102

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.

1-36.104

Impairment losses are recognised in profit or loss.[1] 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.

1-36.117, 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.

3.11 Non-current assets held for sale or distribution

5.6, 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).

Note	*Reference*	**Explanatory note**
1.	*1-19.83*	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 need to be consistent with the currency and maturity of the defined benefit obligation. This issue is discussed in *Insights into IFRS* (4.4.510.10).
2.	*1-19.134*	SFRS(I) 1-19 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 *Insights into IFRS* (4.4.1100.10).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Non-current assets held for sale or distribution (continued)

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.

1-28.20, 5.25 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.

3.12 Employee benefits

(i) Defined contribution plans

1-19.8, 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

1-19.8, 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).

1-19.83 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]

1-19. 64, 67, INT 14.23–24 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.

1-19.122, 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]

1-19.103 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.

Note	*Reference*	**Explanatory note**
1.	*2.IG19*	SFRS(I) 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 *Insights into IFRS* (4.5.970.20).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.12 Employee benefits (continued)

(ii) Defined benefit plans (continued)

1-19.109, 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

1-19.155, 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

1-19.165 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

1-19.11 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.

(vi) Share-based payment transactions

2.14-15, 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.

2.30, 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]

Note	*Reference*	**Explanatory note**
1.	*15.111, 119, 1-1.31*	SFRS(I) 15 requires detailed disclosure of entities' performance obligations in contracts with customers. The standard does not specify the level of detail required for this information – i.e. judgement is required in this regard (see note 23).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.13 Provisions

1-37.14, 45, 47, INT 1.8

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

1-37.39

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

1-37.72

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

1-37.21

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

1-37.66, 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.

(v) Levies

INT 21.8-12

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.

3.14 Revenue[1]

(i) Goods and services sold

15.31

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

15.74, 79(c), 81

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.14 Revenue (continued)

(i) Goods and services sold (continued)

15.47, 48, 56 The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

15.32 Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Rental income

1-17.50 Rental income from investment property is recognised as 'revenue' 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'.

(iii) Service concession arrangements

INT 12.13 Revenue related to construction or upgrade services under a service concession arrangement is recognised over time, 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. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

Note	*Reference*	**Explanatory note**
1.	*1-20.24*	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).
2.		SFRS(I) 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 *Insights into IFRS* (5.1.390.30).
3.	*1.IG204*	SFRS(I) 1-17 defines a lease as an agreement that conveys the right to use an asset for a specific period in return for payment or a series of payments. SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease* provides guidance on identifying when an arrangement, comprising a transaction or series of related transactions, is or contains a lease.
	1.D9	SFRS(I) 1 includes an optional exemption that permits an entity to reassess arrangements existing at the date of transition based on the facts and circumstances existing at that date.
	1.D9A, IG206	Alternatively, SFRS(I) 1 includes a further optional exemption that allows the entity not to reassess that determination for such arrangements when it adopts SFRS(I) as the determination under previous FRS gives the same outcome as applying SFRS(I) 1-17 and SFRS(I) INT 4.

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.15 Government grants

1-20.7, 39(a), 1-41.34 An unconditional government grant related to a biological asset is recognised in profit or loss as 'other income' when the grant becomes receivable.

1-20.26, 1-41.35 Other government grants related to assets 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.

3.16 Lease payments

1-17.33, INT 1-15.3 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.

1-17.25 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 payments[2] 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[3]

INT 4.6, 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 4.12-15 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.

Note	*Reference*	**Explanatory note**
1.		There is no guidance in SFRS(I) 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'. An entity may present foreign currency gains and losses on financial assets and financial 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 arising from investing and financing activities (e.g. exchange gains and losses on financial investments or foreign currency borrowings) as part of 'finance income' and 'finance costs'. This issue is discussed in *Insights into IFRS* (7I.8.70.20, 7I.8.80.20, 7.10.60.60 and 7.10.70.20).
2.	*1-1.85*	Dividend income is presented as a separate line item in profit or loss when such presentation is relevant to an understanding of the entity's financial performance. This issue is discussed in *Insights into IFRS* (7I.8.80.40 and 7.10.70.50).
3.		Interest and penalties related to income taxes are not explicitly included in the scope of SFRS(I) 1-12. The IFRS Interpretations Committee discussed the accounting for interest and penalties related to income taxes and noted that an entity first considers whether interest or a penalty itself is an income tax. If so, then it applies IAS 12. If the entity does not apply IAS 12, then it applies IAS 37 to that amount. The Committee also noted that this is not an accounting policy choice – i.e. an entity needs to apply judgement based on the specific facts and circumstances. This issue is discussed in *Insights into IFRS* (3.13.45.10).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

7.20, 20A

3.17 Finance income and finance costs[1, 2]

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividend expense on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of debt investments measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on debt investments carried at amortised cost or FVOCI;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

9.5.4.1-2, A The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

1-23.8 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.

3.18 Tax

1-12.58 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*[3]

1-12.12, 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. Current tax also includes any tax arising from dividends.

1-12.71 Current tax assets and liabilities are offset only if certain criteria are met.

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Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.18 Tax (continued)

1-12.15, 24, 39, 44

Deferred tax 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.

1-12.47, 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.

1-12.74

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.

1-12.56

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

1-12.37

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 SFRS(I) 5 extend the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, it 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 SFRS(I) 5 are met. This issue is discussed in *Insights into IFRS* (5.4.130.30).

Reference

Notes to the financial statements

3. Significant accounting policies (continued)

3.19 Discontinued operations[1]

5.32 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.

5.34 Classification as a discontinued operation occurs at the earlier of 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.

3.20 Earnings per share

1-33.10, 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.

3.21 Segment reporting

8.5 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.

8.25 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.

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

3.22 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 43.

Note	*Reference*	**Explanatory note**
1.	*1-16.73(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.
	1-16.74(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.
	1-16.77	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 SFRS(I) 13: • 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.	*1-16.8*	Spare parts, stand-by equipment and servicing equipment are to be classified as property, plant and equipment and measured in accordance with SFRS(I) 1-16 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 equipment[1]

Reference		Note	Freehold land and buildings $'000	Plant, equipment and spares[2] $'000	Fixtures and fittings $'000	Under construction $'000	Total $'000
1-16.73(d), (e)							
	Group						
	Cost or deemed cost						
1-16.73(d)	At 1 January 2017		7,328	29,509	5,289	-	42,126
1-16.73(e)(i)	Additions		193	1,540	675	-	2,408
1-16.73(e)(ii)	Disposals		-	(1,081)	-	-	(1,081)
1-16.73(e)(viii)	Effect of movements in exchange rates		-	316	171	-	487
1-16.73(d)	At 31 December 2017		7,521	30,284	6,135	-	43,940
1-16.73(d)	At 1 January 2018		7,521	30,284	6,135	-	43,940
1-16.73(e)(iii)	Acquisitions through business combinations	32	185	1,580	190	-	1,955
1-16.73(e)(i),74(b)	Other additions		1,750	9,544	657	4,100	16,051
1-16.73(e)(ix)	Reclassification to investment property - depreciation offset		(300)	-	-	-	(300)
1-16.73(e)(ix)	Revaluation of building reclassified to investment property		200	-	-	-	200
1-16.73(e)(ix)	Reclassification to investment property	7	(800)	-	-	-	(800)
1-16.73(e)(ix)	Distributed to owners of the Company	15	(3,900)	(7,243)	-	-	(11,143)
1-16.73(e)(ii)	Reclassification to assets held for sale	11	-	(9,222)	-	-	(9,222)
1-16.73(e)(ii)	Disposals		-	(11,972)	(2,100)	-	(14,072)
1-16.73(e)(viii)	Effect of movements in exchange rates		-	91	50	-	141
1-16.73(d)	At 31 December 2018		4,656	13,062	4,932	4,100	26,750
	Accumulated depreciation and impairment losses						
1-16.73(d)	At 1 January 2017		693	5,557	939	-	7,189
1-16.73(e)(vii)	Depreciation		73	4,290	759	-	5,122
1-16.73(e)(v)	Impairment loss		-	1,123	-	-	1,123
1-16.73(e)(ii)	Disposals		-	(700)	-	-	(700)
1-16.73(e)(viii)	Effect of movements in exchange rates		-	98	59	-	157
1-16.73(d)	At 31 December 2017		766	10,368	1,757	-	12,891
1-16.73(d)	At 1 January 2018		766	10,368	1,757	-	12,891
1-16.73(e)(vii)	Depreciation		105	4,170	726	-	5,001
1-16.73(e)(vi)	Reversal of impairment loss		-	(393)	-	-	(393)
1-16.73(e)(ix)	Reclassification to investment property - depreciation offset		(300)	-	-	-	(300)
1-16.73(e)(ix)	Distributed to owners of the Company	15	-	(1,493)	-	-	(1,493)
1-16.73(e)(ii)	Reclassification to assets held for sale	11	-	(1,058)	-	-	(1,058)
1-16.73(e)(ii)	Disposals		-	(3,808)	(1,127)	-	(4,935)
1-16.73(e)(viii)	Effect of movements in exchange rates		-	63	38	-	101
1-16.73(d)	At 31 December 2018		571	7,849	1,394	-	9,814
1-1.78(a)	**Carrying amounts**						
	At 1 January 2017		6,635	23,952	4,350	-	34,937
	At 31 December 2017		6,755	19,916	4,378	-	31,049
	At 31 December 2018		4,085	5,213	3,538	4,100	16,936

Note	*Reference*	**Explanatory note**
1.	*1-36.131*	In respect of the aggregate amount of impairment losses or reversals that are not disclosed because they are not considered material, an entity discloses: • 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)

Reference		Freehold land and buildings $'000	Plant, equipment and spares $'000	Fixtures and fittings $'000	Total $'000
1-16.73(d), (e)					
	Company				
	Cost or deemed cost				
1-16.73(d)	At 1 January 2017	1,931	5,653	2,056	9,640
1-16.73(e)(i)	Additions	-	-	54	54
1-16.73(d)	At 31 December 2017	1,931	5,653	2,110	9,694
1-16.73(d)	At 1 January 2018	1,931	5,653	2,110	9,694
1-16.73(e)(i)	Additions	-	1,203	122	1,325
1-16.73(d)	At 31 December 2018	1,931	6,856	2,232	11,019
	Accumulated depreciation				
1-16.73(d)	At 1 January 2017	99	2,548	522	3,169
1-16.73(e)(vii)	Depreciation	12	615	280	907
1-16.73(d)	At 31 December 2017	111	3,163	802	4,076
1-16.73(d)	At 1 January 2018	111	3,163	802	4,076
1-16.73(e)(vii)	Depreciation	12	827	288	1,127
1-16.73(d)	At 31 December 2018	123	3,990	1,090	5,203
1-1.78(a)	**Carrying amounts**				
	At 1 January 2017	1,832	3,105	1,534	6,471
	At 31 December 2017	1,820	2,490	1,308	5,618
	At 31 December 2018	1,808	2,866	1,142	5,816

Impairment loss and subsequent reversal[1]

During 2017, 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 2018, $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.	*1-8.40*	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

1-17.31(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 2018, the net carrying amount of leased plant and equipment was $1,900,000 (2017: $1,972,000; 1 January 2017: $2,036,000).

1-7.43, 1-17.31(e) During 2018, the Group acquired equipment with a carrying amount of $200,000 (2017: $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

1-16.74(a) At 31 December 2018, properties of the Group with carrying amounts of $1,440,000 (2017: $2,010,000; 1 January 2017: $2,058,000) are pledged as security to secure bank loans (see note 16).

Property, plant and equipment under construction

1-16.74(b) During 2018, the Group acquired a piece of land for $3,100,000, with the intention of constructing a new factory on the site.

1-23.26 The Group has started construction and costs incurred up to 31 December 2018 totalled $1,000,000. Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of $194,000, calculated using a capitalisation rate of 5.2%.

Transfer to investment property

During 2018, one building was transferred to investment property, because it was no longer used by the Group and it was leased to a third party.

13.93(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

1-8.39, 1-16.76 During 2018, 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]

	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Later $'000
(Decrease) increase in depreciation expense	(256)	(113)	150	150	130	170

Temporarily idle property, plant and equipment

1-16.79 At 31 December 2018, plants and equipment with carrying amount of $503,000 were temporarily idle, but the Group plans to operate the assets in 2019.

Note	*Reference*	**Explanatory note**

1.	*1-38.122*	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.

	1-38.118, 3.61, 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 SFRS(I) 5 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.
	1-38.118(c), (e)	Although SFRS(I) 1-38 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.
	1-38.124	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.

Reference

Notes to the financial statements

5. Intangible assets and goodwill[1]

Reference	Group	Note	Goodwill $'000	Patents and trade-marks $'000	Develop-ment costs $'000	Other $'000	Total $'000
	Cost						
1-38.118(c), 3.B67(d)(i)	At 1 January 2017		3,545	1,264	4,111	-	8,920
1-38.118(e)(i)	Acquisitions – internally developed		-	-	515	-	515
1-38.118(e)(vii)	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
1-38.118(c), 3.B67(d)(viii)	At 31 December 2017		3,545	1,093	4,551	-	9,189
1-38.118(c), 3.B67(d)(i)	At 1 January 2018		3,545	1,093	4,551	-	9,189
1-38.118(e)(i), 3.B67(d)(ii)	Acquisitions through business combinations	*32*	541	170	-	80	791
1-38.118(e)(i)	Service concession	*40*	-	-	-	95	95
1-38.118(e)(viii)	Distributed to owners of the Company	*15*	(400)	-	-	-	(400)
1-38.118(e)(i)	Other acquisitions – internally developed		-	-	1,272	-	1,272
1-38.118(e)(vii)	Effect of movements in exchange rates		-	186	100	-	286
1-38.118(c), 3.B67(d)(viii)	At 31 December 2018		3,686	1,449	5,923	175	11,233
	Accumulated amortisation and impairment losses						
3.B67(d)(i), 1-38.118(c)	At 1 January 2017		138	552	2,801	-	3,491
1-38.118(e)(vi)	Amortisation		-	118	677	-	795
1-38.118(e)(iv)	Impairment loss		-	-	285	-	285
1-38.118(e)(vii)	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
3.B67(d)(viii), 1-38.118(c)	At 31 December 2017		138	639	3,751	-	4,528
1-38.118(c), 3. B67(d)(i)	At 1 January 2018		138	639	3,751	-	4,528
1-38.118(e)(vi)	Amortisation		-	129	641	15	785
3. B67(d)(v), 1-38.118(e)(iv)	Impairment loss		116	-	-	-	116
1-38.118(e)(v)	Reversal of impairment loss		-	-	(100)	-	(100)
1-38.118(e)(vii)	Effect of movements in exchange rates		-	61	17	-	78
1-38.118(c), 3. B67(d)(viii)	At 31 December 2018		254	829	4,309	15	5,407
	Carrying amounts						
1-38.118(c)	At 1 January 2017		3,407	712	1,310	-	5,429
1-38.118(c)	At 31 December 2017		3,407	454	800	-	4,661
1-38.118(c)	At 31 December 2018		3,432	620	1,614	160	5,826

Amortisation

1-38.118(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.	*1-36.126*	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* (3.10.410.20).
2.	*1-36.132, 134*	The Group has disclosed the key assumptions used (discount rate and terminal growth rate) to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are required only for CGUs containing goodwill or indefinite-lived intangible assets.
3.	*1-36.130(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 SFRS(I) 13) 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.
	1-36.130(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 SFRS(I) 8, then the reportable segment to which the asset belongs.
	1-36.130 (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.
	1-36.130(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.
	1-36.126(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:

Reference		Note	Group 2018 $'000	Group 2017 $'000
1-36.130(d)(ii)	**Standard Papers**			
	Plant and equipment and development costs	*(ii)*	(493)	1,408

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

Reference		Note	Group 2018 $'000	Group 2017 $'000
1-36.130(d)(ii)	**Timber Products**			
	Goodwill	*(iii)*	116	-

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

(i) Recoverability of development costs[2]

1-36.132 Included in the carrying amount of development costs at 31 December 2018 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 2019 and using a pre-tax discount rate of 12% and a terminal value growth rate of 2% from 2022. The recoverable amount of the CGU was estimated to be higher than its carrying amount and no impairment was required.

1-1.125, 129 Management considers it reasonably possible that the regulatory approval may be delayed by a further year to July 2020. 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 product[2]

1-36.130(a), (d)(i) During 2017, 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 2018; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

1-36.130(e) Accordingly, management estimated the recoverable amount of the CGU (the product line) in 2017. The recoverable amount was estimated based on its value in use,[3] assuming that the production line would go live in August 2019.

Note	*Reference*	**Explanatory note**
1.	*1-36.132,134*	The Group has disclosed the key assumptions used (discount rate and terminal growth rate) to determine the recoverable amount of assets and CGUs, although disclosures beyond the discount rate are required only for CGUs containing goodwill or indefinite-lived intangible assets.
2.	*1-36.84, 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* (3.10.460.20).
3.	*1-36.99*	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.
4.	*1-36.134*	Separate disclosures are required for each CGU (or group of CGUs) for which the carrying amount of goodwill or intangible assets with an indefinite useful life allocated to the CGU is significant in comparison with its carrying amount.

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 2018, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

1-36.130(g), 132 The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2017: 9.8%) and a terminal value growth rate of 3% from 2023 (2017: 3% from 2022).[1]

1-36.126(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 2018 $'000	Group 2017 $'000
Plant and equipment	*4*	(393)	1,123
Development costs		(100)	285
(Reversal of) impairment loss		(493)	1,408

1-36.130(e) At 31 December 2018, the recoverable amount of the CGU was as follows:

	Group 2018 $'000	Group 2017 $'000
Recoverable amount	1,576	1,083

(iii) Impairment testing for CGUs containing goodwill[2, 3, 4]

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

1-36.134(a)		2018 $'000	2017 $'000	1 Jan 2017 $'000
	Group			
	Southeast Asia paper manufacturing and distribution	2,276	2,135	2,135
	Timber products	960	1,076	1,076
		3,236	3,211	3,211
1-36.135	Multiple units without significant goodwill	196	196	196
		3,432	3,407	3,407

Southeast Asia paper manufacturing and distribution

1-36.134(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).

Note	*Reference*	**Explanatory note**
1.	*1-36.134(d)(ii), (iv)-(v), (e)(ii), (iv)-(v), (f), IE89*	SFRS(I) 1-36 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, having regard to the requirement for an entity to disclose a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. An entity also discloses additional quantitative information if a reasonably possible change in key assumptions would result in an impairment.
2.	*1-36.46-47*	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.

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)

1-36.134(e)(i) The key assumptions[1] 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.

Reference		2018	2017	1 Jan 2017
1-36.134(f)(ii)		%	%	%
	Group			
1-36.134(e)(v)	Discount rate	8.7	8.5	8.4
1-36.134(e)(iv)	Terminal value growth rate	1.0	0.9	0.8
1-36.134(e)(i), (f)(ii)	Budgeted EBITDA growth rate (average of next five years)	5.2	4.8	5.0

1-36.134(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%.

1-36.134(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.

1-36.134(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 2019 were reflected in the budgeted EBITDA.[2]

1-36.134(f) The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $300,000 (2017: $250,000; 1 January 2017: $280,000). 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.

Reference		Change required for carrying amount to equal the recoverable amount		
		2018	2017	1 Jan 2017
		%	%	%
	Group			
1-36.134(f)(iii)	Discount rate	1.6	1.3	1.5
1-36.134(f)(iii)	Budgeted EBITDA growth rate	(4.4)	(3.6)	(4.0)

Note	*Reference*	**Explanatory note**
1.	*1-36.134(d)(ii), (iv)-(v), (e)(ii), (iv)-(v), (f), IE89*	SFRS(I) 1-36 specifically requires quantitative disclosures (i.e. in values) in respect of the discount rates and growth rates used to extrapolate cash flow projections. Narrative disclosures are sufficient for other key assumptions, having regard to the requirement for an entity to disclose a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. An entity also discloses additional quantitative information if a reasonably possible change in key assumptions would result in an impairment.
2.	*1-36.50(b), 55, A20*	SFRS(I) 1-36 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. Whichever rate is used (pre- or post-tax), the pre-tax discount rate needs to be disclosed. When value in use is determined using post-tax cash flows and a post-tax discount rate, the pre-tax discount rate needs to be calculated to comply with the disclosure requirements. This issue is discussed in *Insights into IFRS* (3.10.840.10-20).
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 *Insights into IFRS* (3.10.300.120).
4.	*1-36.33, 35*	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 SFRS(I). 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 *Insights into IFRS* (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

1-1.125, 1-36.130(e), 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 and an impairment loss of $116,000 during 2018 (2017: nil; 1 January 2017: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'other expenses'.

1-36.134(d)(i)

Key assumptions[1] used in the estimation of value in use were as follows:

Reference		2018 %	2017 %	1 Jan 2017 %
	Group			
1-36.134(d)(v)	Discount rate	9.6	10.0	9.8
1-36.134(d)(iv)	Terminal value growth rate	1.8	2.0	1.9
1-36.134(d)(i), f(ii)	Budgeted EBITDA growth rate (average of next five years)	8.0	9.0	8.7

1-36.134(d)(ii)

The discount rate was a pre-tax measure[2] based on the rate of 10-year government bonds[3] 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.

1-36.134(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.

1-36.134(f)

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

1-23.26 (a), (b)

Included in capitalised development costs is an amount of $37,000 (2017: $12,000; 1 January 2017: $25,000), that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2017: 5.4%; 1 January 2017: 5.5%).

Note	*Reference*	**Explanatory note**
1.	*1-41.43*	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.
	1-41.54 (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.
	1-41.55	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.
	1-41.56	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.
	1-41.49(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.
	1-41.49(b)	An entity discloses the amount of commitments for the development or acquisition of biological assets.
	1-41.50(e)	An entity discloses increases in biological assets due to business combinations.
	1-41.53	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.

Reference

Notes to the financial statements

6. Biological assets[1]

Reconciliation of carrying value

Reference		Standing timber $'000	Livestock $'000	Total $'000
	Group			
1-41.50, 13.93(e)	At 1 January 2017	5,713	800	6,513
1-41.50(b), 13.93(e)(iii)	Purchases	415	22	437
1-41.50(c), 13.93(e)(iii)	Sales of livestock	-	(63)	(63)
1-41.50(g)	Net increase due to births/deaths	-	15	15
1-41.40, 50(a)	Change in fair value less costs to sell:			
1-41.51	- due to price changes	(101)	8	(93)
1-41.51	- due to physical changes	15	7	22
1-41.50(d), 13.93(e)(iii)	Harvested timber transferred to inventories	(168)	-	(168)
1-41.50(f)	Effect of movements in exchange rates	68	45	113
1-41.50	At 31 December 2017	5,942	834	6,776
1-41.50, 13.93(e)	At 1 January 2018	5,942	834	6,776
1-41.50(b), 13.93(e)(iii)	Purchases	294	11	305
1-41.50(c), 13.93(e)(iii)	Sales of livestock	-	(127)	(127)
1-41.50(g)	Net increase due to births/deaths	-	11	11
1-41.40, 50(a)	Change in fair value less costs to sell:			
1-41.51	- due to price changes	(8)	18	10
1-41.51	- due to physical changes	415	151	566
1-41.50(d), 13.93(e)(iii)	Harvested timber transferred to inventories	(2,480)	-	(2,480)
1-41.50(f)	Effect of movements in exchange rates	30	14	44
1-41.50	At 31 December 2018	4,193	912	5,105
	1 January 2017			
	Non-current	5,713	566	6,279
	Current	-	234	234
		5,713	800	6,513
	31 December 2017			
	Non-current	5,942	729	6,671
	Current	-	105	105
		5,942	834	6,776
	31 December 2018			
	Non-current	4,193	777	4,970
	Current	-	135	135
		4,193	912	5,105

Note	*Reference*	**Explanatory note**
1.	*1-41.43*	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 the basis for making such distinctions.
2.		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.

Reference

Notes to the financial statements

6. Biological assets (continued)

1-41.41, 43, 46(b)(i)-(ii) At 31 December 2018, standing timber comprised approximately 2,160 hectares of hardwood tree plantations (2017: 3,230 hectares; 1 January 2017: 2,980 hectares), which ranged from newly established plantations to plantations that were 30 years old. $601,000 (2017: $776,000; 1 January 2017: $725,000) 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 (2017: 5,295 tonnes; 1 January 2017: 6,785 tonnes).[1]

1-41.41, 43, 46(b)(i)-(ii) At 31 December 2018, livestock comprised 3,765 goats (2017: 4,160 goats; 1 January 2017: 4,260 goats). During the year, the Group sold 472 goats (2017: 235 goats).[1]

Measurement of fair values

(i) Fair value hierarchy

13.93(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).[2]

Reference		2018 $'000	2017 $'000
	Group		
13.93(e)(i)	**Gains/(losses) included in 'other income'**		
	- Change in fair value (realised)	160	28
13.93(f)	- Change in fair value (unrealised)	247	(114)
13.93(e)(ii)	**Gains included in OCI**		
13.93(e)(ii)	Effect of movements in exchange rate	30	68

Note	*Reference*	**Explanatory note**
1.	*13.93(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.	*13.93(h)*	Required for fair value measurements in Level 3.
3.	*13.93(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)

1-1.125, 129
13.93(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)	*Discounted cash flows*: 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.	• Estimated future timber market prices per tonne ($30-36 (2017: $28-33; 1 Jan 2017: $28-32), weighted average $33 (2017: $31; 1 Jan 2017: $31)). • Estimated yields per hectare (6-10 (2017: 5-9; 1 Jan 2017: 5-10), weighted average of 8 (2017: 8; 1 Jan 2017: 8)). • Estimated harvest and transportation costs (6-8% (2017: 6-8%; 1 Jan 2017: 6-9%), weighted average 7.5% (2017: 7.3%; 1 Jan 2017: 7.4%)). • Risk-adjusted discount rate (8-9% (2017:7-9%; 1 Jan 2017: 8-9%), weighted average 8.6% (2017: 8.3%; 1 Jan 2017: 8.4%)).	The estimated fair value would increase (decrease) if: • 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	*Cost technique and discounted cash flows:* 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. 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.	• Estimated costs of infrastructure per hectare ($2-3 (2017: $2-3; 1 Jan 2017: $2-3), weighted average $2.7 (2017: $2.6; 1 Jan 2017: $2.8)). • Estimated costs of cultivation and preparation per hectare ($0.4-1 (2017:$0.3-1; 1 Jan 2017: $0.2-1), weighted average $0.7 (2017: $0.7; 1 Jan 2017: $0.7)). • Estimated costs of buying and planting young trees ($2-3 (2017: $2-3; 1 Jan 2017: $2-3), weighted average of $2.4 (2017: $2.3; 1 Jan 2017: $2.4)). • Estimated future timber market prices per tonne ($32-38 (2017: $30-32; 1 Jan 2017: $32-36)). • Estimated yields per hectare (6-11 (2017: 6-10: 1 Jan 2017: 6-10), weighted average of 8.6 (2017: 8; 1 Jan 2017: 8.2)). • Risk-adjusted discount rate (8-9% (2017: 8-9%; 1 Jan 2017: 8-9%), weighted average 9.4% (2017: 9.2%; 1 Jan 2017: 9.3%)).	The estimated fair value would increase (decrease) if: • 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).

Note	*Reference*	**Explanatory note**
1.	*1-40.75 (f)-(h)*	An entity discloses: • 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.
	1-40.76	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: • 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.
	1-40.78	For items for which fair value cannot be measured reliably, an entity discloses: • 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.
2.		The disclosure requirements of SFRS(I) 13 apply to the fair value of investment property, either under the fair value model or for disclosure purposes. The disclosures under SFRS(I) 13 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 *Insights into IFRS* (3.4.260.30).
3.		Because SFRS(I) 1-40 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 it may be appropriate to disclose additional analysis – e.g. portfolio by types of investment property. This issue is discussed in *Insights into IFRS* (3.4.260.40).

Reference

Notes to the financial statements

6. Biological assets (continued)

Measurement of fair values (continued)

(ii) Level 3 fair values (continued)

Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs
Livestock			
Livestock comprises goat, characterised as commercial or breeders	*Market comparison technique*: The fair values are based on the market price of livestock of similar age, weight, breed and genetic make-up.	Not applicable.	Not applicable.

1-41.49(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]

Reference		Note	Group 2018 $'000	Group 2017 $'000
1-40.76, 13.93(e)	At 1 January		1,050	950
1-40.76(a), 13.93(e)(iii)	Acquisitions		300	40
1-40.76(f) , 13.93(e)(iii)	Reclassification from property, plant and equipment	4	800	-
1-40.76(c)	Distributed to owners of the Company	15	(100)	-
1-40.76(d), 13.93(f)	Change in fair value	24	20	60
1-40.76, 13.93(e)	At 31 December		2,070	1,050

1-17.56(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.

Note	*Reference*	**Explanatory note**
1.	*1-40.32, 75(e)*	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.
	1-40.77	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.
2.	*13.93(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.
3.	*13.93(h)*	Required for fair value measurements in Level 3.
4.	*13.93(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

7. Investment property (continued)

13.93(e)(i),(f) Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

1-1.122 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 2018, investment properties of the Group with carrying amounts of $1,715,000 (2017: $1,000,000; 1 January 2017: $950,000) are pledged as security to secure bank loans (see note 16).

Measurement of fair value

(i) Fair value hierarchy

1-40.75(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]

13.93(b) The fair value measurement for all of the investment properties of $2,070,000 (2017: $1,050,000; 1 January 2017: $950,000) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2.4).

1-1.125, 129 13.93(d), (h)(i), 99

(ii) Valuation technique and significant unobservable inputs

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]
Discounted cash flows: 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.	• Expected market rental growth (2 - 3% (2017: 2 - 3%; 1 Jan 2017: 2 – 3%), weighted average 2.6% (2017: 2.7%; 1 Jan 2017: 2.8%)). • Void periods (average 6 months (2017: 6 months; 1 Jan 2017: 6 months) after the end of each lease). • Occupancy rate (90 - 95% (2017: 92 - 97%; 1 Jan 2017: 92-95%), weighted average 92% (2017: 93%; 1 Jan 2017: 94%)). • Rent-free periods (1-year (2017: 1-year; 1 Jan 2017: 1-year) period on new leases). • Risk-adjusted discount rates (5 - 6% (2017: 5 - 6%; 1 Jan 2017: 5 – 6%), weighted average 5.8% (2017: 5.7%; 1 Jan 2017: 5.6%)).	The estimated fair value would increase (decrease) if: • 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.	*12.5A, B17*	The disclosure requirements in SFRS(I) 12 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 that are classified (or included in a disposal group that is classified) as held for sale. In these illustrative financial statements, there are no interests in subsidiaries, joint ventures and associates that are classified (or included in a disposal group that is classified) as held for sale, held for distribution or discontinued operations.
3.	*1-28.18, 36A*	A venture capital organisation, or other qualifying entity may elect to measure its investments in an associate or joint venture at FVTPL. This election can be made 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. 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.
4.	*1.SG.5.1, D17*	If an associate or joint venture prepares its financial statements under IFRS, the Group's first SFRS(I) consolidated financial statements must use the same carrying amounts of assets and liabilities as in the IFRS financial statements of the associate or joint venture (after adjusting for equity accounting adjustments).
	1.13	If an associate or joint venture did not prepare its financial statements under IFRS, the Group applies SFRS(I)s retrospectively unless: • the mandatory exceptions set out in paragraphs 14 to 17 and Appendix B of SFRS(I) 1 apply; or • where the Group elects to use the optional exemptions in Appendices C to E of SFRS(I) 1. The list of mandatory exceptions and optional exemptions are described in *Insights into IFRS* (6.1.230 and 6.1.240).

Reference

Notes to the financial statements

8. Associates and joint venture[1, 2, 3]

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Interests in associates	5,162	2,790	2,354	-	300	300
Interest in joint venture	2,017	848	576	-	-	-
At 31 December	7,179	3,638	2,930	-	300	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

12.21(b)(i) The Group has three (2017: two; 1 Jan 2017: 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:

Reference		Papyrus Pty Limited (Papyrus)	Cellulose Limited (Cellulose)	Paper Web Pte Ltd (Paper Web)
12.21(a)(i)				
12.21(a)(ii)	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
12.21(a)(iii)	Principal place of business/Country of incorporation	Australia	Singapore	Singapore
12.21(a)(iv)	Ownership interest/ Voting rights held	* (2017: 25%; 1 January 2017: 25%)	20% (2017: 20%; 1 January 2017: 20%)/ 18% (2017: 18%; 1 January 2017: 18%)	49% (2017: nil; 1 January 2017: nil)
12.21(b)(iii), 13.97	Fair value of ownership interest (if listed)	n/a	$175,000 (2017: $240,000; 1 January 2017: $265,000)**	n/a

* On 31 March 2018, 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. See explanatory note 4 on page 116.

2. 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 SFRS(I) 12 are different.

12.21(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

12.21(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:

Reference		2018 $'000	2017 $'000
12.B16	Carrying amount of interests in immaterial associates	[ ]	[ ]
	Group's share of:		
12.B16(a)	- Profit (loss) from continuing operations	[ ]	[ ]
12.B16(b)	- Post-tax profit (loss) from discontinued operations	[ ]	[ ]
12.B16(c)	- OCI	[ ]	[ ]
12.B16(d)	- Total comprehensive income	[ ]	[ ]

3. *12.21(b)(ii)* 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.

4. See explanatory note 1 on page 120.

5. See explanatory note 2 on page 120.

6. See explanatory note 3 on page 120.

7. See explanatory note 4 on page 120.

Reference

Notes to the financial statements

8. Associates and joint venture (continued)

Associates (continued)

12.21(b)(ii), 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 SFRS(I),[1] 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.[2, 3, 4, 5]

Reference		Papyrus $'000	Cellulose $'000	Paper Web $'000	Immaterial associates $'000	Total $'000
	2018					
12.B12(b)(v)	Revenue	4,375	32,635	-		
12.B12(b)(vi)	Profit (loss) from continuing operations	426	(850)	(1,207)		
12.B12(b)(vii)	Post-tax loss from discontinued operations	-	(65)	-		
12.B12(b)(viii)	OCI	88	-	(2)		
12.B12(b)(ix)	**Total comprehensive income**	514	(915)	(1,209)		
	Attributable to NCI	-	(75)	-		
	Attributable to investee's shareholders	514	(840)	(1,209)		
12.B12(b)(ii)	Non-current assets	-	7,265	7,592		
12.B12(b)(i)	Current assets	-	6,210	9,582		
12.B12(b)(iv)	Non-current liabilities	-	(1,855)	(8,185)		
12.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 year[6]	472	2,238	-	80	2,790
	Group's share of:					
12.B16(a)	- profit (loss) from continuing operations	106	(155)	(591)	4	(636)
12.B16(b)	- post-tax loss from discontinued operations	-	(13)	-	*	(13)
12.B16(c)	- OCI	22	-	(1)	*	21
12.B14(b), B16(d)	- total comprehensive income	128	(168)	(592)	4	(628)
12.B14(b)	Elimination of unrealised profit on downstream sales[7]	*	*	*		*
12.B14(b)	Group's contribution during the year	-	-	3,600	-	3,600
12.B14(b)	Carrying amount of interest in associate acquired as subsidiary	(600)	-	-	-	(600)
12.B12(a)	Dividends received during the year	*	*	*	-	*
12.B14(b)	Goodwill[4]	*	*	*	-	*
12.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.	*12.B14(a)*	SFRS(I) 12 indicates that the amounts included in the summarised financial information are those prepared in accordance with SFRS(I), 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.	*12.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 SFRS(I) financial statements and preparation on that basis would be impracticable or cause undue cost.
3.	*12.B14(b)*	SFRS(I) 12 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 24) and the reconciliation as at 1 January 2017 as illustrated in these financial statements, 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.	*12.B11, B14, 1-28.26,28*	In respect of summarised financial information for subsidiaries with material NCI, SFRS(I) 12 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)

Reference		Papyrus $'000	Cellulose $'000	Immaterial associates $'000	Total $'000
	2017				
12.B12(b)(v)	Revenue	27,400	26,600		
12.B12(b)(vi), (ix)	**Profit from continuing operations and total comprehensive income**	550	1,440		
	Attributable to NCI	-	5		
	Attributable to investee's shareholders	550	1,435		
12.B12(b)(ii)	Non-current assets	1,810	7,032		
12.B12(b)(i)	Current assets	1,470	6,220		
12.B12(b)(iv)	Non-current liabilities	(720)	(810)		
12.B12(b)(iii)	Current liabilities	(670)	(1,250)		
	Net assets	1,890	11,192		
	Attributable to NCI	-	2		
	Attributable to investee's shareholders	1,890	11,190		
	Group's interest in net assets of investee at beginning of the year[3]	334	1,961	59	2,354
12.B14(b), B16(a)	Profit from continuing operations attributable to the Group	138	287		
12.B14(b)	Elimination of unrealised profit on downstream sales[4]	-	(10)		
12.B14(b), B16(d)	Group's share of profit from continuing operations and total comprehensive income	138	277	21	436
12.B12(a)	Dividends received during the year	*	*	-	*
12.B14(b)	Goodwill[1]	*	*	-	*
12.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

Reference		Papyrus $'000	Cellulose $'000	Immaterial associates $'000	Total $'000
	1 January 2017				
12.B12(b)(ii)	Non-current assets	1,620	6,450		
12.B12(b)(i)	Current assets	1,116	5,780		
12.B12(b)(iv)	Non-current liabilities	(766)	(865)		
12.B12(b)(iii)	Current liabilities	(635)	(1,560)		
	Net assets	1,335	9,805		
	Group's share of net assets	334	1,961		
12.B14(b), B16	**Carrying amount of interest in investee**	334	1,961	59	2,354

12.22(a) Cellulose's non-current liabilities include a bank loan (repayable in 2020) 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.

12.7(b), 9(e), 1-1.122 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 2018, 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 2018 to 31 March 2018.

Note	*Reference*	**Explanatory note**
1.	*12.21(a)*	Unlike joint ventures, SFRS(I) 12 requires only limited quantitative disclosures for joint operations, for example, the disclosure of summarised financial information, fair value (if there is a quoted market price) and commitments is not required for joint operations.
	12.7(c)	The entity shall disclose 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 *Insights into IFRS* (3.6.70).
		In this example, a joint venture is illustrated. Below is an example of an accounting policy for a joint operation.
		Joint operation
	11.15	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.
	11.20	A joint operator recognises in its consolidated and separate financial statements, its interest in the joint operation as follows: • 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.
		Illustrative notes to the financial statements - Joint operation
	12.21(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.
	1-1.122, 12.7(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.
2.		See explanatory note 4 on page 116.
3.		See explanatory note 1 on page 120.
4.		See explanatory note 2 on page 120.
5.	*12.B13*	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.
6.		See explanatory note 3 on page 120.
7.		See explanatory note 4 on page 120.

Reference

Notes to the financial statements

8. Associates and joint venture (continued)

Associates (continued)

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.

12.22(c) The Group has not recognised losses totalling $15,000 (2017: nil) in relation to its interests in associates, because the Group has no obligation in respect of these losses.

During 2018, the Group repaid a loan of $1,000,000 received from one of its associates (see note 16).

Joint venture[1]

12.20(a), 21(a) Paletel Co. Ltd (Paletel) is an unlisted joint venture in which the Group has joint control via investors' agreement and 40% (2017: 40%; 1 January 2017: 40%) ownership interest. Paletel was founded by the Group and XYZ, and is one of the Group's strategic suppliers, based in the People's Republic of China, principally engaged in the production of paper pulp.

12.7(c), 21(b)(i), 1-1.122 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.

12.21(b)(ii), B14(a) The following table summarises the financial information of Paletel, based on its financial statements prepared in accordance with SFRS(I)[2], modified for fair value adjustments on acquisition and differences in the Group's accounting policies.[3, 4, 5]

Reference		2018 $'000	2017 $'000
12.B12(b)(v)	Revenue	25,796	21,405
12.B12(b)(vi)	Profit from continuing operations [a]	3,205	690
12.B12(b)(viii)	OCI	-	-
12.B12(b)(ix)	**Total comprehensive income**	3,205	690
	[a] Includes:		
12.B13(d)	- depreciation and amortisation of $445,000 (2017: $350,000)		
12.B13(f)	- interest expense of $396,000 (2017: $218,000)		
12.B13(g)	- income tax expense of $1,275,000 (2017: $290,000).		
12.B12(b)(ii)	Non-current assets	5,953	3,259
12.B12(b)(i)	Current assets [b]	589	321
12.B12(b)(iv)	Non-current liabilities [c]	(1,716)	(1,320)
12.B12(b)(iii)	Current liabilities [d]	(543)	(1,130)
	Net assets	4,283	1,130
12.B13(a)	[b] Includes cash and cash equivalents of $200,000 (2017: $150,000).		
12.B13(c)	[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of $1,211,000 (2017: $986,000).		
12.B13(b)	[d] Includes current financial liabilities (excluding trade and other payables and provisions) of $422,000 (2017: $930,000).		
	Group's interest in net assets of investee at beginning of the year[6]	452	176
12.B14(b)	Share of total comprehensive income	1,282	276
12.B12(a)	Dividends received during the year	(21)	-
12.B14(b)	Elimination of unrealised profit on downstream sales[7]	(96)	(4)
12.B14(b)	Goodwill[2]	400	400
12.B14(b)	**Carrying amount of interest in investee at end of the year**	2,017	848

Note	*Reference*	**Explanatory note**
1.	*9.7.2.12–7.2.13*	If an entity previously accounted for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument (i.e. a Level 1 input) (or for a derivative that is linked to and must be settled by delivery of such an equity instrument) at cost (in accordance with FRS 39), then it measures that instrument at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.
	FRS 107.30	For comparative that are measured under FRS 39, 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.
2.	*7.42B, 42D, FRS 107.42B, 42D*	An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. 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: • 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. 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: • 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.
	7.42E, 42G FRS 107.42E, 42G	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: • 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.
3.		See explanatory note 2 on page 126.

Reference

Notes to the financial statements

8. Associates and joint venture (continued)

Joint venture (continued)

Reference		1 Jan 2017 $'000
12.B12(b)(ii)	Non-current assets	3,108
12.B12(b)(i), B13(a)	Current assets (Includes cash and cash equivalents of $100,000)	280
12.B12(b)(iv), B13(c)	Non-current liabilities (Includes non-current financial liabilities (excluding trade and other payables and provisions) of $842,000)	(1,598)
12.B12(b)(iii), B13(b)	Current liabilities (Includes current financial liabilities (excluding trade and other payables and provisions) of $975,000)	(1,350)
	Net assets	440
	Group's share of net assets	176
	Goodwill	400
	Carrying amount of interest in investee	576

12.23(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.

9. Other investments, including derivatives[1, 2, 3]

Reference		Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
	Non-current investments						
FRS 107.8(b)	Debt investments – held-to-maturity	-	2,256	2,192	-	2,256	2,192
7.8(f)	Debt investments – at amortised cost	2,436	-	-	2,436	-	-
FRS 107.8(d)	Debt investments – available-for-sale	-	373	261	-	373	261
7.8(h)	Debt investments – at FVOCI	118	-	-	118	-	-
FRS 107.8(d)	Equity investments – available-for-sale	-	511	375	-	511	375
7.8(h)	Equity investments – at FVOCI	710	-	-	710	-	-
7.8(a)	Equity investments – mandatorily at FVTPL	251	-	-	248	-	-
FRS 107.8(a)	Equity investments – designated at FVTPL	-	254	295	-	250	261
7.22B(a), FRS 107.22(b)	Interest rate swaps used for hedging[2]	116	131	147	-	-	-
		3,631	3,525	3,270	3,512	3,390	3,089
	Current investments						
7.8(a), FRS 107.8(a)	Debt investments – mandatorily at FVTPL	243	568	396	197	514	331
7.22B(a), FRS 107.22(b)	Forward exchange contracts used for hedging	297	375	321	-	-	-
	Other forward exchange contracts[2]	122	89	104	120	50	74
		662	1,032	821	317	564	405

Note	*Reference*	**Explanatory note**
1.		When disclosing which investments in equity instruments have been designated as at FVOCI, it appears that an entity should apply judgement in determining what disclosures would provide the most useful information for financial statement users. We believe that in most cases, disclosing the names of individual investees would be appropriate – e.g. if an entity has a small number of individually significant investments, particularly if this disclosure enables users to access additional information about those investees from other sources. However, in some cases disclosure at a higher level of aggregation and disclosures other than the names of investees may provide more useful information. For example, if an entity has a large number of individually insignificant investments in a few industries, then disclosure by industry may be appropriate. Similarly, if an entity holds investments for which no public information is available, then disclosure about the nature and purpose of those investments may be relevant. This issue is discussed in *Insights into IFRS* (7.10.230.25).
2.	*7.11B*	If an entity derecognised an equity investments measured at FVOCI during the reporting period, it discloses: • the reasons for disposing of the investments; • the fair value of the investments at the date of derecognition; and • the cumulative gain or loss on disposal.

Reference

Notes to the financial statements

9. Other investments, including derivatives (continued)

7.7, FRS 107.7

Debt investments classified as at amortised cost (2017 and 1 January 2017: held-to-maturity investments) of the Group and the Company have stated interest rates of 6.3% to 7.8% (2017: 7.5% to 8.3%; 1 January 2017: 7.2% to 8.0%) and mature in 2 to 5 years.

Debt investments at FVOCI (2017 and 1 January 2017: available-for-sale investments) of the Group and the Company have stated interest rates of 5.2% to 7.0% (2017: 6.5% to 8.0%; 1 January 2017: 6.7% to 7.8%) and mature between 1 to 2 years.

Debt investments at FVTPL have stated interest rates of 3.5% to 4.0% (2017: 3.2% to 3.8%; 1 January 2017: 3.1% to 4.2%) and mature within 1 year.

FRS 39.9

In 2017, some equity investments have been designated at FVTPL because they are managed on a fair value basis and their performance is actively managed.

Equity investments designated as at FVOCI[1]

7.11A

At 1 January 2018, the Group designated the investments shown below as equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

	Fair value at 31 December 2018 $'000	Dividend income recognised during 2018 $'000
Investment in Company ABC	250	10
Investment in Company DEF	460	16
	710	26

7.11A(e)

No strategic investments were disposed of[2] during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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.	*1-12.81(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. SFRS(I) 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 both recognised and unrecognised deferred tax assets as a single amount, e.g. similar to the 'gross' approach under US GAAP, because under SFRS(I), 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.	*1-12.26(d), 29(a)(ii)*	SFRS(I)1-12 *Income Taxes* 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.
	1-12.29A	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.	*1-12.82*	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]

1-12.81(g)(i) Deferred tax assets and liabilities are attributable to the following:

	Assets[3]		Liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Group				
Property, plant and equipment	(235)	(373)	2,166	814
Intangible assets	(61)	(94)	824	495
Biological assets	-	-	345	127
Investment property	-	-	175	148
Investments	-	-	320	188
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	(39)	(184)	-	-
Tax loss carry-forwards	(436)	(386)	-	-
Deferred tax (assets) liabilities	(2,003)	(1,927)	4,242	2,118
Set off of tax	2,003	577	(2,003)	(577)
Net deferred tax (assets) liabilities	-	(1,350)	2,239	1,541

	Assets[3]		Liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Company				
Property, plant and equipment	-	-	1,272	1,067
Investments	-	-	320	188
Derivatives	(5)	-	-	-
Inventories	(33)	(7)	-	-
Loans and borrowings	-	-	38	-
Provisions	(51)	(28)	-	-
Tax loss carry-forwards	(256)	(401)	-	-
Deferred tax (assets) liabilities	(345)	(436)	1,630	1,255
Set off of tax	345	436	(345)	(436)
Net deferred tax (assets) liabilities	-	-	1,285	819

Note	*Reference*	**Explanatory note**
1.	*1-12.81(g)(ii)*	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.
2.	*1-12.68C*	When the amount of tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative share-based payment expense, the excess of the associated income tax is recognised directly in equity. Any subsequent reduction in the excess is also recorded in equity.

Reference

Notes to the financial statements

10. Deferred tax assets and liabilities (continued)

1-12.81(g)(ii)

Movement in deferred tax balances[1]

Group

	Balance as at 1 Jan 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	Exchange diffe-rences $'000	Balance as at 31 Dec 2017 and 1 Jan 2018 $'000	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), and exchange differences $'000	Balance as at 31 Dec 2018 $'000
Property, plant and equipment	(320)	663	-	98	441	1,811	-	66	35	(422)	1,931
Intangible assets	98	303	-	-	401	294	-	-	38	30	763
Biological assets	106	21	-	-	127	216	-	-	-	2	345
Investment property	115	33	-	-	148	37	-	-	-	(10)	175
Investments	131	26	31	-	188	87	-	45	-	-	320
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[2]	(211)	(106)	-	-	(317)	(266)	-	-	-	-	(583)
Provisions	(438)	(90)	-	-	(528)	(23)	-	-	(6)	-	(557)
Other items	(158)	(55)	-	29	(184)	145	-	-	-	*	(39)
Tax loss carry-forwards	(146)	(240)	-	-	(386)	(50)	-	-	-	-	(436)
	(466)	482	48	127	191	2,258	22	104	79	(415)	2,239

**Less than $1,000*

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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 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	Balance as at 31 Dec 2017 and 1 Jan 2018 $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Recognised in other comprehen-sive income $'000	Balance as at 31 Dec 2018 $'000
Property, plant and equipment	702	365	-	1,067	205	-	-	1,272
Investments	131	26	31	188	87	-	45	320
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.	*1-12.81(f), 87*	SFRS(I) 1-12 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 *Insights into IFRS* (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 *Insights into IFRS* (3.13.310.10).

Reference

Notes to the financial statements

10. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax liabilities[1]

1-12.81(f), 87 At 31 December 2018, there was a deferred tax liability of $50,000 (2017: $29,000) for temporary differences of $500,000 (2017: $287,000) related to investments in a subsidiary and a joint venture[2,3]. However, this liability was 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 management is satisfied they will not reverse in the foreseeable future.

1-12.82A 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 2018, the total tax-exempt reserves amounted to $600,000 (2017: $540,000) which would result in a tax liability of $198,000 (2017: $178,000) should the subsidiaries pay dividends from these reserves.

1-12.81(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	
	2018	2017
	$'000	$'000
Deductible temporary differences	103	200
Tax losses	272	380
	375	580

Tax losses carried forward

1-12.81(e) Tax losses of $100,000 (2017: $200,000) expire in 2020 – 2022 (2017: 2020 – 2021). 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.

1-1.125, 129, 1-12.82 In 2018, 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 2017, 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 2018, 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 2018, the Group's Romanian subsidiary, Lei Sure Limited, incurred a tax loss of $55,000, increasing cumulative tax losses to $100,000 (2017: $45,000). Management has determined that the recoverability of cumulative tax losses, which expire in 2020, 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 2021. 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 SFRS(I) 5. 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.
	5.42	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.	*5.5A, 5B*	The disclosure requirements of SFRS(I) 5 apply to non-current assets or disposal groups classified as held for sale or distribution, and to discontinued operations. Disclosures required by other SFRS(I)s 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 SFRS(I)s may also apply when they relate to assets and liabilities in a disposal group that are not within the measurement scope of SFRS(I) 5. Additional disclosures may be necessary to comply with the general requirements of SFRS(I) 1-1, in particular for a fair presentation and in respect of sources of estimation uncertainty.
	12.5A, B17	The disclosure requirements in SFRS(I) 12 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 interests in subsidiaries, joint ventures and associates that are classified (or included in a disposal group that is classified) as held for sale.
		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 as described above in notes 8 and 37.
3.	*5.38-39*	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.
4.	*13.93(a), (b)*	A non-recurring fair value measurement – e.g. related to an asset classified as held-for-sale – may occur during the reporting period. The disclosures required for an non-recurring fair value measurement are applicable in the financial statements for the period in which the fair value measurement occurred. For further details on disclosures of non-recurring fair value measurements, see *Insights into IFRS* (2.4.530).
		In these illustrative financial statements, it is assumed that the impairment loss of $25,000 on the remeasurement of the disposal group relates to property, plant and equipment. 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 SFRS(I) 13 do not apply in this particular example.

Reference

Notes to the financial statements

11. Disposal group held for sale[1, 2, 3]

5.41(a), (b), (d)

In June 2018, 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 2019.

5.41(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 property, plant and equipment within the disposal group.

5.38

Assets and liabilities of disposal group held for sale

At 31 December 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:[3]

	Note	Group 2018 $'000
Property, plant and equipment	*4*	8,164
Inventories		2,750
Trade and other receivables		3,496
Assets held for sale		14,410
Trade and other payables		4,270
Deferred tax liabilities	*10*	140
Liabilities held for sale		4,410

5.38

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 hierarchy[4]

13.93(a), (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).

1-1.125, 129
13.93(d), 99

Valuation technique and significant unobservable inputs

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
Cost approach and discounted cash flows: 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.	• Budgeted EBITDA growth rate (4-5%, weighted average 4.7%). • Budgeted capital expenditure growth rate (3-4%, weighted average 3.5%). • Risk-adjusted discounted rate (7.7%).

Note	*Reference*	**Explanatory note**
1.	*1-2.39*	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.
	1-2.36(c)	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.	*1-1.61*	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 *Insights into IFRS* (3.8.400.10).
3.	*1-16.8*	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 and any reversals should be included in 'cost of sales'. This issue is discussed in *Insights into IFRS* (3.8.400.70).

Reference

Notes to the financial statements

12. Inventories[1, 2, 3]

Reference		Group			Company		
		2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
1-1.78(c), 1-2.36(b)	Raw materials and consumables	4,769	4,642	4,453	1,588	2,110	2,046
1-1.78(c), 1-2.36(b)	Spares	982	1,433	1,261	354	347	298
1-1.78(c), 1-2.36(b)	Work in progress	1,566	1,274	1,346	1,345	586	1,130
1-1.78(c), 1-2.36(b)	Finished goods	2,564	4,571	5,522	1,407	2,708	2,512
		9,881	11,920	12,582	4,694	5,751	5,986
1-2.36(h)	Carrying amount of inventories pledged as security for liabilities	1,650	2,090	2,227	-	-	-

1-1.98(a), 1-2.36(d) In 2018, inventories of $41,698,000 (2017: $44,273,000) were recognised as an expense during the year and included in 'cost of sales' (see note 27).

15.B25 Included in finished goods are rights to recover returned goods from customers amounting to $76,000 (2017: $72,000; 1 January 2017: $43,000). These are measured by reference to the former carrying amount of the sold inventories less any expected costs to recover those inventories and any potential decreases in the value to the Group of the returned inventories. Refund liabilities of the same amounts were also recognised in trade and other payables.

1-2.36(e)-(g) During 2017, 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 2018, following a change in estimates, $17,000 of the write-down was reversed.

In addition, inventories have been reduced by $345,000 (2017: $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]

Note	*Reference*	**Explanatory note**
1.	*7.9(a)-(d)*	When an entity has designated as measured at FVTPL, a financial asset (or group of financial assets) that would otherwise be measured at FVOCI or amortised cost, it discloses: • the maximum exposure to credit risk of the financial asset (or group of financial assets) 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 financial asset (or group of financial assets), 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.
2.	*15.105, 108, BC322-326*	Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment of that consideration is due.
3.		There is no specific guidance in SFRS(I) on the classification of cash flows from factoring arrangements, e.g. whether the entity should classify the cash inflows from the factor as operating or financing in the statement of cash flows. The primary consideration for the classification of cash flows is the nature of the activity to which they relate and judgement may be needed to apply this to factoring arrangements. This issue is discussed in *Insights into IFRS* (2.3.70). Considering that the customers remit cash directly to the Group, the Group has presented a financing cash inflow for the proceeds received from the bank, followed by an operating cash inflow for the proceeds received from the customer and a financing cash outflow for the settlement of amounts due to the bank.
4.		An entity may hold a portfolio of financial assets for which its objectives include selling some of those financial assets to third parties in transactions that do not qualify for derecognition of the sold assets. In our view, whether such a portfolio is considered consistent with a held-to-collect business model depends on the circumstances. For further guidance, refer to *Insights into IFRS* (7.4.110.50-90).
5.	*7.14, FRS 107.14*	If an entity has pledged any financial asset as collateral, then it discloses: • the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities; and • the terms and conditions related to the pledge.

Reference

Notes to the financial statements

13. Trade and other receivables[1, 2]

Reference		Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
1-1.78(b)	Amount due from related parties, trade		1,236	392	538	-	-	-
1-1.78(b)	Trade receivables		14,930	17,327	15,682	4,568	4,843	4,732
	Service concession receivables	40	260	-	-	-	-	-
1-24.18(b), 1-1.78(b)	Amounts due from subsidiaries							
	- Trade		-	-	-	4,057	2,646	1,756
	- Non-trade		-	-	-	12,073	5,730	6,109
	Trade and other receivables		16,426	17,719	16,220	20,698	13,219	12,597
	Non-current		213	-	-	-	-	-
	Current		16,213	17,719	16,220	20,698	13,219	12,597
			16,426	17,719	16,220	20,698	13,219	12,597

Transfer of trade receivables[3, 4, 5]

7.14, 42D(a) – (c), FRS 107.14, 42D(a)-(c)

The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see note 16). The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables at the reporting date that have been transferred but have not been derecognised and the associated liabilities.

Reference		Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000
7.42D(e), FRS 107.42D(e)	Carrying amount of trade receivables transferred to a bank	600	1,000	800
	Carrying amount of associated liabilities	598	985	788

Amounts due from subsidiaries

1-24.18(b), (c)

Outstanding balances with subsidiaries and related parties are unsecured. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

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, are disclosed in note 22.

Note	*Reference*	**Explanatory note**
1.	*1-7.48*	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 the investments (including short-term deposits) comprising cash equivalents are required to be readily convertible to known amounts of cash, only debt investments and short-term 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 is a presumption that may be rebutted only in rare cases when facts and circumstances indicate that the investment is held for the purpose of meeting short-term cash commitments and when the instrument otherwise meets the definition of a cash equivalent. Cash flows related to an investment that is not a cash equivalent – e.g. those with a longer maturity for which the presumption is not rebutted – may be investing activities. This issue is discussed in *Insights into IFRS* (2.3.10.30-40).
3.	*1-1.79(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.
4.	*1-1.79(a)(ii)*	An entity discloses the number of shares issued but not fully paid.
	1-1.79(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

1-7.45

14. Cash and cash equivalents[1]

	Group			Company		
			1 Jan			1 Jan
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Bank balances	598	988	931	467	771	788
Short-term deposits[2]	907	862	1,598	271	58	167
Cash and cash equivalents in the statements of financial position	1,505	1,850	2,529	738	829	955
Bank overdrafts used for cash management purposes	(334)	(282)	(303)	-	-	-
Cash and cash equivalents in the statement of cash flows	1,171	1,568	2,226	738	829	955

15. Capital and reserves

Share capital

1-1.79(a)(iv)

	Ordinary shares		Non-redeemable preference shares	
	2018	2017	2018	2017
	No. of shares		No. of shares	
	'000	'000	'000	'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

1-1.79(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.

1-1.79(a)(ii), (iii) All issued shares are fully paid, with no par value.[3, 4]

Ordinary shares

1-1.79(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

1-1.79(a) In October 2018, the general meeting of shareholders approved the issue of 130,000 ordinary shares at an exercise price of $11.92 per share (2017: nil).

Additionally, 5,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2014 share option programme granted to key management (2017: nil) (see note 18). Options were exercised at an average price of $10.00 per share.

1-7.43 On 31 March 2018, 8,000 ordinary shares were issued as a result of the acquisition of Papyrus (see note 32) (2017: nil).

Note	*Reference*	**Explanatory note**
1.	*1-1.79(b)*	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.

Reference

Notes to the financial statements

15. Capital and reserves (continued)

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.

Reserves

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

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Capital reserve	119	-	-	119	-	-
Translation reserve	779	300	-	-	-	-
Hedging reserve	416	478	434	-	-	-
Cost of hedging reserve	82	-	-	-	-	-
Fair value reserve	174	80	17	174	80	17
Revaluation reserve	107	-	-	-	-	-
Reserve for own shares	(260)	(280)	-	(260)	(280)	-
	1,417	578	451	33	(200)	17

Capital reserves

1-1.79(b) The capital reserves comprise the following items:

	Note	Group and Company 2018 $'000
Equity component of convertible notes, net of tax	*16*	109
Surplus of own shares sold		10
		119

Translation reserve

1-1.79(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

1-1.79(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 or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the hedging reserve.

Note	*Reference*	**Explanatory note**
1.	*1-16.77(f)*	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.
2.	*1-1.79(a)(vi), 1-32.34*	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.
3.	*1-24.18, 1-32.34*	If any of the shares are acquired from the Group's related parties, then an entity discloses details of the transaction in accordance with SFRS(I) 1-24.
4.	*1-1.137(b)*	An entity discloses the amount of any cumulative preference dividends not recognised.
5.	*1-12.81(i), 87A*	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)

Fair value reserve

1-1.79(b) The fair value reserve comprises:

- the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale financial assets); and
- the cumulative net change in fair value of debt investments at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

Revaluation reserve[1]

1-1.79(b) The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

Reserve for own shares

1-1.79(a)(vi),(b), 1-32.33 - 34 The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2018, the Group held 26,000 of the Company's shares (2017: 28,000; 1 January 2017: nil) shares.[2, 3]

Dividends

1-1.107 The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Paid by the Company to owners of the Company		
25.0 cents per qualifying ordinary share (2017: 3.0 cents)	775	93
25.0 cents per non-redeemable preference share (2017: 25.0 cents)	438	438
	1,213	531

	Group	
	2018	**2017**
	$'000	**$'000**
Paid by a subsidiary to NCI		
$1.50 per qualifying ordinary share (2017: $2.00)	30	40

1-1.137(a), 1-10.13, 1-12.81(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.[4, 5]

	Group and Company	
	2018	**2017**
	$'000	**$'000**
28.0 cents per qualifying ordinary share (2017: 25.0 cents)	908	775
25.0 cents per non-redeemable preference share (2017: 25.0 cents)	438	438
	1,346	1,213

Note *Reference* **Explanatory note**

1.	*INT 17.14*	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.

Reference

Notes to the financial statements

15. Capital and reserves (continued)

INT 17.16(a)

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

On 15 May 2018, 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 2018, the shares were distributed. The net assets comprised assets of $17,408,000 less liabilities of $7,464,000 as follows:

	Note	Group and Company 2018 $'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		9,944
Dividend to shareholders		12,500
Carrying amount of net assets distributed		(9,944)
Gain on distribution to owners of the Company		2,556[1]

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 17.16(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.	*7.8(e)*	An entity discloses the carrying amount of financial liabilities designated at FVTPL 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 FVTPL would be classified as loans and borrowings. If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of FRS 39, it shall disclose as per requirements under paragraph 10 and 11 of FRS 107. If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SFRS(I) 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income, it shall disclose as per requirements under paragraph 10, 10A and 11 of SFRS(I) 7.
2.	*1-1.72-73*	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).

Reference

Notes to the financial statements

16. Loans and borrowings[1]

Reference		Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
1-1.77	**Non-current liabilities[2]**							
	Secured bank loans		5,812	7,093	13,891	-	-	-
	Unsecured bond issues		6,136	9,200	9,200	5,113	5,113	5,113
	Convertible notes		4,633	-	-	4,633	-	-
	Redeemable preference shares		1,939	-	-	1,939	-	-
	Finance lease liabilities		1,613	1,913	2,179	-	-	-
	Loan from associate		-	1,000	1,000	-	1,000	1,000
	Intra-group financial guarantee		-	-	-	23	31	41
			20,133	19,206	26,270	11,708	6,144	6,154
1-1.77	**Current liabilities[2]**							
	Current portion of secured bank loans		1,200	4,000	1,690	-	-	-
	Unsecured bank loans		453	57	48	-	-	-
	Amount received from securitisation vehicle	*39*	71	60	62	-	-	-
	Dividends on redeemable preference shares		51	-	-	51	-	-
	Current portion of finance lease liabilities		315	269	217	-	-	-
			2,090	4,386	2,017	51	-	-

Market and liquidity risks

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

Note	*Reference*	**Explanatory note**
1.	*7.7*	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 (continued)

7.7

Terms and debt repayment schedule[1]

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

				2018		2017		1 Jan 2017	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
Group									
Secured bank loan (see note 13)	SGD	4.50%	2018- 2019	600	598	1,000	985	800	788
Secured bank loan	IDR	3.90%	2022	1,260	1,260	1,257	1,257	1,245	1,245
Secured bank loan	USD	4.70%	2020	520	502	550	521	562	548
Secured bank loan	SGD	4.50%	2019-2024	3,900	3,900	3,500	3,500	3,800	3,800
Secured bank loan	EUR	EURIBOR + 1%	2018-2019	765	752	4,850	4,830	9,300	9,200
Unsecured bank loan	AUD	3.80%	2019	479	453	-	-	-	-
Unsecured bank loan	SGD	5.50%	2018	-	-	57	57	-	-
Unsecured bank loan	SGD	5.00%	2017	-	-	-	-	48	48
Amount received from securitisation vehicle	AUD	3.80%	2019	75	71	-	-	-	-
Amount received from securitisation vehicle	SGD	5.50%	2018	-	-	60	60	-	-
Amount received from securitisation vehicle	SGD	5.00%	2017	-	-	-	-	62	62
Unsecured bond issues	SGD	SIBOR + ½%	2022	1,023	1,023	1,023	1,023	1,023	1,023
Unsecured bond issues	SGD	SIBOR + 1%	2023	5,113	5,113	5,113	5,113	5,113	5,113
Unsecured bond issues	SGD	SIBOR	2020	-	-	3,064	3,064	3,064	3,064
Loan from associate	SGD	4.80%	2019	-	-	1,000	1,000	1,000	1,000
Convertible notes	SGD	3.00%	2021	5,000	4,633	-	-	-	-
Redeemable preference shares	SGD	4.40%	2024	2,000	1,939	-	-	-	-
Dividends on redeemable preference shares	SGD	-	2019	51	51	-	-	-	-
Finance lease liabilities	SGD	6.5% - 7.0%	2018-2033	2,663	1,928	3,186	2,182	3,377	2,396
Total interest-bearing liabilities				23,449	22,223	24,660	23,592	29,394	28,287

7.7, 14, 1-16.74(a), FRS 107.7, 14

The secured bank loans of the Group are secured over land and buildings with carrying amounts of $1,440,000 (2017: $2,010,000; 1 January 2017: $2,058,000) (see note 4), investment properties with carrying amounts of $1,715,000 (2017: $1,000,000; 1 January 2017: $950,000) (see note 7), inventories with carrying amounts of $1,650,000 (2017: $2,090,000; 1 January 2017: $2,227,000) (see note 12) and trade receivables with carrying amounts of $600,000 (2017: $1,000,000; 1 January 2017: $800,000) (see note 13).

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Reference

Notes to the financial statements

16. Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

	Currency	Nominal interest rate	Year of maturity	2018 Face value	2018 Carrying amount	2017 Face value	2017 Carrying amount	1 Jan 2017 Face value	1 Jan 2017 Carrying amount
Company									
Unsecured bond issues	SGD	SIBOR + 1%	2023	5,113	5,113	5,113	5,113	5,113	5,113
Loan from associate	SGD	4.80%	2019	-	-	1,000	1,000	1,000	1,000
Convertible notes	SGD	3.00%	2021	5,000	4,633	-	-	-	-
Redeemable preference shares	SGD	4.40%	2024	2,000	1,939	-	-	-	-
Dividends on redeemable preference shares	SGD	-	2019	51	51	-	-	-	-
Total interest-bearing liabilities				12,164	11,736	6,113	6,113	6,113	6,113

Note	*Reference*	**Explanatory note**
1.	*7.18,19*	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.
	1-1.74-76	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.
	7.18	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.
2.		In some circumstances, an entity may – before the reporting date – obtain from a lender an agreement to amend a lending arrangement. Such amendments may defer the date as at which information is assessed for testing covenant compliance from a date at or before the reporting date to a later date. We believe that in these situations whether the entity would have breached the related covenant had the agreement not been amended does not affect the classification of the liability at the reporting date. This issue is discussed in *Insights into IFRS* (3.1.40.130).
3.	*7.17*	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.

Reference

Notes to the financial statements

16. Loans and borrowings (continued)

Breach of loan covenant[1]

7.19, FRS 107.19

The Group has a secured bank loan with a carrying amount of $3,900,000 at 31 December 2018 (2017: $3,500,000; 1 January 2017: $3,800,000). 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 2018 and the threshold was still exceeded as at 31 December 2018. However, the Group has obtained a waiver from the bank in October 2018 for a period of 18 months. Accordingly, the bank loan is not payable on demand at 31 December 2018.[2]

7.17

Convertible notes[3]

	Group and Company 2018 $'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 2018	4,633

1-12.81(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 2018. They are convertible into 375,000 ordinary shares in June 2021 at the option of the holder, at a rate of three shares for every convertible note. Any unconverted notes become repayable on demand.

Redeemable preference shares

	Group and Company 2018 $'000
Proceeds from issue of redeemable preference shares	2,000
Transaction costs	(61)
Carrying amount at 31 December 2018	1,939

During 2018, 100,000 redeemable preference shares were issued at $20 per share (2017: nil). All issued shares are fully paid. The redeemable preference shares are mandatorily redeemable at initial subscription value on 31 May 2024 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.

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

Finance lease liabilities

1-17.31(b) Finance lease liabilities are payable as follows:[1]

	Future minimum lease payments 2018 $'000	Interest 2018 $'000	Present value of minimum lease payments 2018 $'000	Future minimum lease payments 2017 $'000	Interest 2017 $'000	Present value of minimum lease payments 2017 $'000	Future minimum lease payments 1 Jan 2017 $'000	Interest 1 Jan 2017 $'000	Present value of minimum lease payments 1 Jan 2017 $'000
Group									
Within one year	535	220	315	531	262	269	450	233	217
Between one and five years	1,128	343	785	924	385	539	935	324	611
More than five years	1,000	172	828	1,731	357	1,374	1,992	424	1,568
	2,663	735	1,928	3,186	1,004	2,182	3,377	981	2,396

1-17.31(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 (2017: $15,000).

Lease of equipment not in the legal form of a lease

1-1.122, 1-17.31(e) During 2017, 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 1-27.10(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 $700,000 (2017: $700,000) granted to a wholly-owned subsidiary which expire on 31 December 2021. At the reporting date, the Company has not recognised an ECL provision as the ECL amount was lower than the amortised liability for intra-group financial guarantee contracts. The Company does not consider it probable that a claim will be made against the Company under the guarantee. As at 31 December 2017, the carrying amount represented the initial fair value less the cumulative amount of income recognised and the amount that would have been recognised if they had been accounted for as contingent liabilities.

Note	*Reference*	**Explanatory note**
1.	*1-7.44B, 44C, 44D, 44E*	This illustrates one possible format to meet the disclosure requirement in SFRS(I) 1-7 by providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group has included changes from financing cash flows showing cash flows that make up the gross amounts of proceeds from borrowings and repayments of borrowings in the statement of cash flows. Where an entity discloses a reconciliation, other presentation formats are possible as long as it provides sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The entity should disclose changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) if such cash flows were, or will be, included in cash flows from financing activities.

Reference

Notes to the financial statements

16. Loans and borrowings (continued)

1-7.44A, 44C–44E

Reconciliation of movements of liabilities to cash flows arising from financing activities[1]

Reference		Note	Liabilities: Bank overdrafts $'000	Liabilities: Other loans and borrowings $'000	Liabilities: Finance lease liabilities $'000	Derivatives (assets)/ liabilities held to hedge long-term borrowings: Interest rate swap and forward exchange contracts used for hedging - assets[1] $'000	Derivatives (assets)/ liabilities held to hedge long-term borrowings: Interest rate swap and forward exchange contracts used for hedging - liabilities $'000	Total $'000
	Balance at 1 January 2017		303	25,891	2,396	(236)	2	28,356
1-7.44B(a)	**Changes from financing cash flows**							
	Proceeds from settlement of derivatives		-	-	-	11	-	11
	Proceeds from borrowings		-	260	-	-	-	260
	Repayment of borrowings		-	(4,705)	-	-	-	(4,705)
	Payment of finance lease liabilities		-	-	(394)	-	-	(394)
	Interest paid		-	(1,324)	-	-	-	(1,324)
	Total changes from financing cash flows		-	(5,769)	(394)	11	-	(6,152)
1-7.44B(b)	**Changes arising from obtaining or losing control of subsidiaries or other businesses**		-	-	-	-	-	-
1-7.44B(c)	**The effect of changes in foreign exchange rates**		-	(23)	-	-	-	(23)
1-7.44B(d)	**Change in fair value**		-	-	-	15	10	25
1-7.44B(e)	**Other changes**							
	Liability-related							
	Change in bank overdraft		(21)	-	-	-	-	(21)
	New finance leases		-	-	180	-	-	180
	Capitalised borrowing costs		-	12	-	-	-	12
	Interest expense		-	1,299	-	-	-	1,299
	Total liability-related other changes		(21)	1,311	180	-	-	1,470
	Total equity-related other changes		-	-	-	5	-	5
	Balance at 31 December 2017		282	21,410	2,182	(205)	12	23,681

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Reference Notes to the financial statements

16. Loans and borrowings (continued)

1-7.44A, 44C–44E

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

Reference		*Note*	Liabilities					Derivatives (assets)/ liabilities held to hedge long-term borrowings			
			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**	**Equity component of convertible notes $'000**	**Total $'000**
	Balance at 1 January 2018		282	21,410	-	-	2,182	(205)	12	-	23,681
1-7.44B(a)	**Changes from financing cash flows**										
	Proceeds from issue of convertible notes		-	-	4,861	-	-	-	-	139	5,000
	Proceeds from issue of redeemable preference shares		-	-	-	2,000	-	-	-	-	2,000
	Proceeds from settlement of derivatives		-	-	-	-	-	5	-	-	5
	Payment of transaction costs related to loans and borrowings		-	-	(274)	(61)	-	-	-	(8)	(343)
	Proceeds from borrowings		-	122	-	-	-	-	-	-	122
	Repayment of borrowings		-	(5,117)	-	-	-	-	-	-	(5,117)
	Payment of finance lease liabilities		-	-	-	-	(454)	-	-	-	(454)
	Interest paid		-	(1,214)	-	-	(210)	-	-	-	(1,424)
	Total changes from financing cash flows		-	(6,209)	4,587	1,939	(664)	5	-	131	(211)
1-7.44B(b)	**Changes arising from obtaining or losing control of subsidiaries or other businesses**		-	(2,564)	-	-	-	-	-	-	(2,564)
1-7.44B(c)	**The effect of changes in foreign exchange rates**		-	(128)	-	-	-	-	-	-	(128)
1-7.44B(d)	**Change in fair value**		-	-	-	-	-	20	16	-	36
1-7.44B(e)	**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	-	-	4
	Balance at 31 December 2018		334	13,672	4,633	1,990	1,928	(176)	28	131	22,540

Note	*Reference*	**Explanatory note**
1.	*1-19.93*	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.
	1-19.70, 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.	*1-19.131*	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.	*1-1.69,* *1-19.133*	Although it is not required to distinguish the current and non-current portions of assets and liabilities arising from post-employment benefits, the Group distinguishes between the current and non-current portions of obligations arising from long-term employee benefits if it does not have an unconditional right to defer settlement of the liability at least 12 months from the reporting date.

Reference

Notes to the financial statements

17. Employee benefits[1]

	Reference	Note	Group 2018 $'000	2017 $'000	1 Jan 2017 $'000
Net defined benefit asset (Plan A)[2]			(635)	(731)	(530)
Total employee benefit asset			(635)	(731)	(530)
Net defined benefit liability (Plan B)[2]			335	280	267
Liability for bonus plan			100	100	100
Liability for long-service leave			107	81	77
Cash-settled share-based payment liability	2.51(b)(i)	18	440	380	360
Total employee benefit liabilities			982	841	804
Non-current			962	825	790
Current[3]			20	16	14
			982	841	804

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

1-19.139(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.

1-19.139(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

1-19.147(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.	*1-19.138*	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 SFRS(I) 1-19, the Group has disclosed the subtotals of items recognised in profit or loss and OCI.
3.	*1-21.39*	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 SFRS(I) 1-19 remeasurement. This is different from the situation illustrated in these illustrative financial statements. 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 2018 and 31 December 2017.

1-19.147(b) The Group expects to pay $350,000 in contributions to its defined benefit plans in 2019.

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]

Reference		Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
		2018	**2017**	**2018**	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
	Group						
1-19.140	Balance as 1 January	1,999	1,913	(2,450)	(2,500)	(451)	(587)
	Included in profit or loss[2]						
1-19.141(a)	Current service cost	494	502	-	-	494	502
1-19.141(d)	Past service credit	(100)	-	-	-	(100)	-
1-19.141(b)	Interest cost (income)	162	134	(112)	(110)	50	24
		556	636	(112)	(110)	444	526
	Included in OCI[2]						
1-19.141(c)	Remeasurement loss (gain):						
	- Actuarial loss (gain) arising from:						
1-19.141(c)(ii)	- demographic assumptions	(31)	4	-	-	(31)	4
1-19.141(c)(iii)	- financial assumptions	(21)	8	-	-	(21)	8
	- experience adjustment	(30)	6	-	-	(30)	6
1-19.141(c)(i)	- Return on plan assets excluding interest income	-	-	10	(3)	10	(3)
1-19.141(e)	Effect of movements in exchange rates[3]	(26)	-	123	-	97	-
		(108)	18	133	(3)	25	15
	Other						
1-19.141(f)	Contributions paid by the employer	-	-	(318)	(405)	(318)	(405)
1-19.141(g)	Benefits paid	(505)	(568)	505	568	-	-
		(505)	(568)	187	163	(318)	(405)
1-19.140	**Balance at 31 December**	1,942	1,999	(2,242)	(2,450)	(300)	(451)

Represented by:

	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Net defined benefit asset (Plan A)	(635)	(731)	(530)
Net defined benefit liability (Plan B)	335	280	267
	(300)	(451)	(263)

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Reference

Notes to the financial statements

17. Employee benefits (continued)

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

1-19.139(c) During 2018, 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 (2017: nil). A corresponding past service credit was recognised in profit or loss in 2018.

Plan assets

1-19.142 Plan assets comprise:

Reference		Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000
1-19.142(b)	Equity investments:			
	- Consumer markets	502	600	670
	- Pharmaceuticals	175	181	233
	- Oil and Gas	63	78	84
	- Telecoms	100	85	133
	- Financial institutions	62	183	83
		902	1,127	1,203
1-19.142(c)	Government bonds	1,044	1,062	1,002
1-19.142(e)	Derivatives:			
	- Interest rate swaps	8	12	8
	- Forward foreign currency contracts	54	23	51
	- Longevity swaps	28	13	26
		90	48	85
1-19.143	Property occupied by the Group	153	162	158
1-19.143	Company's own ordinary shares	53	51	52
		2,242	2,450	2,500

1-19.142 All equity investments 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.

1-19.146 At each reporting date, an Asset-Liability Matching 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 investments, 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**
1.	*1-19.147(c)*	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.

Reference

Notes to the financial statements

17. Employee benefits (continued)

Plan assets (continued)

Defined benefit obligation

1-1.125

(i) Actuarial assumptions

1-19.144

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

	Group 2018	2017	1 Jan 2017
Discount rate	5.1%	4.8%	4.9%
Future salary growth	2.5%	2.5%	2.5%
Future pension growth	3.0%	2.0%	2.0%
Medical cost trend rate	4.5%	4.0%	4.0%

1-1.125, 1-19.144

Assumptions regarding future longevity 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:

	2018 Plan A	2018 Plan B	2017 Plan A	2017 Plan B	1 Jan 2017 Plan A	1 Jan 2017 Plan B
Group						
Longevity at age 65 for current pensioners						
Males	18.5	18.2	18.3	18.0	18.4	18.1
Females	21.0	19.0	21.0	18.8	21.0	18.8
Longevity at age 65 for current members aged 45						
Males	19.2	19.0	19.0	18.7	18.9	18.6
Females	22.9	20.5	22.9	20.0	22.9	20.2

1-19.147(c)

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 17.1 years (2017: 17.5 years; 1 January 2017: 17.4 years).[1]

(ii) Sensitivity analysis

1-1.125, 129, 1-19.145

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.

	Defined benefit obligation Increase $'000	Decrease $'000
Group		
2018		
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
2017		
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**
1.	*1.D2, 2.56*	A first-time adopter is encouraged, but not required to apply SFRS(I) 2 to equity instruments that were granted after 7 November 2002 and vested before the date of transition (i.e. 1 January 2017 in these illustrative financial statements). However, if a first-time adopter elects to apply SFRS(I) 2 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date. Nevertheless, the disclosure requirements in paragraphs 44 and 45 of SFRS(I) 2 apply to the equity-settled grants whether or not they are accounted for according to SFRS(I) 2.
	2.52	An entity provides additional disclosures if the required disclosures in SFRS(I) 2 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.

Reference

Notes to the financial statements

18. Share-based payment arrangements[1]

2.44 - 45(a)

Description of the share-based payment arrangements

At 31 December 2018, the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

On 1 January 2014 and 1 January 2017, the Group established share option programmes that entitle key management personnel to purchase shares in the Company. On 1 January 2018, 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 2014	400	3 years' service from grant date and 5% increase in operating income in each of the 3 years	7 years
On 1 January 2017	200	Same as above	10 years
On 1 January 2018	225	Same as above	10 years
Options grant to senior employees			
On 1 January 2018	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)

On 1 January 2018, 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.	*2.47(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.
	2.47(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)

On 1 January 2015 and 1 January 2018, 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:

Reference		Note	Group 2018 $'000	2017 $'000	1 Jan 2017 $'000
2.51(b)(i)	Total carrying amount of liabilities for SARs	*17*	440	380	360
2.51(b)(ii)	Total intrinsic value of liabilities for vested benefits		-	380	360

The liabilities at 31 December 2017 were settled during 2018.

Measurement of fair values

Equity-settled share-based payment arrangements

2.46, 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.

2.47(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:

Reference		Share option programmes: Key management personnel 2018	Key management personnel 2017	Senior employees 2018	Replacement awards 2018	Share purchase plan 2018
2.47(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.	*2.52*	Although it is not specifically required by SFRS(I) 2, the Group has disclosed information about the fair value measurement of its share appreciation rights. In our view, the following disclosures should be provided for cash-settled share-based payments: • for awards granted during the period, disclosures about fair value measurement at grant date and at the reporting date; and • for awards granted in previous periods but unexercised at the reporting date, disclosures about fair value measurement 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)

2.47(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 2018, 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 (2017: nil) (see note 21).

Cash-settled share-based payment arrangement[1]

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:

Reference		Grant date 1 January 2018	Measurement date 31 December 2018
2.52	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.

Note	*Reference*	**Explanatory note**
1.		Deferred income related to a government grant generally is classified as a non-current liability.
2.	*1-20.39(c), 1-41.57(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.
3.	*1-20.24*	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

18. Share-based payment arrangements (continued)

Reconciliation of outstanding share options

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

Reference		Weighted average exercise price 2018	Number of options 2018 '000	Weighted average exercise price 2017	Number of options 2017 '000
2.45(b)(i)	Outstanding at 1 January	$10.18	550	$10.00	400
2.45(b)(iii)	Forfeited during the year	$10.00	(50)	$10.00	(50)
2.45(b)(iv)	Exercised during the year	$10.00	(5)	-	-
2.45(b)(ii)	Granted during the year	$10.16	475	$10.50	200
2.45(b)(vi)	Outstanding at 31 December	$10.18	970	$10.18	550
2.45(b)(vii)	Exercisable at 31 December	$10.00	295	$10.00	350

2.45(d) The options outstanding at 31 December 2018 have an exercise price in the range of $10.00 to $10.50 (2017: $10.00 to $10.50) and a weighted-average contractual life of 6.4 years (2017: 5.2 years).

2.45(c) The weighted-average share price at the date of exercise for share options exercised in 2018 was $10.00 (2017: no options exercised).

Expense recognised in profit or loss

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

19. Deferred income

	Group 2018 $'000	2017 $'000	1 Jan 2017 $'000
Government grants[1]	1,462	1,613	-
	1,462	1,613	-

Government grants

1-20.39(b)-(c) The Group has been awarded two government grants. One of the grants,[2] received by the Group in 2017, amounted to $1,613,000 and was conditional on the acquisition of factory premises in a specified region. The factory has been in operation since early 2018 and the grant, recognised as deferred income,[3] 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 2018, was unconditional, amounted to $87,000 and related to hardwood trees. It was included in 'other income' when it became receivable (see note 24).

Note	*Reference*	**Explanatory note**
1.	*1-37.92*	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.	*1-37.84*	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).
	1-1.98(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).

Reference

Notes to the financial statements

20. Provisions[1, 2]

Reference		Warranties $'000	Restructuring $'000	Site restoration $'000	Onerous contracts $'000	Legal $'000	Total $'000
	Group						
1-37.84(a)	At 1 January 2018	400	500	900	-	-	1,800
3.23	Assumed in a business combination	-	-	150	-	20	170
1-37.84(b)	Provisions made during the year	280	400	600	160	-	1,440
1-37.84(c)	Provisions used during the year	(200)	(500)	(800)	-	-	(1,500)
	Provisions disposed off through distribution	(200)	-	-	-	-	(200)
1-37.84(d)	Provisions reversed during the year[3]	-	-	(100)	-	-	(100)
1-37.84(e)	Unwind of discount	-	-	60	-	-	60
1-37.84(a)	At 31 December 2018	280	400	810	160	20	1,670
	1 January 2017						
	Non-current	350	-	332	-	-	682
	Current[4]	558	608	300	-	-	1,466
		908	608	632	-	-	2,148
	31 December 2017						
	Non-current	140	-	-	-	-	140
	Current[4]	260	500	900	-	-	1,660
		400	500	900	-	-	1,800
	31 December 2018						
	Non-current	100	-	810	100	-	1,010
	Current[4]	180	400	-	60	20	660
		280	400	810	160	20	1,670

Reference		Warranties $'000
	Company	
1-37.84(a)	At 1 January 2018	154
1-37.84(b)	Provisions made during the year	164
1-37.84(c)	Provisions used during the year	(120)
1-37.84(a)	At 31 December 2018	198
	1 January 2017	
	Non-current	75
	Current[4]	133
		208
	31 December 2017	
	Non-current	60
	Current[4]	94
		154
	31 December 2018	
	Non-current	70
	Current[4]	128
		198

Note	*Reference*	**Explanatory note**
1.	*15.B30*	If a customer does not have the option to purchase a warranty separately, then an entity accounts for the warranty in accordance with SFRS(I) 1-37 unless the promised warranty, or a part of the promised warranty, provides the customer with a service in addition to the assurance that the product complies with agreed-on specifications.
2.	*1-37.9*	SFRS(I) 1-37 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 SFRS(I) 5.
3.	*INT 5.11*	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.
	1-37.85(c), INT 5.13	If a right to receive reimbursement from the fund has been recognised as an asset, then an entity discloses the amounts of the asset and expected reimbursement.
	1-37.86, INT 5.12	If an obligation to make contributions to the fund has not been recognised as a liability, then 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.

Reference

Notes to the financial statements

20. Provisions (continued)

Warranties[1]

1-37.85(a) - (c)

The provision for warranties relates mainly to paper sold during 2017 and 2018. The provision has been estimated based on historical warranty data associated with similar products. 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 (2017: nil) has been included in trade receivables of the Group and the Company following a supplier accepting responsibility for the defective products.

Restructuring[2]

1-1.98(b), 125, 1-37.85(a), (b)

During 2017, 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 2018, and $500,000 of the provision was used during the year.

During 2018, 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 2019.

Site restoration[3]

1-37.85(a)

A provision of $900,000 was made during 2017 in respect of the Group's obligation to rectify environmental damage in Indonesia. The required work was completed during 2018 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.

1-1.125, 129, 1-37.85(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 2020. During 2018, 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

1-37.85(a), (b)

In 2017, 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 2018. The lease will expire in 2021. 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.

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 *Insights into IFRS* (7.10.40.50 and 7I.8.50.50).

Reference Notes to the financial statements

20. Provisions (continued)

1-37.86(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

1-37.85(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 2018, 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 2018.

7.8(g), FRS 107.8(f)

21. Trade and other payables, including derivatives

		Group			Company		
				1 Jan			1 Jan
	Note	2018	2017	2017	2018	2017	2017
		$'000	$'000	$'000	$'000	$'000	$'000
Trade payables							
Current:							
Amount due to related parties, trade		280	151	120	223	12	30
Amount due to subsidiaries, trade		-	-	-	2,893	2,080	2,245
Trade payables		19,184	23,725	26,643	1,688	2,906	2,560
Accrued expenses		236	415	492	131	86	110
15.55, B21-25 Refund liabilities	*12*	76	72	43	8	20	15
		19,776	24,363	27,298	4,943	5,104	4,960
Other payables							
Current:							
Forward exchange contracts used for hedging[1]	*22*	8	7	7	-	-	-
Non-current:							
Interest rate swaps used for hedging[1]	*22*	20	5	-	-	-	-
Contingent consideration	*32*	270	-	-	-	-	-
		298	12	7	-	-	-
Trade and other payables							
Non-current		290	5	-	-	-	-
Current		19,784	24,370	27,305	4,943	5,104	4,960
		20,074	24,375	27,305	4,943	5,104	4,960

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. SFRS(I) 1 has a short-term exemption that allows a first-time adopter not to restate comparatives when applying SFRS(I) 9 for the first time. The Group has chosen this exemption. The requirements of FRS 39 and FRS 107 are applied in place of the requirements of SFRS(I) 9 and SFRS(I) 7 to comparative information about items within the scope of SFRS(I) 9. References to FRS 39 and FRS 107 are also provided in these explanatory notes where there are equivalent requirements on comparative information. An entity also tailors disclosures that are relevant to an understanding of how the transition from previous FRS to SFRS(I) affected the entity's reported financial position at the date of transition based on materiality and the particular facts and circumstances of the entity. Issues related to the accounting for financial instruments are discussed in *Insights into IFRS* (Section 7). Issues related to the disclosure at the date of transition are discussed in *Insights into IFRS* (6.1.1520 and 6.1.1530).
2.	*7.31, 32, 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.
	7.33, 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.
	7.32A, 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.	*7.3, 5, FRS 107.3, 5, FRS 39.2A*	The disclosure requirements of SFRS(I) 7 are limited to financial instruments, and contract assets arising from SFRS(I) 15 that are accounted for in accordance with SFRS(I) 9 for the purposes of recognising impairment gains or losses. Therefore, operational risks that do not arise from the items in scope are excluded from the requirements, as are commodity contracts that meet the 'own use' exemption detailed in paragraphs 2.4 – 2.7 of SFRS(I) 9.
4.		See explanatory note 2 on page 188.
5.		See explanatory note 3 on page 188.
6.		See explanatory note 4 on page 188.

Reference

Notes to the financial statements

22. Financial instruments[1, 2, 3, 4]

Financial risk management

Overview

7.31, FRS 107.31

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

- credit risk
- liquidity risk
- market risk

7.33(a), (b) FRS 107.33(a), (b)

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.

7.31, 33, FRS 107.31, 33

Credit risk

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 debt investments.

7.35K(a), 36(a), FRS 107.36(a) 7.36(b), FRS 107.36(b)

The carrying amounts of financial assets and contract assets 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 require any collateral in respect of their financial assets.[6]

1-1.82(ba)

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

		2018 $'000	2017 $'000
15.113(b)	Impairment loss on trade receivables and contract assets arising from contracts with customers	150	30
	Impairment loss on debt investments at amortised cost	60	-
		210	30

Note	*Reference*	**Explanatory note**
1.	*7.B8, IG18-19, 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.
2.	*7.34, FRS 107.34*	SFRS(I) 7 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 SFRS(I) 1-24, 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.
	7.35, IG 20, 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.
3.	*7.36(a), 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.
	7.B9, 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 SFRS(I) 1-32 and any impairment losses recognised in accordance with SFRS(I) 9.
	7.36, B1, B2, FRS 107.36, B1, B2	The disclosures in respect of credit risk apply to each 'class' of financial asset, which is not defined in SFRS(I) 7. Classes are distinct from the categories of financial instruments specified in SFRS(I) 9. 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 SFRS(I) 7.
	7.IG 21-22, FRS 107.IG 21-29	The SFRS(I) 7 implementation guidance provides additional guidance on the disclosures without specifying a minimum standard disclosure.
4.	*7.36(b), 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.
	7.38, FRS 107.38	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 SFRS(I)s, an entity discloses for such assets held at the reporting date: • the nature and carrying amount of such collateral or other credit enhancements; and • its policy for disposing of those collateral or for using them in its operations when such collateral is not readily convertible into cash.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets

7.33(a), (b)
FRS 107.33(a), (b)

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 none of these customers' balances have been written off or are credit-impaired at the reporting date. 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, their geographic location, industry, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

7.33(c),
FRS 107.33(c)

As a result of generally volatile economic circumstances, certain sale limits have been redefined, particularly in the Standard and Recycled Papers segments, since the Group's experience is that the economic volatility has had a greater impact in these segments than others.

7.35K(b),
FRS 107.36(b)

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

Exposure to credit risk

7.34(a), (c),
FRS 107.34(a), (c)

The exposure to credit risk for trade receivables and contract assets at the reporting date by geographic region was as follows:[1]

	Group Carrying amount			Company Carrying amount		
	2018 $'000	**2017 $'000**	**1 Jan 2017 $'000**	**2018 $'000**	**2017 $'000**	**1 Jan 2017 $'000**
Domestic	6,606	8,612	7,832	3,668	4,571	4,018
Indonesia	3,962	3,450	3,363	2,089	1,847	1,648
Netherlands	1,331	2,367	1,950	1,000	454	426
United States of America	2,439	2,138	1,967	500	200	150
Australia	1,129	590	727	645	198	189
Others	1,047	842	640	723	219	57
	16,514	17,999	16,479	8,625	7,489	6,488

Note	*Reference*	**Explanatory note**
1.		See explanatory note 1 on page 188.

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

Exposure to credit risk (continued)

7.34(a), (c), FRS 107.34(a), (c)

The exposure to credit risk for trade receivables and contract assets at the reporting date by type of counterparty was:[1]

	Group			Company		
	2018 $'000	**2017 $'000**	**1 Jan 2017 $'000**	**2018 $'000**	**2017 $'000**	**1 Jan 2017 $'000**
Wholesale customers	10,111	11,231	10,957	5,600	4,640	4,197
Retail customers	5,478	5,600	4,622	2,427	1,780	1,550
End-user customers	239	856	571	400	980	704
Others	686	312	329	198	89	37
	16,514	17,999	16,479	8,625	7,489	6,488

7.34(a), (c), FRS 107.34(a), (c)

The carrying amount of the Group's most significant customer, an Indonesian wholesaler was $4,712,000 at 31 December 2018 (2017: $3,367,000; 1 January 2017: $3,259,000). There is no concentration of customers' credit risk at the Company level.

7.34(a), 35M, B8I, FRS 107.34(a)

A summary of the exposure to credit risk for trade receivables and contract assets is as follows:

	Group			
	2018		**2017**	**1 Jan 2017**
	Not credit-impaired $'000	**Credit-impaired $'000**	**$'000**	**$'000**
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	2,614	-	3,111	2,875
Other customers:				
- Four or more years' trading history with the Group*	7,581	-	9,334	8,624
- Less than four years' trading history with the Group*	5,930	-	5,205	4,631
- Higher risk	263	326	403	373
Total gross carrying amount	16,388	326	18,053	16,503
Loss allowance	(150)	(50)	(54)	(24)
	16,238	276	17,999	16,479

* *Excluding 'higher risk'*

Note	*Reference*	**Explanatory note**
1.	*FRS 107.34(a), 36(c)*	An entity discloses information about the credit quality of financial assets that are neither past due nor impaired.
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 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.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

Exposure to credit risk (continued)

	Company			
	2018		2017	1 Jan 2017
	Not credit-impaired $'000	Credit-impaired $'000	$'000	$'000
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	1,302	-	1,021	775
Other customers:				
- Four or more years' trading history with the Group*	3,907	-	4,363	3,896
- Less than four years' trading history with the Group*	3,116	-	1,851	1,668
- Higher risk	139	204	264	173
Total gross carrying amount	8,464	204	7,499	6,512
Loss allowance	(36)	(7)	(10)	(24)
	8,428	197	7,489	6,488

* *Excluding 'higher risk'*

Comparative information under FRS 39

FRS 107.34(a), 36(c), 37(a)

An analysis of the credit quality[1] of trade receivables and contract assets that were neither past due nor impaired and the ageing[2] of trade receivables and contract assets that were past due but not impaired is as follows:

	Group		Company	
	2017 $'000	1 Jan 2017 $'000	2017 $'000	1 Jan 2017 $'000
Neither past due nor impaired				
External credit ratings at least Baa3 from [*Rating Agency X*] or BBB- from [*Rating Agency Y*]	3,088	2,567	1,279	837
Other customers:				
- Four or more years' trading history with the Group*	10,876	10,772	5,451	5,174
- Less than four years' trading history with the Group*	243	169	18	12
- Higher risk	18	27	-	11
	14,225	13,535	6,748	6,034
Past due but not impaired				
Past due 1-30 days	3,281	2,567	546	360
Past due 31-90 days	243	169	18	12
Past due 91-120 days	18	27	-	11
Total not impaired trade receivables and contract assets	17,767	16,298	7,312	6,417

FRS 107.37(b), IG29

The Group's and the Company's impaired trade receivables at 31 December 2017 had a gross carrying amount of $286,000 and $187,000 respectively (1 January 2017: $205,000 and $95,000 respectively). At 31 December 2017, there was an impairment loss of the Group of $48,000 related to a customer that was declared bankrupt during 2017. The remainder of the individual impairment losses of the Group and all the individual impairment losses of the Company as at 31 December 2017 were related to several customers that had indicated that they were not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

7.35B(a), 35F(c), 35G(a)-(b)

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook and include the following: 1.3 for Indonesia, 0.9 for United States of America, 1.1 for Australia and 1.8 for the pulp and paper industry.

7.35M, B8I

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for corporate customers as at 31 December 2018:

			Group		
	Equivalent to external credit rating ***[Agency Y]***	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		%	$'000	$'000	
Grades 1-6: *Low risk*	BBB- to AAA	0.35	9,321	(34)	No
Grades 7-9: *Fair risk*	BB- to BB+	0.70	2,591	(18)	No
Grades 10: *Substandard*	B- to CCC-	3.40	1,897	(65)	No
Grades 11: *Doubtful*	C to CC	10.20	257	(26)	Yes
Grades 12: *Loss*	D	33.90	57	(19)	Yes
			14,123	(162)	

			Company		
	Equivalent to external credit rating ***[Agency Y]***	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
		%	$'000	$'000	
Grades 1-6: *Low risk*	BBB- to AAA	0.20	4,539	(9)	No
Grades 7-9: *Fair risk*	BB- to BB+	0.50	1,345	(7)	No
Grades 10: *Substandard*	B- to CCC-	1.20	974	(12)	No
Grades 11: *Doubtful*	C to CC	3.40	204	(7)	Yes
Grades 12: *Loss*	D	33.90	-	-	Yes
			7,062	(35)	

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

Expected credit loss assessment for individual customers as at 1 January and 31 December 2018

7.35B(a), 35F(c), 35G(a)-(b)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual, customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - geographic region, age of customer relationship and type of product purchased.

7.35M, 35N, B8I

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for individual customers as at 31 December 2018:

	Group			
	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	$'000	$'000	
Current (not past due)	0.35	1,287	(5)	No
1 – 30 days past due	0.70	843	(6)	No
31 – 60 days past due	3.60	328	(12)	No
61 – 90 days past due	9.20	121	(11)	No
More than 90 days past due	33.90	12	(4)	Yes
		2,591	(38)	

	Company			
	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
	%	$'000	$'000	
Current (not past due)	0.20	841	(2)	No
1 – 30 days past due	0.50	427	(2)	No
31 – 60 days past due	1.20	326	(4)	No
61 – 90 days past due	3.40	12	-	No
More than 90 days past due	33.90	-	-	Yes
		1,606	(8)	

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast unemployment rates and are as follows: 1.3 for Indonesia, 0.95 for United States of America and 1.2 for Australia.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade receivables and contract assets (continued)

Movements in allowance for impairment in respect of trade receivables and contract assets

7.35H, 42P, FRS 107.16

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	Group Individual impair-ments $'000	Group Collective impair-ments $'000	Company Individual impair-ments $'000	Company Collective impair-ments $'000
At 1 January 2017 per FRS 39	10	14	3	5
Impairment loss recognised	6	24	-	2
At 31 December 2017 per FRS 39	16	38	3	7

	Group $'000	Company $'000
At 1 January 2018 per FRS 39	54	10
Adjustment on initial application of SFRS(I) 9	47	48
At 1 January 2018 per SFRS(I) 9	101	58
Impairment loss recognised	150	35
Amounts written off	(51)	(50)
At 31 December 2018 per SFRS(I) 9	200	43

7.35L

Trade receivables with a contractual amount of $15,000 written off during 2018 are still subject to enforcement activity.

7.35I, B8D

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the changes in the impairment loss allowance during 2018:

- Increase in the Group's and the Company's credit-impaired balance in Australia of $186,000 and $40,000 respectively, resulted in increase in the Group's and the Company's impairment allowances in 2018 of $76,000 and $16,000 respectively; and
- The growth of the Group's and the Company's business in Indonesia resulted in increase in trade receivables of $350,000 and $95,000 respectively and increase in the Group's and the Company's impairment allowances in 2018 of $25,000 and $6,000 respectively.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Debt investments

7.33(a)-33(b), 35B(a), 35F(a), 35G(a)-(b), FRS 107.33(b)

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 A2 from [*Rating Agency X*] and A from [*Rating Agency Y*].

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by [*Rating Agency X*] for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

7.34(a), 34(c), FRS 107.34(a), 34(c)

The exposure to credit risk for debt investments at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading) at the reporting date by geographic region was as follows:

	Group Net carrying amount			Company Net carrying amount		
	2018 $'000	**2017 $'000**	**1 Jan 2017 $'000**	**2018 $'000**	**2017 $'000**	**1 Jan 2017 $'000**
Domestic	1,615	2,351	1,890	1,615	2,351	1,890
Indonesia	233	107	189	233	107	189
Netherlands	335	280	325	335	280	325
United States of America	180	101	114	180	101	114
Australia	366	273	248	366	273	248
Others	68	85	83	22	31	18
	2,797	3,197	2,849	2,751	3,143	2,784

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Debt investments (continued)

7.34(a), 35M, B8I, FRS107.36(c)

The following table presents an analysis of the credit quality of debt investments at amortised cost, FVOCI and FVTPL (2017: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	Group										
	2018					2017			1 Jan 2017		
Credit rating	**FVTPL**	**FVOCI**	**At amortised cost**								
		12-month ECL	**12-month ECL**	**Lifetime ECL–not credit-impaired**	**Lifetime ECL–credit impaired**	**Held-for-trading**	**Available-for-sale**	**Held-to-maturity**	**Held-for-trading**	**Available-for-sale**	**Held-to-maturity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
BBB- to AAA	243	122	1,779	-	-	568	373	1,569	396	261	1,457
BB- to BB+	-	-	-	207	-	-	-	334	-	-	295
B- to B+	-	-	-	113	-	-	-	233	-	-	317
C to CCC+	-	-	-	247	-	-	-	73	-	-	62
D	-	-	-	-	185	-	-	67	-	-	81
Gross carrying amounts (2017: amortised cost before impairment)		122	1,779	567	185			2,276			2,212
Loss allowance		(1)	(15)	(25)	(55)			(20)			(20)
Amortised cost		121	1,764	542	130			2,256			2,192
Carrying amount	243	118	1,764	542	130	568	373	2,256	396	261	2,192

Note *Reference* **Explanatory note**

1.	*7.38, FRS 107.38*	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 SFRS(I)s, an entity discloses for such assets held at the reporting date: • the nature and carrying amount of such collateral or other credit enhancements; and • its policy for disposing of those collateral or for using them in its operations when such collateral is not readily convertible into cash.

Reference

Notes to the financial statements

22. Financial instruments (continued)
Credit risk (continued)
Debt investments (continued)

Company											
	2018					2017			1 Jan 2017		
Credit rating	FVTPL	FVOCI	At amortised cost								
		12-month ECL	12-month ECL	Lifetime ECL–not credit-impaired	Lifetime ECL–credit impaired	Held-for-trading	Available-for-sale	Held-to-maturity	Held-for-trading	Available-for-sale	Held-to-maturity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BBB- to AAA	197	122	1,779	-	-	514	373	1,569	331	261	1,457
BB- to BB+	-	-	-	207	-	-	-	334	-	-	295
B- to B+	-	-	-	113	-	-	-	233	-	-	317
C to CCC+	-	-	-	247	-	-	-	73	-	-	62
D	-	-	-	-	185	-	-	67	-	-	81
Gross carrying amounts (2017: amortised cost before impairment)		122	1,779	567	185			2,276			2,212
Loss allowance		(1)	(15)	(25)	(55)			(20)			(20)
Amortised cost		121	1,764	542	130			2,256			2,192
Carrying amount	197	118	1,764	542	130	514	373	2,256	331	261	2,192

7.35I, FRS 107.37(b) An impairment loss of $55,000 (2017: $20,000) in respect of debt investments at amortised cost (2017: held-to-maturity) with a credit rating D was recognised because of significant financial difficulties being experienced by the issuers. The Group and the Company has no collateral in respect of these investments.[1]

FRS 107.37(a) The Group and the Company did not have any debt investments that were past due but not impaired at 31 December 2017 and 1 January 2017.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Debt investments (continued)

7.35H, 42P, FRS107.16

The movement in the allowance for impairment for debt investments at amortised cost (2017: held-to-maturity investments) during the year was as follows. Comparative amounts for 2017 represent allowance account for impairment losses under FRS 39.

Group and Company		**2018**			**2017**
	12-month ECL $'000	**Lifetime ECL - not credit-impaired $'000**	**Lifetime ECL – credit-impaired $'000**	**Total $'000**	**Impaired $'000**
Balance as at 1 January per FRS 39				20	20
Adjustment on initial application of SFRS(I) 9				35	-
Balance as at 1 January per SFRS(I) 9	12	18	25	55	20
Transfer to lifetime ECL – not credit-impaired	(2)	2	-	-	-
Transfer to lifetime ECL – credit-impaired	-	(6)	6	-	-
Financial assets repaid	(3)	(10)	(8)	(21)	-
New financial assets acquired	2	-	-	2	-
Impairment loss recognised	6	21	32	59	-
Balance as at 31 December	15	25	55	95	20

7.35I, B8D

The following contributed to the increase in the loss allowance during 2018:

- An issuer of a debt security with a gross carrying amount of $109,000 entered administration. The Group and the Company classified the debt investment as credit-impaired and increased the loss allowance by $25,000.
- A recession in Indonesia in the fourth quarter of 2018 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of $18,000.

7.16A, 35H, 42P

The movement in the allowance for impairment in respect of debt investments at FVOCI during the year was as follows.

Group and Company	**2018 12-month ECL $'000**
Balance as at 1 January per FRS 39	-
Adjustment on initial application of SFRS(I) 9	4
Balance as at 1 January per SFRS(I) 9	4
Financial assets repaid	(5)
New financial assets acquired	1
Impairment loss recognised	1
Balance as at 31 December	1

The investments held at 31 December 2017 and 1 January 2017 were previously classified as available-for-sale and no impairment loss had been recognised at that date or during 2017.

Guarantees

The Group's policy is to provide financial guarantees only for wholly-owned subsidiaries' liabilities. At 31 December 2018, the Company has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries (see note 37).

Note	*Reference*	**Explanatory note**
1.	*7.33(a)-(b), 34(a)-(b)*	The credit risk faced by the Group (and the Company) primarily arises from trade receivables, contract assets and debt investments which warrant the detailed disclosure on credit risk as required by SFRS(I) 7. If any of the other exposures such as non-trade receivables, service concession arrangement or intra-group financial guarantees were to be significant then detailed disclosures as illustrated would be warranted.
2.	*7.B11F*	The SFRS(I) 7 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.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Non-trade amounts due from subsidiaries

7.33(a)-(b), FRS 107.33(a)-(b), 36(c)

The Company held non-trade receivables from its subsidiaries of $12,073,000 (2017: $5,730,000; 1 January 2017: $6,109,000). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying experienced credit judgement), these exposures are considered to have low credit risk. Therefore impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is insignificant.

Derivatives

7.33(a)-(b), 34(a), FRS 107.33(a)-(b), 34(a), 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[1]

7.33(a)-(b), 34(a), 35B(a), 35F(a), 35G(a)-(b), 35M, FRS 107.33(a)-(b), 34(a), 36(c)

The Group and the Company held cash and cash equivalents of $1,505,000 and $738,000 respectively at 31 December 2018 (2017: $1,850,000 and $829,000; 1 January 2017: $2,529,000 and $955,000 respectively). 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.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents is negligible.

7.31,33, FRS 107.31, 33

Liquidity risk[2]

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.

7.34(a), 39(c), B10A, FRS 107.34(a), 39(c), B10A

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.

1-7.50(a), 7.B11F, 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 (2017: 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 (2017: 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**

Note	Reference	Explanatory note
1.	*7.34(a), B10A, 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.
	7.39, B11, FRS 107.39, 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* (7.10.650.80 and 7I.8.370.80).
	7.B11B, FRS 107.B11B	As a minimum, SFRS(I) 7 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.
	7.B11D, FRS 107.B11D	Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position.
	7.B11E, 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.		SFRS(I) 7 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* (7.10.650.70 and 7I.8.370.70).
3.		See explanatory note 1 on page 212.
4.		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* (7.10.650.30 and 7I.8.370.30).
	7.B11D(d), 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.
5.	*7.B11E, 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

7.39(a), 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, 3]

Group
31 December 2018

	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
7.39(a), B11A - D **Non-derivative financial liabilities**							
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*	19,970	(20,300)	(19,700)	-	-	(600)	-
Bank overdraft	334	(334)	(334)	-	-	-	-
	42,527	(47,014)	(21,306)	(1,867)	(2,575)	(17,764)	(3,502)
7.39(b), B11A - D **Derivative financial instruments**[4]							
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	-	-
7.B11E Interest rate swaps used for hedging (net-settled)[5]	(116)	140	12	36	27	54	11
	(507)	556	159	266	66	54	11
	42,020	(46,458)	(21,147)	(1,601)	(2,509)	(17,710)	(3,491)

* Excludes derivatives (shown separately) and refund liabilities.

Note *Reference* **Explanatory note**

1.	A first-time adopter may decide to include all of the notes disaggregating the line items in the statement of financial position at the date of transition, but to omit selected supporting (or descriptive) comparative information that it considers is not relevant to an understanding of the effect of transition at that date – e.g. the contractual maturity analysis for financial liabilities and the sensitivity analyses required by SFRS(I) 7. This issue is discussed in *Insights into IFRS* (6.1.1520.30).

Reference

Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Group

31 December 2017

Reference		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
FRS 107.39(a), B11A - D	**Non-derivative financial liabilities**							
	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*	24,291	(24,291)	(24,291)	-	-	-	-
	Bank overdraft	282	(282)	(282)	-	-	-	-
		48,165	(52,089)	(25,355)	(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
		47,582	(51,464)	(25,160)	(4,344)	(3,227)	(10,318)	(8,415)

* Excludes derivatives (shown separately) and refund liabilities.

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Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

31 December 2018

Reference		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
7.39(a), B11A - D	**Non-derivative financial liabilities**							
	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*	4,935	(4,935)	(4,935)	-	-	-	-
	Recognised financial liabilities	16,671	(18,975)	(5,207)	(222)	(443)	(11,066)	(2,037)
	Intra-group financial guarantee	23	(3,000)	(3,000)	-	-	-	-
		16,694	(21,975)	(8,207)	(222)	(443)	(11,066)	(2,037)
7.39(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	-	-
		16,574	(21,852)	(8,207)	(139)	(403)	(11,066)	(2,037)

* Excludes refund liabilities.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Company

31 December 2017

Reference		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
FRS 107.39(a), B11A - D	**Non-derivative financial liabilities**							
	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*	5,084	(5,084)	(5,084)	-	-	-	-
	Recognised financial liabilities	11,197	(12,367)	(5,197)	(114)	(1,227)	(537)	(5,292)
	Intra-group financial guarantee	31	(3,000)	(3,000)	-	-	-	-
		11,228	(15,367)	(8,197)	(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	-	-
		11,178	(15,317)	(8,197)	(82)	(1,209)	(537)	(5,292)

* Excludes refund liabilities.

7.39(b), (c), B11B - D, 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 represent the contractual undiscounted cash flows relating to derivative financial liabilities 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.

7.B10A, FRS 107.B10A

As disclosed in note 16, the Group has a secured bank loan which contains a debt covenant. A future 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.

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 *Insights into IFRS* (7.10.650.110 and 7I.8.370.110).
2.	*7.34, FRS 107.34*	SFRS(I) 7 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 SFRS(I) 1-24, e.g., the entity's board of directors or chief executive.
	7.35, IG20, 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 SFRS(I) 7 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.
		SFRS(I) 7 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 SFRS(I) 7, 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 SFRS(I) 7, and such exposures are included in reports to key management personnel, then in our view SFRS(I) 7 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 SFRS(I) 7. This issue is discussed in *Insights into IFRS* (7.10.480.30 – 40 and 7I.8.300.30 – 40).
3.	*7.24C(b)(vi)*	The Group did not designate any net positions in a hedging relationship. For an entity that did, the required disclosures would include the hedging gains or losses recognised in a separate line item in the statement of profit or loss and OCI.
4.		See explanatory note 1 on page 220.
5.	*7.23E*	The Group did not have any new sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

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]

Market risk

7.33, FRS 107.33 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 risk[2, 3]

7.21C, 22A(a) The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables 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 functional currencies of Group entities are primarily the Euro and US dollar. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD), US dollar (USD), Euro (EUR) and Australian dollar (AUD).

7.21A, 22A(b)-(c), 22C, FRS 107.22 The Group's risk management policy is to hedge 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.[4]

7.22B The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

7.22B(b) The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

7.23D In these hedge relationships, the main sources of ineffectiveness are:[5]

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

Note	*Reference*	**Explanatory note**
1.	*7.24B(a), 24C(a)*	The Group has not designated any fair value hedging relationships. For an entity that has a fair value hedge, the required disclosures would include: • the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities); • the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities); • the line item in the statement of financial position that includes the hedged item; • the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; • the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses; • hedge ineffectiveness – i.e. the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in profit or loss; and • the line item in the statement of profit or loss and OCI that includes the recognised hedge ineffectiveness.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

7.22A, 22B, 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.

7.22A, 22B, 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 (2017: $1,257,000)), which mitigates the currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2018 was $1,290,000 (2017: $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.		In these illustrative financial statements, the SGD-denominated trade receivables and trade payables included in the table on page 223 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.
3.	*7.34(a), FRS 107.34(a)*	This disclosure is not required by SFRS(I) 7, 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)

7.34(a), FRS 107.34(a)

Exposure to currency risk

The summary quantitative data about the 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, 2]

	2018				2017				1 Jan 2017			
	SGD $'000	**USD $'000**	**EUR $'000**	**AUD $'000**	**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	2,739	1,413	1,384	727
Secured bank loans	-	(520)	(765)	-	-	(550)	(4,850)	-	-	(562)	(9,300)	-
Unsecured bank loan	-	-	-	(554)	-	-	-	-	-	-	-	-
Trade payables	(876)	(2,956)	(2,347)	-	(4,411)	(3,245)	(3,280)	-	(3,690)	(2,054)	(1,500)	-
Net statement of financial position exposure	1,101	(1,111)	(1,245)	91	(1,312)	(2,545)	(6,350)	590	(951)	(1,203)	(9,416)	727
Net six months' forecast sales[3]	1,000	4,500	4,000	-	3,200	5,000	4,000	-	2,600	4,800	3,500	-
Next six months' forecast purchases[3]	(2,000)	(2,000)	(2,500)	-	(1,500)	(2,000)	(2,000)	-	(1,500)	(2,000)	(2,000)	-
Net forecast transaction exposure	(1,000)	2,500	1,500	-	1,700	3,000	2,000	-	1,100	2,800	1,500	-
Forward exchange contracts	-	(950)	(450)	-	-	(250)	4,450	-	-	(1,450)	8,100	-
Net exposure	101	439	(195)	91	388	205	100	590	149	147	184	727

	2018			2017			1 Jan 2017		
	USD $'000	**EUR $'000**	**AUD $'000**	**USD $'000**	**EUR $'000**	**AUD $'000**	**USD $'000**	**EUR $'000**	**AUD $'000**
Company									
Trade receivables	2,589	1,723	645	1,847	873	198	1,928	945	189
Trade payables	(2,391)	(2,267)	-	(3,155)	(2,038)	-	(1,657)	(1,409)	-
Net statement of financial position exposure	198	(544)	645	(1,308)	(1,165)	198	271	(464)	189
Next six months' forecast sales[3]	1,260	2,120	-	3,200	3,800	-	2,300	2,800	-
Next six months' forecast purchases[3]	(560)	(1,450)	-	(2,800)	(2,320)	-	(1,900)	(2,200)	-
Net forecast transaction exposure	700	670	-	400	1,480	-	400	600	-
Forward exchange contracts	800)	(150)	-	800	(300)	-	(600)	(100)	-
Net exposure	98	(24)	645	(108)	15	198	71	36	189

Note	*Reference*	**Explanatory note**
1.	*7.40(a), 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.
	7.40(b), (c), FRS 107.40(b), (c)	The entity also discloses: • 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.		See explanatory note 1 on page 212.
3.	*7.23E*	The Group did not have any new sources of hedge ineffectiveness emerging in designated hedging relationships. If it had, then it would be required to disclose those sources by risk category and explain the resulting hedge ineffectiveness.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

7.40, FRS 107.40

Sensitivity analysis[1, 2]

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. 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 2018				
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	-

	Group		Company	
	Profit or loss $'000	Equity $'000	Profit or loss $'000	Equity $'000
31 December 2017				
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

7.21C, 22A(b)-(c), 22B-22C

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. The Group applies a hedge ratio of 1:1.

7.22B(b)

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

7.23D

In these hedge relationships, the main sources of ineffectiveness are:[3]

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

Note *Reference* **Explanatory note**

1.	See explanatory note 1 on page 224.

2.	In these illustrative financial statements, this sensitivity analysis relates to fixed rate instruments classified as debt investments at FVOCI (2017: available-for-sale).

3.	See explanatory note 1 on page 212.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

7.34(a), FRS 107.34(a)

Exposure to interest rate risk

At the reporting date, the interest rate profile of interest-bearing financial instruments, as reported to the management, was as follows:

	Group Nominal amount			Company Nominal amount		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Fixed rate instruments						
Financial assets	3,507	3,512	4,048	2,871	2,708	2,617
Financial liabilities	(16,422)	(10,550)	(10,832)	(7,000)	(1,000)	(1,000)
Effect of interest rate swaps	(1,750)	(8,900)	(9,000)	-	-	-
	(14,665)	(15,938)	(15,784)	(4,129)	1,708	1,617
Variable rate instruments						
Financial assets	598	988	931	467	771	788
Financial liabilities	(7,235)	(14,332)	(18,803)	(5,113)	(5,113)	(5,113)
Effect of interest rate swaps	1,750	8,900	9,000	-	-	-
	(4,887)	(4,444)	(8,872)	(4,646)	(4,342)	(4,325)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at FVTPL, 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 points[1] in interest rates would have increased or decreased equity by approximately $15,000 (2017: $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.

7.40, FRS 107.40

Cash flow sensitivity analysis for variable rate instruments[1, 3]

A reasonably possible 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 increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2018				
Variable rate instruments	(66)	66	-	-
Interest rate swap	4	(4)	14	(14)
Cash flow sensitivity (net)	(62)	62	14	(14)
31 December 2017				
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.		See explanatory note 1 on page 224.
2.	*7.41, FRS 107.41*	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: • 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.
	7.42, FRS 107.42	When the sensitivity analysis required by SFRS(I) 7 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.
	7.B17-B21, IG32-IG36, FRS 107. B17-B21, IG32-IG36	Guidance in respect of the sensitivity analysis is provided in Appendix B to SFRS(I) 7 and in the related implementation guidance.
3.		See explanatory note 1 on page 212.

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 2018				
Variable rate instruments	(46)	46	-	-
Cash flow sensitivity (net)	(46)	46	-	-
31 December 2017				
Variable rate instruments	(43)	43	-	-
Cash flow sensitivity (net)	(43)	43	-	-

Other market price risk

Equity price risk arises from equity investments at FVOCI (2017: available-for-sale) held for partially meeting the unfunded portion of the Group's defined benefit pension obligations as well as from investments measured at FVTPL. The management of the Group monitors the proportion of equity investments 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.

7.B5(a)(iii), FRS 107.B5(a)(iii)

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's unfunded defined benefit obligations and to improve its returns in general. Management is assisted by external advisors in this regard. Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

7.40, FRS 107.40

Sensitivity analysis – Equity price risk[1, 2, 3]

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 FVOCI (2017: 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 (2017: 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 (2017: a decrease of $18,000). For such investments classified at FVTPL, 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 (2017: $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 (2017: $18,000 and $16,000 respectively after tax).

Note	*Reference*	**Explanatory note**
1.	*7.23C, 24D*	The Group does not frequently reset hedging relationships because both the hedging instrument and the hedged item frequently change (i.e. the entity does not use a dynamic process in which neither the exposure nor the hedging instruments used to manage that exposure remain the same for a long period). If it did, then it would be exempt from providing the disclosures required by paragraphs 23A and 23B of SFRS(I) 7, but would instead provide information about the ultimate risk management strategy, how it reflects its risk management strategy in its hedge accounting and designations, and how frequently hedging relationships are discontinued and restarted. If the volume of these hedges in unrepresentative of normal volumes during the year (i.e. the volume at the reporting date does not reflect the volumes during the year), then the entity would disclose that fact and the reason it believes the volumes are unrepresentative.
2.	*7.23F, FRS 107. 24C(b)(iv)*	The Group did not have any forecast transaction for which cash flow hedge accounting had been used in the previous period, but which is no longer expected to occur. If an entity did, then it would be required to disclose a description of the forecast transaction as well as the amount reclassified from the cash flow hedge reserve to profit or loss.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Hedge accounting

Cash flow hedges[1, 2]

7.23B At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Reference		Maturity 1-6 months	Maturity 6-12 months	Maturity More than one year
	Foreign currency risk			
	Forward exchange contracts			
7.23B(a)	Net exposure (in thousands of SGD)	253	63	-
7.23B(b)	Average SGD:USD forward contract rate	0.91	0.87	0.83
	Average SGD:EUR forward contract rate	1.27	1.23	1.20
	Average SGD:AUD forward contract rate	0.92	0.91	0.90
	Interest rate risk			
	Interest rate swaps			
	Net exposure (in thousands of SGD)	-	41	78
	Average fixed interest rate	2.2%	2.4%	2.8%

7.24B(b) The amounts at the reporting date relating to items designated as hedged items were as follows.

31 December 2018	Change in value used for calculating hedge ineffective hedge ineffectiveness $'000	Cash flow hedge reserve $'000	Costs of hedging reserve $'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'000
Foreign currency risk				
Sales, receivables and borrowings	23	154	(3)	-
Inventory purchases	15	101	(2)	-
Interest rate risk				
Variable-rate instruments	30	165	-	-

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

7.21B, 21D, 24A, 24B(b), 24C(b)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	2018				During the period - 2018							
	Nominal amount $'000	Carrying amount – assets $'000	Carrying amount – liabilities $'000	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Costs of hedging recognised in OCI $'000	Amount from hedging reserve transferred to cost of inventory $'000	Amount reclassified from hedging reserve to profit or loss $'000	Amount reclassified from costs of hedging reserve to profit or loss $'000	Line item in profit or loss affected by the reclassification
Foreign currency risk												
Forward exchange contracts - sales, receivables and borrowings	1,138	178	(5)	Other investments including derivatives (assets), trade and other payables (liabilities)	(23)	(10)	Finance costs	10	-	(12)	(6)	Revenue
										(6)	(12)	Finance costs
Forward exchange contracts - inventory purchases	758	119	(3)		(15)	-		8	6	-	-	
Interest rate risk												
Interest rate swaps	8,000	116	(20)	Other investments including derivatives (assets), trade and other payables (liabilities)	(24)	(6)	Finance costs	-	-	(13)	-	Finance costs

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

7.24E-24F The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	2018 Hedging reserve $'000	2018 Cost of hedging reserve $'000
Balance at 1 January 2018	490	26
Cash flow hedges		
Change in fair value:		
Foreign currency risk – inventory purchases	(15)	(14)
Foreign currency risk – other items	(23)	(20)
Interest rate risk	(24)	-
Amount reclassified to profit or loss:		
Foreign currency risk – other items	(18)	(8)
Interest rate risk	(13)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	(8)	(4)
Tax on movements on reserves during the year	31	15
Balance at 31 December 2018	420	(5)

Net investment hedges

7.22A A foreign currency exposure arises from the Group's net investment in its Indonesian subsidiary that has a IDR functional currency. The risk arises from the fluctuation in spot exchange rates between the IDR and the SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening IDR against the SGD that will result in a reduction in the carrying amount of the Group's net investment in the Indonesian subsidiary.

7.22B(a), FRS 107.22, 24(c) Part of the Group's net investment in its Indonesian subsidiary is hedged by a IDR-denominated secured bank loan (carrying amount: $1,240,000 (2017: $1,257,000), which mitigates the foreign currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2018 is $1,290,000 (2017: $1,260,000). The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the SGD/IDR spot rate. No ineffectiveness was recognised from the net investment hedge. The Group's investments in other subsidiaries are not hedged.

7.22B(b) To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Hedge accounting (continued)

Net investment hedges (continued)

7.24A, 24C(b)(i)-(iii)

The amounts related to items designated as hedging instruments were as follows.

	2018				During the period - 2018					
	Nominal amount $'000	Carrying amount – assets $'000	Carrying amount – liabilities $'000	Line item in the statement of financial position where the hedging instrument is included	Change in value used for calculating hedge ineffective-ness for 2018 $'000	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffective-ness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffective-ness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassifica-tion
Foreign exchange-denominated debt (IDR)	1,260	-	1,260	Loans and borrowings	(4)	(3)	(1)	Finance costs	-	N/A

7.24B(b)

The amounts related to items designated as hedged items were as follows.

	2018	During the period - 2018	
	Change in value used for calculating hedge ineffectiveness $'000	Foreign currency translation reserve $'000	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000
IDR net investment	3	125	-

Note	*Reference*	**Explanatory note**
1.	*FRS 107.23(b)*	An entity also describes any forecast transaction for which hedge accounting has been used previously, but which is no longer expected to occur.
2.		In these illustrative financial statements, we have not presented the expected cash flow information at the date of transition, as it is not considered relevant to an understanding of the transition and neither it is considered material to an understanding of the current period. Depending on the facts and circumstances of a particular entity, the information at the date of transition may be considered material or an entity may need to present such information to meet the requirements of a particular jurisdiction.
3.		See explanatory note 1 on page 212.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Hedge accounting (continued)

Comparative information under FRS 39

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, 2, 3]

	2017						
	Carrying amount $'000	Expected 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
Group							
Interest rate swaps							
Assets	131	145	15	14	33	59	24
Liabilities	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts							
Assets	375	405	185	220	-	-	-
Liabilities	(7)	(9)	(5)	(4)	-	-	-
	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.

	2017						
	Carrying amount $'000	Expected 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
Group							
Interest rate swaps							
Assets	131	145	15	14	33	59	24
Liabilities	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts							
Assets	375	405	175	178	52	-	-
Liabilities	(7)	(9)	(5)	(3)	(1)	-	-
	494	536	185	184	84	59	24

Note	*Reference*	**Explanatory note**
1.	*7.13C, B51-B52, FRS 107.13C, B51-B52*	The disclosure requirements in paragraph 13C of SFRS(I) 7 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* (7.10.250.70 and 7I.8.150.65).
	7.B53, FRS 107.B53	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.
	7.13F, FRS 107.13F	In addition, it may be helpful if an entity considers whether any related existing disclosures – e.g. disclosures related to collateral under SFRS(I) 7.14-15 – should be included in the note or cross-referred to it.
2.	*7.13C, 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 SFRS(I) 1-32.42 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 SFRS(I) 7.13C(b), including: - amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in SFRS(I) 1-32.42; 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.
	7.13C, B52 – 53, FRS 107.13C, B51-52	The disclosure requirements described in paragraph 13C of SFRS(I) 7 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* (7.10.250.120 and 7I.8.150.110).

Reference

Notes to the financial statements

22. Financial instruments (continued)

Master netting or similar agreements

7.13B,13E, B50, 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.

7.13C, B46, 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 2018						
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 2017						
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

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Master netting or similar agreements (continued)

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
1 January 2017						
Financial assets						
Interest rate swaps used for hedging	*9*	147	-	147	-	147
Forward exchange contracts used for hedging	*9*	321	-	321	(4)	317
Trade receivables	*13*	6,718	(4,120)	2,598	-	2,598
Total		7,186	(4,120)	3,066	(4)	3,062
Financial liabilities						
Interest rate swaps used for hedging	*21*	-	-	-	-	-
Forward exchange contracts used for hedging	*21*	7	-	7	(4)	3
Trade payables	*21*	4,120	(4,120)	-	-	-
Total		4,127	(4,120)	7	(4)	3

Company

	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 2018						
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 2017						
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)	-	-	-

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Master netting or similar agreements (continued)

Company

	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
1 January 2017						
Financial assets						
Trade receivables	*13*	1,890	(1,460)	430	-	430
Amounts due from subsidiaries, trade	*13*	5,250	(2,490)	2,760	-	2,760
Total		7,140	(3,950)	3,190	-	3,190
Financial liabilities						
Trade payables	*21*	1,460	(1,460)	-	-	-
Amounts due to subsidiaries, trade	*21*	2,490	(2,490)	-	-	-
Total		3,950	(3,950)	-	-	-

7.B42, 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.	*1-1.134-136*	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 'net debt' and 'adjusted equity' because they are relevant to understanding how it manages capital and are not defined in SFRS(I). It has also provided the reconciliations between these measures and items presented in the consolidated financial statements.

Reference

Notes to the financial statements

22. Financial instruments (continued)

1-1.134, 135(a)

Capital management[1]

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.

1-1.135(a)

The Board's target is for employees of the Group to hold 5% of the Company's ordinary shares by 2020. 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.

1-1.135(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 2018, the return was 26.7% (2017: 12.0%). In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.4% (2017: 5.4%).

1-1.135(a)

The Group monitors capital using a net debt to adjusted equity ratio, which is 'net debt' divided by 'adjusted equity'. For this purpose, net debt is defined as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges.[2]

1-1.135(b)

The Group's policy is to keep the ratio below 2.00. The Group's net debt to adjusted equity ratio at the reporting date was as follows:

	2018 $'000	2017 $'000	1 Jan 2017 $'000
Total liabilities	54,296	54,061	60,328
Less: cash and cash equivalents	(1,505)	(1,850)	(2,529)
Net debt	52,791	52,211	57,799
Total equity	30,934	33,347	29,573
Less: hedging reserve (including cost of hedging)	(498)	(478)	(434)
Adjusted equity	30,436	32,869	29,139
Net debt to adjusted equity ratio	1.73	1.59	1.98

1-1.135(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.

1-1.135(c)

There were no changes in the Group's approach to capital management during the year.

1-1.135(a)(ii)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note	*Reference*	**Explanatory note**
1.	*7.6, 25, B1-B3, FRS 107.6, 25, B1-B3*	The disclosures in respect of fair values apply to each 'class' of financial asset, which is not defined in SFRS(I) 7. Classes are distinct from the categories of financial instruments specified in SFRS(I) 9. 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 SFRS(I) 7.
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 SFRS(I) 9. This presentation is optional and different presentation methods may be desirable, depending on circumstances.
3.	*7.29, 13.97, FRS 107.29*	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]

7.8, 25-26, 29-30, 13.93(a)-(b), 94, 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.

		Carrying amount								Fair value			
Group	*Note*	**Mandatorily at FVTPL - others $'000**	**Designated at FVTPL $'000**	**Fair value – hedging instruments $'000**	**Financial assets at amortised cost $'000**	**FVOCI – debt instruments $'000**	**FVOCI – equity instruments $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
31 December 2018													
Financial assets measured at fair value													
Debt investments – at FVOCI	9	-	-	-	-	118	-	-	118	78	40	-	118
Equity investments – at FVOCI	9	-	-	-	-	-	710	-	710	467	-	243	710
Equity investments – mandatorily at FVTPL	9	251	-	-	-	-	-	-	251	251	-	-	251
Interest rate swaps used for hedging	9	-	-	116	-	-	-	-	116	-	116	-	116
Debt investments – mandatorily at FVTPL	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
		616	-	413	-	118	710	-	1,857				
Financial assets not measured at fair value[3]													
Debt investments – at amortised cost	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				
		-	-	-	20,367	-	-	-	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 value[3]													
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 (excludes refund liabilities)	21	-	-	-	-	-	-	(19,700)	(19,700)				
		-	-	-	-	-	-	(42,257)	(42,257)				

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

FRS 107.8, 25-26, 29-30, 13.93(a)-(b), 94, 97, 99

		Carrying amount								Fair value			
Group	***Note***	**FVTPL – held-for-trading $'000**	**FVTPL – 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													
Debt investments – available-for-sale	*9*	-	-	-	-	-	373	-	373	373	-	-	373
Equity investments – available-for-sale	*9*	-	-	-	-	-	511	-	511	511	-	-	511
Equity investments – designated at FVTPL	*9*	-	254	-	-	-	-	-	254	254	-	-	254
Interest rate swaps used for hedging	*9*	-	-	131	-	-	-	-	131	-	131	-	131
Debt investments – held-for-trading	*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													
Debt investments – held-to-maturity	*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 (excludes refund liabilities)	*21*	-	-	-	-	-	-	(24,291)	(24,291)				
		-	-	-	-	-	-	(48,165)	(48,165)				

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

FRS 107.8, 25-26, 29-30, 13.93(a)-(b), 94, 97, 99

Group	Note	Carrying amount FVTPL – held-for-trading $'000	FVTPL – 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	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
1 January 2017													
Financial assets measured at fair value													
Debt investments – available-for-sale	*9*	-	-	-	-	-	261	-	261	261	-	-	261
Equity investments – available-for-sale	*9*	-	-	-	-	-	375	-	375	375	-	-	375
Equity investments – designated at FVTPL	*9*	-	295	-	-	-	-	-	295	295	-	-	295
Interest rate swaps used for hedging	*9*	-	-	147	-	-	-	-	147	-	147	-	147
Debt investments – held-for-trading	*9*	396	-	-	-	-	-	-	396	396	-	-	396
Forward exchange contracts used for hedging	*9*	-	-	321	-	-	-	-	321	-	321	-	321
Other forward exchange contracts	*9*	104	-	-	-	-	-	-	104	-	104	-	104
		500	295	468	-	-	636	-	1,899				
Financial assets not measured at fair value													
Debt investments – held-to-maturity	*9*	-	-	-	2,192	-	-	-	2,192	2,202	-	-	2,202
Trade and other receivables	*13*	-	-	-	-	16,220	-	-	16,220				
Cash and cash equivalents	*14*	-	-	-	-	2,529	-	-	2,529				
		-	-	-	2,192	18,749	-	-	20,941				
Financial liabilities measured at fair value													
Forward exchange contracts used for hedging	*21*	-	-	(7)	-	-	-	-	(7)	-	(7)	-	(7)
Interest rate swaps used for hedging	*21*	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	(7)	-	-	-	-	(7)				
Financial liabilities not measured at fair value													
Bank overdrafts	*14*	-	-	-	-	-	-	(303)	(303)				
Secured bank loans	*16*	-	-	-	-	-	-	(15,581)	(15,581)	-	(15,427)	-	(15,427)
Unsecured bank loans	*16*	-	-	-	-	-	-	(48)	(48)	-	(48)	-	(48)
Amount received from securitisation vehicle	*16*	-	-	-	-	-	-	(62)	(62)	-	(62)	-	(62)
Unsecured bond issues	*16*	-	-	-	-	-	-	(9,200)	(9,200)	-	(9,356)	-	(9,356)
Finance lease liabilities	*16*	-	-	-	-	-	-	(2,396)	(2,396)	-	(2,281)	-	(2,281)
Loan from associate	*16*	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,040)	-	(1,040)
Trade payables (excludes refund liabilities)	*21*	-	-	-	-	-	-	(27,255)	(27,255)				
		-	-	-	-	-	-	(55,845)	(55,845)				

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

7.8, 25-26, 29-30, 13.93(a)-(b), 94, 97, 99

Company	Note	Carrying amount: Mandatorily at FVTPL - others $'000	Financial assets at amortised cost $'000	FVOCI – debt instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Fair value: Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018											
Financial assets measured at fair value											
Debt investments – at FVOCI	*9*	-	-	118	-	-	118	78	40	-	118
Equity investments – at FVOCI	*9*	-	-	-	710	-	710	467	-	243	710
Equity investments – mandatorily at FVTPL	*9*	248	-	-	-	-	248	248	-	-	248
Debt investments – mandatorily at FVTPL	*9*	197	-	-	-	-	197	197	-	-	197
Other forward exchange contracts	*9*	120	-	-	-	-	120	-	120	-	120
		565	-	118	710	-	1,393				
Financial assets not measured at fair value											
Debt investments – at amortised cost	*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				
		-	23,872	-	-	-	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 (excludes refund liabilities)	*21*	-	-	-	-	(4,935)	(4,935)				
		-	-	-	-	(16,694)	(16,694)				

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

FRS 107.8, 25-26, 29-30, 13.93(a)-(b), 94, 97, 99

Company	Note	Carrying amount							Fair value			
		FVTPL – held-for-trading $'000	FVTPL – designated at fair value $'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												
Debt investments – available-for-sale	*9*	-	-	-	-	373	-	373	373	-	-	373
Equity investments – available-for-sale	*9*	-	-	-	-	511	-	511	511	-	-	511
Equity investments – designated at FVTPL	*9*	-	250	-	-	-	-	250	250	-	-	250
Debt investments – held-for-trading	*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												
Debt investments – held-to-maturity	*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 (excludes refund liabilities)	*21*	-	-	-	-	-	(5,084)	(5,084)				
		-	-	-	-	-	(11,228)	(11,228)				

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

FRS 107.8, 25-26, 29-30, 13.93(a)-(b), 94, 97, 99

Company	*Note*	Carrying amount								Fair value			
		FVTPL – held-for-trading $'000	**FVTPL – 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**
1 January 2017													
Financial assets measured at fair value													
Debt investments – available-for-sale	*9*	-	-	-	-	-	261	-	261	261	-	-	261
Equity investments – available-for-sale	*9*	-	-	-	-	-	375	-	375	375	-	-	375
Equity investments – designated at FVTPL	*9*	-	261	-	-	-	-	-	261	261	-	-	261
Debt investments – held-for-trading	*9*	331	-	-	-	-	-	-	331	331	-	-	331
Other forward exchange contracts	*9*	74	-	-	-	-	-	-	74	-	74	-	74
		405	261	-	-	-	636	-	1302				
Financial assets not measured at fair value													
Debt investments – held-to-maturity	*9*	-	-	-	2,192	-	-	-	2,192	2,202	-	-	2,202
Trade and other receivables	*13*	-	-	-	-	12,597	-	-	12,597				
Cash and cash equivalents	*14*	-	-	-	-	955	-	-	955				
		-	-	-	2,192	13,552	-	-	15,744				
Financial liabilities not measured at fair value													
Unsecured bond issues	*16*	-	-	-	-	-	-	(5,113)	(5,113)	-	(5,146)	-	(5,146)
Loan from associate	*16*	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,040)	-	(1,040)
Intra-group financial guarantee	*16*	-	-	-	-	-	-	(41)	(41)				
Trade payables (excludes refund liabilities)	*21*	-	-	-	-	-	-	(4,945)	(4,945)				
		-	-	-	-	-	-	(11,099)	(11,099)				

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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.

13.91(a), 93(d), 93(h)(i), 99

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
3.B67(b)(iii) Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	• Expected cash flows (2018: $318,000 - $388,000). • Risk-adjusted discount rate (2018: 5.5%).	The estimated fair value would increase (decrease) if: • the expected cash flows were higher (lower); or • the risk-adjusted discount rate was lower (higher).
Group and Company			
Equity investments	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity investments, and the expected EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	• Adjusted market multiple (2018: 4–6).	The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Debt investments	*Market comparison/ discounted cash flow:* 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 yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Measurement of fair values (continued)

13.91(a), 93(d), 93 (h)(i), 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	*Forward pricing:* 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	*Swap models:* 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.

13.93(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**
1.	*13.93(e)*	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 2017 and 31 December 2017, and during 2017. If there are any, a reconciliation from the opening balances to the closing balances for 2017 is required.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Measurement of fair values (continued)

(ii) Transfers between Levels 1 and 2

13.93(c), 95 At 31 December 2018, the Group and the Company's debt investments measured at FVOCI with a carrying amount of $40,000 were transferred from Level 1 to Level 2 because quoted prices in the market for such debt investments were no longer regularly available. To determine the fair value of such debt investments, 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 2018 and no transfers in either direction in 2017.

(iii) Level 3 fair values

13.93(e) The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:[1]

Reference		Group		Company
		Equity investments – at FVOCI $'000	**Contingent consideration $'000**	**Equity investments – at FVOCI $'000**
	At 1 January 2018	-	-	-
13.93(e)(iii)	Purchases	218	-	218
13.91(b), 93(e)(i), (f)	Total unrealised gains and losses recognised in profit or loss			
	- finance costs	-	(20)	-
13.91(b), 93(e)(ii)	Total unrealised gains and losses for the period included in other comprehensive income			
	- net change in fair value of FVOCI financial assets	25	-	25
13.93(e)(iii)	Arising from business combination	-	(250)	-
	At 31 December 2018	243	(270)	243

Equity investments – FVOCI

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.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

(iii) Level 3 fair values (continued)

13.93(h)(ii)

Sensitivity analysis

For the fair values of contingent consideration and equity investments – FVOCI, 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 2018		
Expected cash flows (10% movement)	(23)	23
Risk-adjusted discount rate (1% movement (100 bps))	6	(6)

Equity investments – FVOCI

	Group and Company OCI, net of tax	
	Increase $'000	Decrease $'000
31 December 2018		
Adjusted market multiple (5% movement)	81	(81)

23. Revenue

Reference		Note	Continuing operations		Discontinued operation (see note 29)		Group	
			2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
15.113(a)	Revenue from contracts with customers		99,000	96,424	7,543	23,193	106,893	119,617
INT 1-29.6A	Service concession revenue	*40*	350	-	-	-	-	-
40.75(f)(i)	Investment property rentals		810	212	-	-	810	212
			100,160	96,636	7,543	23,193	107,703	119,829

Note	*Reference*	**Explanatory note**
1.	*1-1.117(b), 119*	The Group presents significant accounting policies related to revenue from contracts with customers in the 'Revenue' note, rather than in a separate note with other significant accounting policies. Other approaches to presenting accounting policies may be acceptable.

Reference

Notes to the financial statements

23. Revenue (continued)

The following tables provide information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies[1]:

15.119(a)-(e), 126(c), (d), 1-1.125

Paper: Standard papers and recycled papers segments

Nature of goods or services	The paper segment of the Group principally generates revenue from recycling, manufacturing and distributing pulp and paper. The Group grants loyalty credits when customers buy certain designated products, which can be redeemed for discounts on subsequent purchases of paper products. The points provide a material right to customers and are accounted for as a separate performance obligation.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Payment is due when goods are delivered to the customers. The Group allocates a portion of the consideration received to loyalty credits. This allocation is based on the relative stand-alone selling prices. The stand-alone selling price per point is estimated using the adjusted market assessment approach, factoring in customers' historical trends of redemption rates in determining the estimated discount per loyalty credit issued to the customers. The amount allocated to the loyalty credits is deferred in the statement of financial position as 'Contract liabilities' and is recognised as revenue when the points are redeemed or expire.
Obligations for returns and refunds, if any	Certain customers have the right to return the goods to the Group within 1 month if the customers are dissatisfied with the product. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of paper, size, finish etc. The Group recognises refund liabilities as 'Trade and other payables' for the expected returns from customers. Separately, the Group recognises related assets for the rights to recover the returned goods, as 'Inventories', based on the previous carrying amounts of the goods less expected recovery costs (including potential decreases in the value of returned goods). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly.
Obligations for warranties	All paper products come with standard warranty terms of one month, under which customers are able to return and replace any defective products.

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Reference

Notes to the financial statements

23. Revenue (continued)

Paper: Standard papers and recycled papers segments (continued)

15.91, 92, 94, 127(b), 129 The Group pays sales commissions to employees for securing long-term sales contracts for the Group on a success basis. Such commissions are incremental costs and are capitalised as contract costs as the Group expects to recover these costs. These costs are amortised consistently with the pattern of revenue being recognised for the related contract. For sales commissions arising from contracts that are completed within a year, the Group has applied the practical expedient and recognised these costs an expense when incurred.

15.128(b) During the year, contract costs totalling $154,000 (2017: $256,000) were amortised to profit or loss. There was no impairment loss recognised on contract costs.

15.119(a)-(c)

Designing and manufacturing of packaging materials (discontinued during the year)

Nature of goods or services	The Group designs and manufactures standardised paper packaging materials that are sold to retailers for the mass market. There are no long standing contracts with these retailers and orders for the packaging materials are received on an ad hoc basis.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Payment is due when goods are delivered to the customers.

15.119(a)-(c), 126(c)

Forestry segment

Nature of goods or services	The forestry segment of the Group focuses on cultivating and managing forest resources and providing related services. Forest cultivation and management services include the provision of skilled labour to tend to the customers' timber forests. Services may be sold separately or in bundled packages. For the bundled contracts, the Group accounts for individual services separately if they are distinct i.e., if a service is separately identifiable from other items in the bundled package and if a customer can benefit from it.
When revenue is recognised	The consideration for bundled sales is allocated to the separate services based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on individual prices that the Group would have charged if the services were contracted for separately. Revenue is recognised over time, based on the relative stand-alone selling prices of each of the services provided.
Significant payment terms	Invoices are issued on a monthly basis and are payable within 30 days.

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Reference

Notes to the financial statements

23. Revenue (continued)

15.119(a)-(d), 126(d)

Timber products segment

Nature of goods or services	The Group manufactures and distributes softwood lumber, plywood and other timber-related building materials such as veneer, composite panels and engineered lumber.
When revenue is recognised	Where contracts relate to the manufacturing of timber-related goods using the customers' own supply of timber, revenue is recognised once the manufacturing is complete. However, for timber-related goods that are manufactured using the Group's own timber supply, and subsequently distributed to its customers, revenue is typically recognised when the goods are delivered to the customers' warehouses.
Significant payment terms	Payment is received when the manufactured goods are delivered to the customers. For protective reasons, a portion of the contract consideration is received upfront, and the remaining consideration is received from customers when goods are delivered to the customers' warehouses. As such, no financing component has been recognised as the payment terms are for reasons other than financing.
Obligations for returns and refunds, if any	Certain customers have the right to return the goods to the Group within 1 month if the customers are dissatisfied with the product. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of timber, size, finish etc. The Group's recognition policies for refund liabilities and related assets are similar as those for 'Paper: Standard papers and recycled papers segments'.

15.20-21

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification.

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Reference

Notes to the financial statements

23. Revenue (continued)

15.91, 94, 95, 119(a)-(c), 123(a), 129, 1-1.122

Construction of storage units and warehouses

Nature of goods or services	The Group constructs storage units and warehouses for some of the Group's customers in the timber and forestry segments. These storage units and warehouses are constructed based on specifically negotiated contracts with customers.
When revenue is recognised	The Group has assessed that these construction contracts qualify for over time revenue recognition as the storage units and warehouses have no alternative use for the Group due to contractual restrictions, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

15.91, 92, 93, 94, 127(b), 129

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. There are no costs incurred to fulfil a contract during the year ended 31 December 2018 and 2017.

Note	*Reference*	**Explanatory note**
1.	*15.119(e)* *B28-B33*	An 'assurance warranty' is a warranty that only covers the compliance of a product with agreed-on specifications. A 'service warranty' provides the customer with a service in addition to the assurance that the product complies with agreed-on specifications. Service warranties are accounted for as separate performance obligations and the entity allocates a portion of the transaction price to that performance obligation.

Reference

Notes to the financial statements

23. Revenue (continued)

15.119(a)-(c), (e) 123(a), 129, 1-1.122

Furniture manufacturing

Nature of goods or services	The Group manufactures furniture for both the mass market as well as customised furniture based on the customer's specifications.
When revenue is recognised	Revenue from furniture made for the mass market is recognised when the furniture is delivered to the warehouse of the customer. However, for customised furniture, revenue is recognised over time as the customised furniture are made to customers' specifications and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	Invoices for sales of furniture for the mass market are issued to the customers when the products are delivered. Payment for these products is due within 30 days. No element of financing is deemed present as the credit terms are consistent with market practice. Hence no interest is charged to customers. For customers of customised furniture, an upfront deposit is collected upon confirmation of order. Payment of the outstanding amounts is due within 30 days from the date the finished products are delivered to the customers. The Group has applied the practical expedient not to recognise any financing element as the contracts are typically completed within a year. Volume discounts are given to customers who order furniture in bulk purchases. Such volume discounts are accounted for as consideration payable to customers and are netted against revenue that is recognised on those furniture sold.
Obligations for warranties	Furniture sold by the Group comes with a standard warranty term of two years, with the option to extend for another two years for an additional consideration at the time of purchase of the furniture. The Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The Group's obligation to provide repair services under the standard warranty terms is recognised as a provision (see note 3.13(i)). The additional consideration received for extended warranties would first be recognised as a contract liability, and subsequently realised as revenue on a straight-line basis over the extended warranty period.[1]

15.119(a)-(c)

Cultivation and sale of farm animals

Nature of goods or services	The Group cultivates and sells farm animals. The livestock is sold at different stages of their lives depending on the type of produce demanded by their customers.
When revenue is recognised and significant payment terms	Revenue is recognised, and payment is due when the livestock is delivered to the customer's premise.

Note *Reference* **Explanatory note**

1. *15.114, B88, IE210-IE211*

The extent to which an entity's revenue is disaggregated for the purposes of these illustrative financial statements depends on the facts and circumstances of the entity's contracts with customers. Some entities may need to use more than one type of category to meet the objective in paragraph 114 of SFRS(I) 15 for disaggregating revenue. Other entities may meet the objective by using only one type of category.

15.115

An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies SFRS(I) 8.

In the illustrated presentation, disaggregation of revenue is presented separately from operating segments. However, entities required to disclose operating segments need not provide disaggregated revenue disclosures if the information about revenue provided under SFRS(I) 8 meets the requirements of paragraph 114 of SFRS(I) 15 and those revenue disclosures are based on the recognition and measurement requirements in SFRS(I) 15.

2. *15.B89*

Examples of categories that might be appropriate include, but are not limited to, the following:

Type of category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Type of contract	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: • at a point in time; and • over time
Sales channels	Goods or services sold: • directly to consumers; and • through intermediaries

3. *15.112, IFRS 15.BC339, BC340, 8.33(a)*

An entity need not disclose information in accordance with SFRS(I) 15 if it has provided the information in accordance with another standard.

In these illustrative financial statements, the Group has disclosed the geographical information about revenues from external customers attributed to the Parent's country of domicile and attributed to foreign countries from which the Group derives revenue in accordance with SFRS(I) 8. In addition, the Group has disaggregated the revenue into geographical regions for each reportable segment in this table.

Reference

Notes to the financial statements

23. Revenue (continued)

15.114, 115

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 31).[1, 2]

	Reportable segments													
	Standard Papers		Recycled Papers		Packaging (Discontinued)		Forestry		Timber Products		Others#		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Primary geographical markets[3]														
Asia	36,769	50,882	3,515	-	2,603	7,958	1,967	1,846	-	-	780	41	45,634	60,727
Europe	10,272	12,610	8,208	9,022	1,885	6,005	-	-	2,700	2,985	-	-	23,065	30,622
United States of America	-	-	15,588	13,038	3,055	9,230	-	-	-	-	-	-	18,643	22,268
Australia	15,877	2,700	-	-	-	-	-	-	-	-	124	600	16,001	3,300
Other countries	1,200	900	-	-	-	-	2,000	1,800	-	-	-	-	3,200	2,700
	64,118	67,092	27,311	22,060	7,543	23,193	3,967	3,646	2,700	2,985	904	641	106,543	119,617
Major products/ service line														
Sales of goods	64,118	67,092	27,311	22,060	-	-	1,967	1,846	-	-	-	-	93,396	90,998
Forest management and cultivation services	-	-	-	-	-	-	2,000	1,800	2,700	2,985	-	-	4,700	4,785
Construction of storage units and warehouses	-	-	-	-	-	-	-	-	-	-	634	521	634	521
Furniture manufacturing	-	-	-	-	-	-	-	-	-	-	270	120	270	120
Packaging	-	-	-	-	7,543	23,193	-	-	-	-	-	-	7,543	23,193
	64,118	67,092	27,311	22,060	7,543	23,193	3,967	3,646	2,700	2,985	904	641	106,543	119,617
Timing of revenue recognition														
Products transferred at a point in time	64,118	67,092	27,311	22,060	7,543	23,193	1,967	1,846	-	-	270	120	101,209	114,311
Products and services transferred over time	-	-	-	-	-	-	2,000	1,800	2,700	2,985	634	521	5,334	5,306
	64,118	67,092	27,311	22,060	7,543	23,193	3,967	3,646	2,700	2,985	904	641	106,543	119,617

This excludes revenue from investment property rentals and service concession revenue.

Note	*Reference*	**Explanatory note**
1.	*15.116(a)*	An entity discloses the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers if they are not otherwise separately presented or disclosed.
2.	*15.105, 109, A, IFRS 15.BC320*	In these illustrative financial statements, the term 'contract assets' and 'contract liabilities' were used. However, SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets.
3.	*15.118, IFRS 15.BC346*	Although SFRS(I) 15 does not require a tabular reconciliation of the aggregated contract balances, it requires the explanation of significant changes in the contract asset and the contract liability balances during the reporting period to include both qualitative and quantitative information.

Reference

Notes to the financial statements

23. Revenue (continued)

Contract balances[1]

15.116(a) The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2018 $'000	2017 $'000	1 January 2017 $'000
Trade receivables	13	14,930	17,327	15,682
Contract assets[2]		348	280	259
Contract liabilities[2]		(140)	(17)	(20)

15.117 The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on construction of storage units and warehouses, and furniture manufacturing. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

15.117 The contract liabilities primarily relate to:

- advance consideration received from customers for sale of timber products;
- customer loyalty credits issued; and
- warranty liability relating to the service-type warranty provided to customers.

15.118 Significant changes in the contract assets and the contract liabilities balances during the period are as follows.[3]

Reference		Contract assets 2018 $'000	Contract assets 2017 $'000	Contract liabilities 2018 $'000	Contract liabilities 2017 $'000
15.116(b)	Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-	27	83
	Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(150)	(80)
	Contract asset reclassified to trade receivables	(102)	(80)	-	-
15.118(b), 116(c)	Changes in measurement of progress	120	60	-	-
15.118(c), 113(b)	Impairment loss on contract assets	(4)	-	-	-
15.118(b)	Cumulative catch-up as a result of contract modifications	54	41	-	-

15.123, 1-8.36 Significant judgements are used to estimate total contract costs to complete. In making these estimates, management has relied on the expertise of surveying engineers and craftsmen to determine the progress of the construction and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change.

Note	*Reference*	**Explanatory note**
1.	*15.111*	SFRS(I) 15 does not require the disclosure of information about remaining performance obligations by product and/or service. In these illustrative financial statements, the Group believes that the disaggregated information provided enables users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows.
2.	*15.120(b)(i)*	SFRS(I) 15 requires disclosure based on the time bands that would be most appropriate for the duration of the remaining performance obligations. In these illustrative financial statements, the Group uses a one-year time band.
	15.120(b)(ii)	The entity may disclose the information about its expectation to recognise the aggregate amount of the transaction price allocated to the remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period using qualitative information.
		Such example may be appropriate to meet the requirements of paragraph 120 of SFRS(I) 15 As at 31 December 2018, the amount allocated to the forest management and cultivation services is $2,640,000. This will be recognised as revenue by reference to surveys of work performed, which is expected to complete over the next three years.

Reference

Notes to the financial statements

23. Revenue (continued)

Transaction price allocated to the remaining performance obligations[1]

15.120 The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

Reference		2019[2] $'000	2020[2] $'000	2021[2] $'000	Total $'000
15.120(b)(i)	Forest management and cultivation services	1,370	850	420	2,640
15.120(b)(i)	Construction of storage units and warehouses	520	130	-	650
15.120(b)(i)	Furniture manufacturing	110	-	-	110

15.122 Variable consideration that is constrained and therefore not included in the transaction price is excluded from the amount presented above.

15.121, B16 The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Note	*Reference*	**Explanatory note**
1.	*1-1.87*	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 *Insights into IFRS* (4.1.110.10). There is no guidance in SFRS(I) 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 *Insights into IFRS* (4.1.30.20-40).
2.	*1-20.27*	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.
	1-20.27, 29	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).
	1-20.39(c)	An entity discloses any unfulfilled conditions and other contingencies with respect to government assistance that has been recognised.
3.	*1-36.126*	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* (3.10.410.20).

Reference

Notes to the financial statements

1-1.97

24. Other income[1]

Reference		Note	Group 2018 $'000	Group 2017 $'000
1-41.40	Change in fair value of biological assets	*6*	576	(71)
	Net increase in value of biological assets due to births/deaths	*6*	11	15
1-40.76(d)	Change in fair value of investment property	*7*	20	60
1-20.29	Government grants[2]		238	-
1-1.98(c)	Net gain on sale of property, plant and equipment		26	100
	Rental income from property subleases	*33*	150	90
			1,021	194

1-1.97

25. Other expenses[1]

Reference		Note	Group 2018 $'000	Group 2017 $'000
	Impairment loss on goodwill[3]	*5*	116	-
5.41(c)	Impairment loss on remeasurement of disposal group	*11*	25	-
	Settlement of pre-existing relationship with acquiree	*32*	326	-
1-1.87	Earthquake related expenses		359	-
			826	-

A wholly-owned subsidiary incurred expenses amounting to $359,000 (2017: nil) due to an earthquake. The expenses relate to the survey of facilities and the removal of damaged items.

Note	*Reference*	**Explanatory note**
1.		There is no guidance in SFRS(I) 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 3.17 of these illustrative financial statements. This issue is discussed in *Insights into IFRS* (7.10.70.20 and 7I.8.80.20).
2.	*7.20(b), FRS 107.20(b), 1-1.97*	Under paragraph 20(b) of SFRS(I) 7, an entity is required to disclose the total interest income (calculated using the effective interest method) for financial assets that are measured at amortised cost or at FVOCI – showing these amounts separately. Although this level of disaggregation is not required under FRS 107, for 2017 the Group has disaggregated total interest income calculated under the effective interest method for each type of financial asset category. An entity is required to disclose separately any material items of income, expense and gains and losses arising from financial assets and financial liabilities.
3.	*1-32.40*	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.
4.	*7.28, FRS 107.28*	An entity discloses the following in respect of any 'day one' gain or loss: • 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.

Reference

Notes to the financial statements

1-1.97

26. Finance income and finance costs[1]

Reference		Note	Group 2018 $'000	Group 2017 $'000
	Interest income under the effective interest method on:[2]			
FRS 107.20(b)	- Debt investments – available-for-sale		-	27
7.20(b)	- Debt investments – at FVOCI		34	-
7.20(b)	- Debt investments – at amortised cost		172	28
FRS 107.20(b)	- Debt investments – held-to-maturity - unimpaired	32	-	89
FRS 107.20(b), (d)	- Debt investments – held-to-maturity - impaired		-	6
7.20(b), FRS 107.20(b)	- Cash and cash equivalents		2	1
7.20(b), FRS 107.20(b)	**Total interest income arising from financial assets measured at amortised cost or FVOCI (2017: from financial assets measured at amortised cost)**		208	151
3.B64(p)(ii)	Remeasurement to fair value of pre-existing interest in acquiree	32	70	-
	Dividend income:			
FRS 107.20(a)(ii)	- Equity investments – available-for-sale		-	32
7.11A(d)	- Equity investments – at FVOCI – investment held at the reporting date		26	-
7.20(a)(viii)	Debt investments – FVOCI			
	- Gain on derecognition reclassified from OCI		64	-
7.20(a)(i),	Financial assets at FVTPL – net change in fair value:			
FRS 107.20(a)(i)	- Mandatorily measured at FVTPL – held-for-trading		74	-
	- Mandatorily measured at FVTPL – other		508	-
	- Designated on initial recognition		-	286
7.24C(b), FRS 107.23(d)	Cash flow hedges – gains reclassified from OCI including costs of hedging reserve		31	11
	Finance income		981	480
1-1.82(ba)	Impairment loss on debt investments		(37)	-
7.20(b), FRS 107.20(b)	Financial liabilities measured at amortised cost – interest expense[3]		(1,233)	(1,299)
1-21.52(a)	Net foreign exchange loss		(160)	(293)
FRS 107.20(a)(i)	Net change in fair value of financial assets:			
	- Held-for-trading		-	(19)
	- Designated at FVTPL		-	(22)
7.20(a)(i), FRS 107.20(a)(i)	Change in fair value of contingent consideration	32	(20)	-
1-37.84(e)	Unwind of discount on site restoration provision	20	(60)	-
7.24C(b)(ii), FRS 107.24(b)	Cash flow hedges - Ineffective portion of changes in fair value		(16)	(13)
7.24C(b)(ii), FRS 107.24(c)	Net investment hedge – ineffective portion of changes in fair value		(1)	-
	Finance costs[4]		(1,527)	(1,646)
	Net finance costs recognised in profit or loss		(546)	(1,166)

Note	*Reference*	**Explanatory note**
1.	*1-1.104*	An entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.
	1-1.97	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.	*2.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.	*1-10.21,22(h)*	In the event that changes in tax rates or tax laws enacted or announced after the reporting period have a significant effect on current and deferred tax assets and liabilities, 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. An illustration of such disclosure is provided below:
	1-12.81(d), 88	In December 2018, a new corporate tax law was enacted in [Country X]. Consequently, as of 1 July 2019, the corporate tax rate in [Country X] will be reduced from 30% to 29%. This change resulted in a gain of $15,000 related to the re-measurement of deferred tax assets and liabilities of the Group's [Country X] subsidiary, being recognised during the year ended 31 December 2018. In addition, on 23 March 2019, an increase in [Country Y] corporate tax rate from 25% to 30% was substantively enacted, effective from 1 January 2020. This increase does not affect the amounts of current or deferred income taxes recognised at 31 December 2018. However, this change will increase the Group's future current tax charge accordingly. If the new tax rate was applied to calculate taxable temporary differences and tax losses recognised as at 31 December 2018, the net deferred tax assets would increase by $27,000.
5.		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).
6.	*1-12.80(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 SFRS(I) 1-8 because they cannot be accounted for retrospectively.
7.		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 year[1]

The following items have been included in arriving at profit for the year:

Reference		Note	Group 2018 $'000	Group 2017 $'000
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
1-17.35(c)	Operating lease expense	33	282	168
1-24.18	Professional fee paid to a firm in which a director is a member		51	50
1-2.36(d)	Changes in inventories of finished goods and work in progress		(1,259)	450
1-2.36(d)	Raw materials and consumables used		34,635	35,146
1-1.104	Depreciation and amortisation expense[1]	4, 5	5,786	5,917
	(Reversal of) impairment of property, plant and equipment and development costs	4, 5	(493)	1,408
1-1.104	Employee benefits expense (see below)[1]		22,223	19,513
1-40.75(f)(ii)	Operating expenses arising from rental of investment properties	33	245	85
	Employee benefits expense[1]			
	Salaries, bonuses and other costs		18,661	16,671
1-19.53	Contributions to defined contribution plans		1,923	1,686
	Expenses related to defined benefits plan	17	444	526
2.51(a)	Equity-settled share-based payment transactions	18	755	250
2.51(a)	Cash-settled share-based payment transactions[3]	18	440	380
			22,223	19,513

28. Tax expense[4]

Reference		Group 2018 $'000	Group 2017 $'000
	Tax recognised in profit or loss[5]		
	Current tax expense[6]		
1-12.80(a)	Current year	1,016	1,352
1-12.80(b)	Changes in estimates related to prior years	97	(34)
		1,113	1,318
	Deferred tax expense[6]		
1-12.80(c)	Origination and reversal of temporary differences	2,321	717
1-12.80(f)	Change in unrecognised deductible temporary differences	(13)	5
1-12.80(f)	Recognition of tax effect of previously unrecognised tax losses	(50)	(240)
		2,258	482
	Tax expense on continuing operations	3,371	1,800

1-12.81(h) (i)-(ii) Tax expense on continuing operations excludes the Group's share of the tax expense of equity-accounted investees[7] of $251,000 (2017: $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 (2017: $44,000) and the tax expense on the gain on sale of discontinued operation of $330,000 (2017: 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.	*1-1.90*	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.

Reference

Notes to the financial statements

28. Tax expense (continued)

1-12.81(ab) **Tax recognised in OCI**[1]

For the year ended 31 December	Group 2018 Before tax $'000	2018 Tax (expense) benefit $'000	2018 Net of tax $'000	2017 Before tax $'000	2017 Tax (expense) benefit $'000	2017 Net of tax $'000
Items that will not be reclassified to profit or loss						
1-1.90 Revaluation of property, plant and equipment	200	(66)	134	-	-	-
1-1.90 Remeasurements of defined benefit liability (asset)	72	(24)	48	(15)	5	(10)
1-1.90 Equity investments at FVOCI – net change in fair value	163	(54)	109	-	-	-
	435	(144)	291	(15)	5	(10)
Items that are or may be reclassified subsequently to profit or loss						
1-1.90 Net investment hedge	(3)	-	(3)	(8)	-	(8)
1-1.90 Foreign operations – foreign currency translation differences	500	-	500	330	-	330
1-1.90 Reclassification of foreign currency differences on loss of significant influence	(20)	-	(20)	-	-	-
1-1.90 Equity-accounted investees - share of OCI	21	-	21	-	-	-
1-1.90 Cash flow hedges reserve:						
Effective portion of changes in fair value	(62)	21	(41)	77	(26)	51
Net amount reclassified to profit or loss	(31)	10	(21)	(11)	4	(7)
1-1.90 Available-for-sale financial assets – net change in fair value	-	-	-	94	(31)	63
Cost of hedging reserve:						
Net change in fair value	18	(5)	13	-	-	-
Net amount reclassified to profit or loss	(18)	5	(13)	-	-	-
Debt investments at FVOCI:						
Net change in fair value	36	(13)	23	-	-	-
Net amount reclassified to profit or loss	(64)	22	(42)	-	-	-
	377	40	417	482	(53)	429
	812	(104)	708	467	(48)	419

Note	*Reference*	**Explanatory note**
1.	*1-12.85*	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.
	1-12.81(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.
2.		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.
3.	*5.35*	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)

1-12.81(c)

Reconciliation of effective tax rate[1, 2]

	Group 2018 $'000	Group 2017 $'000
Profit before tax from continuing operations	10,929	6,178
Tax using the Singapore tax rate of 17% (2017: 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 is recognised	15	127
Change in unrecognised temporary differences	(13)	5
Changes in estimates related to prior years	97	(34)
	3,371	1,800

Uncertainty over income tax treatments

1-1.122, 1-12.88 From 2014 until 2017, 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 2017, 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 2014 – 2017 of up to $53,000 may be incurred. This amount has not been recognised in these 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 that it is probable that it would 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 operation[3]

5.30, 41(a), (b), (d) In May 2018, 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 2017. 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 2018 following a strategic decision to place greater focus on the Group's key competencies 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.

Note	*Reference*	**Explanatory note**
1.		In our view, considering that SFRS(I) 5 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 or in the notes. In our experience, if the additional disclosure is provided in the statement of profit or loss, 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. This issue is discussed in *Insights into IFRS* (5.4.230.40).
2.	*5.33(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.	*1-33.68*	The Group has elected to present basic and diluted earnings per share for the discontinued operation in the notes. Alternatively, basic and diluted EPS for the discontinued operation may be presented in the statement of profit or loss.
4.	*1-7.10, 5.33(c)*	In our view there are numerous ways in which requirements of SFRS(I) 5 and SFRS(I) 1-7 regarding cash flow presentation may be met. The Group has elected to present: - a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations; and - amounts related to discontinued operations by operating, investing and financing activities in the notes. Alternatively, cash flows attributable to the operating, investing and financing activities of discontinued operations can be presented separately in the statement of cash flows. This issue is discussed in *Insights into IFRS* (5.4.220.50). 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)

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.

Reference		Note	Group 2018 $'000	Group 2017 $'000
1-1.98(e)	**Results of discontinued operation**[1, 2]			
5.33(b)(i)	Revenue		8,483	25,578
	Elimination of inter-segment revenue		(940)	(2,385)
	External revenue		7,543	23,193
5.33(b)(i)	Expenses		(8,641)	(26,486)
	Elimination of expenses related to inter-segment sales		936	2,827
	External expenses		(7,705)	(23,659)
5.33(b)(i)	**Results from operating activities**		(162)	(466)
5.33(b)(ii), 1-12.81(h)(ii)	Tax	28	25	44
	Results from operating activities, net of tax		(137)	(422)
5.33(b)(iii)	Gain on sale of discontinued operation		846	-
5.33(b)(ii), 1-12.81(h)(i)	Tax on gain on sale of discontinued operation	28	(330)	-
5.33(a)	**Profit (loss) from discontinued operation, net of tax**		379	(422)
1-33.68	Basic earnings (loss) per share (dollars)[3]	30	0.12	(0.14)
1-33.68	Diluted earnings (loss) per share (dollars)[3]	30	0.11	(0.14)

5.33(d) The profit from discontinued operation of $379,000 (2017: loss of $422,000) is attributable entirely to the owners of the Company. Of the profit from continuing operations of $7,558,000 (2017: $4,378,000), an amount of $7,034,000 is attributable to the owners of the Company (2017: $4,159,000).

Reference		Group 2018 $'000	Group 2017 $'000
5.33(c)	**Cash flows from (used in) discontinued operation**[4]		
	Net cash used in operating activities	(225)	(910)
	Net cash from investing activities	10,890	852
	Net cash flows for the year	10,665	(58)

Note	*Reference*	**Explanatory note**
1.	*1-33.64*	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.

Reference

Notes to the financial statements

29. Discontinued operation (continued)

1-7.40(d)

Effect of disposal on the financial position of the Group

Reference		Note	Group 2018 $'000
	Property, plant and equipment		(7,986)
	Inventories		(134)
	Trade and other receivables		(3,955)
1-7.40(c)	Cash and cash equivalents		(110)
	Deferred tax liabilities	10	110
	Trade and other payables		1,921
	Net assets and liabilities		(10,154)
1-7.40(a), (b)	Consideration received, satisfied in cash		11,000
	Cash and cash equivalents disposed of		(110)
	Net cash inflow		10,890

30. Earnings per share[1]

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

1-33.70(a)

Profit (loss) attributable to ordinary shareholders

	Group 2018 Continuing operations $'000	2018 Discon-tinued operation $'000	2018 Total $'000	2017 Continuing operations $'000	2017 Discon-tinued operation $'000	2017 Total $'000
Profit (loss) for the year, attributable to the owners of the Company	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

1-33.70(b)

Weighted-average number of ordinary shares

	Note	Group 2018 '000	Group 2017 '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 2018		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.	*1-33.73*	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 SFRS(I) 1-33.
	1-33.73	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 *Insights into IFRS* (5.3.560.30).
3.		In our view, the method used to determine the average market price for ordinary shares should be disclosed in the notes. This issue is discussed in *Insights into IFRS* (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 has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

1-33.70(a)

Profit (loss) attributable to ordinary shareholders (diluted)[1]

	Group					
	2018			2017		
	Continuing operations $'000	Discon-tinued operation $'000	Total $'000	Continuing operations $'000	Discon-tinued operation $'000	Total $'000
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

1-33.70(b)

Weighted-average number of ordinary shares (diluted)[2]

		Group	
	Note	2018 '000	2017 '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

1-33.70(c)

At 31 December 2018, 35,000 options (2017: 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.	*8.2*	SFRS(I) 8 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.	*8.IN13, 27, 28*	Underlying SFRS(I) 8 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 SFRS(I) if this is how the information reported to the CODM is prepared. To help users understand the segment information presented, SFRS(I) 8 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 SFRS(I) 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 SFRS(I), 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.	*8.22(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 302.
5.		See explanatory note 5 on page 302.

Reference

Notes to the financial statements

31. Operating segments[1, 2, 3, 4, 5]

8.20-22 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 2018 (see note 15).
- *Packaging.* Includes designing and manufacturing packaging materials; this segment was sold in May 2018 (see note 29).
- 1-41.46(a) *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.

8.16, 1-41.46(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 2018 or 2017.

8.27(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.

8.27 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.	*8.32*	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.
	8.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 SFRS(I), 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.	*8.23*	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.	*8.23*	SFRS(I) 8 requires a measure of segment assets and segment liabilities to be disclosed only if the amounts are regularly provided to the CODM.
4.	*8.23*	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 SFRS(I) 1-1; – 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.		SFRS(I) 8 does not specify the disclosure requirements for a discontinued operation; nevertheless, if the CODM regularly reviews the financial results of the discontinued operation (e.g. until the discontinuance is completed) and the definition of an operating segment is otherwise met, then an entity may need to disclose such information to meet the core principle of SFRS(I) 8. 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

Reference	Group	Standard Papers 2018 $'000	Standard Papers 2017 $'000	Recycled Papers 2018 $'000	Recycled Papers 2017 $'000	Packaging (Discontinued) 2018 $'000	Packaging (Discontinued) 2017 $'000	Forestry 2018 $'000	Forestry 2017 $'000	Timber Products 2018 $'000	Timber Products 2017 $'000	Research and Development 2018 $'000	Research and Development 2017 $'000	Others 2018 $'000	Others 2017 $'000	Total 2018 $'000	Total 2017 $'000
8.23(a), 32	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
8.23(b)	Inter-segment revenue	-	-	317	323	940	2,835	2,681	2,676	1,845	1,923	875	994	891	765	7,549	9,516
8.23(c)	Interest revenue[2]	116	103	46	29	-	-	48	32	10	7	-	-	28	7	248	178
8.23(d)	Interest expense[2]	(534)	(586)	(322)	(362)	-	-	(313)	(308)	(76)	(63)	-	-	(28)	(7)	(1,273)	(1,326)
8.23(e)	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)
8.21(b), 23	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
8.23(g)	Share of profit of equity-accounted investees	541	708	-	-	-	-	-	-	-	-	-	-	-	-	541	708
8.23(i)	Other material non-cash items:																
1-36.129(a), 130(d)(ii)	- Impairment losses on property, plant and equipment, intangible assets and goodwill	-	(1,408)	-	-	-	-	-	-	(116)	-	-	-	-	-	(116)	(1,408)
1-36.129(b), 130(d)(ii)	- Reversal of impairment losses on property, plant and equipment and intangible assets	493	-	-	-	-	-	-	-	-	-	-	-	-	-	493	-
8.21(b)	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
8.24(a)	Equity-accounted investees	7,179	3,638	-	-	-	-	-	-	-	-	-	-	-	-	7,179	3,638
8.24(b)	Capital expenditure	8,492	1,136	5,365	296	-	127	1,158	722	545	369	1,203	123	560	150	17,323	2,923
8.21(b)	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

Note	*Reference*	**Explanatory note**
1.	*8.28*	An entity can also meet the reconciliation requirements of SFRS(I) 8 by inserting two extra columns in the table illustrated on page 305, 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.	*8.28(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.	*8.28(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 SFRS(I) measures[1]

Reference		2018 $'000	2017 $'000
8.28(a)	**Revenues**		
	Total revenue for reportable segments	112,297	127,727
	Revenue for other segments	2,955	1,618
	Elimination of inter-segment revenue	(7,549)	(9,516)
	Elimination of discontinued operations	(7,543)	(23,193)
	Consolidated revenue	100,160	96,636
8.28(b)	**Profit or loss before tax**		
	Total profit or loss before tax for reportable segments	10,480	7,509
	Profit or loss before tax for other segments	771	195
		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	10,929	6,178
8.28(c)	**Assets**[2]		
	Total assets for reportable segments	67,076	74,992
	Assets for other segments	7,398	3,683
	Investments in equity-accounted investees	7,179	3,638
	Other unallocated amounts	3,577	5,095
	Consolidated total assets	85,230	87,408
8.28(d)	**Liabilities**[2]		
	Total liabilities for reportable segments	51,514	49,893
	Liabilities for other segments	237	454
	Other unallocated amounts	2,545	3,714
	Consolidated total liabilities	54,296	54,061

8.28(e) **Other material items 2018**

	Reportable segment totals $'000	Adjustments[3] $'000	Consolidated totals $'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 goodwill	(116)	-	(116)
Reversal of impairment losses on property, plant and equipment and intangible assets	493	-	493

Note	*Reference*	**Explanatory note**
1.	*8.31-33*	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; • non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising from insurance contracts, by geographical area; and • information on the extent of reliance on major customers. 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 SFRS(I) 8, 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.	*8.24(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. SFRS(I) 8 does not specify which financial instruments are excluded from non-current assets reported in the geographic information.

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 SFRS(I) measures (continued)

8.28(e) **Other material items 2017**

	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 information[1]

8.33(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.

	2018 $'000	2017 $'000
Revenue		
Singapore (of which $2,603 (2017: $7,958) relates to discontinued packaging operation)	27,140	35,298
Indonesia	19,654	25,641
Netherlands (of which $1,885 (2017: $6,005) relates to discontinued packaging operation)	20,556	27,877
United States of America (of which $3,055 (2017: $9,230) relates to discontinued packaging operation)	18,643	22,268
Australia	16,001	3,300
Other countries	5,709	5,445
Packaging (discontinued)	(7,543)	(23,193)
Consolidated revenue	100,160	96,636
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	4,916	4,897
	37,067	47,268

(i) Non-current assets exclude financial instruments (other than equity-accounted investees), deferred tax assets and employee benefit assets.[2]

Major customer

8.34 Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represents approximately $20,000,000 (2017: $17,500,000) of the Group's total revenues.

Note	*Reference*	**Explanatory note**
1.	*3.61, B67(e)*	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: • 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.	*3.63*	If the specific disclosures pursuant to the requirements of SFRS(I) 3 and other SFRS(I)s 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.	*3.45, B67*	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 subsidiary[3]

3.B64(a)-(c) On 31 March 2018, 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.

3.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.

3.B64(q) For the nine months ended 31 December 2018, 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 2018, 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 2018.

Consideration transferred

3.B64(f) The following table summarises the acquisition-date fair value of each major class of consideration transferred:

Reference		Note	$'000
3.B64(f)(i), 1-7.40(a), (b)	Cash		2,500
3.B64(f)(iv), 1-7.43	Equity instruments issued (8,000 ordinary shares)	*15*	87
	Replacement share-based payment awards – value of past service		120
3.B64(f)(iii)	Contingent consideration		250
	Settlement of pre-existing relationship		(326)
	Total consideration transferred		2,631

Equity instruments issued

3.B64(f)(iv) The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2018 of $10.88 per share.

Replacement share-based payment awards

3.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	• Grant date 1 April 2017 • Vesting date 31 March 2021 • Service condition	• Vesting date 31 March 2021 • Service condition
Fair value at date of acquisition	$527,000	$571,000

Note	*Reference*	**Explanatory note**
1.	*3.B64(g)*	For contingent consideration arrangements and indemnification assets, an entity discloses: • 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)

1-1.125, 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

1-1.125, 129, 3.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 2018, the contingent consideration had increased to $270,000 (see note 21).[1]

Settlement of pre-existing relationship

3.B64(l)

The Group and Papyrus were 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

3.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'.

1-7.40(d), 3.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.

Reference		Note	$'000
	Property, plant and equipment	4	1,955
	Intangible assets	5	250
	Inventories		825
3.B64(h)(i)	Trade receivables		848
1-7.40(c)	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

Note	*Reference*	**Explanatory note**
1.	*IFRS 13.BC184*	The Group has disclosed information about fair value measurement of assets acquired in a business combination although the disclosure requirements of SFRS(I) 13 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.
2.	*3.B64(h)*	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).

Reference

Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests (continued)

Acquisition of subsidiary (continued)

13.61

Measurement of fair values[1]

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets required	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique*: The valuation model considers 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	*Relief-from-royalty method and multi-period excess earnings method*: 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 expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	*Market comparison technique*: 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.

3.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.[2]

Fair values measured on a provisional basis

3.B67(a)(i)-(ii), 1-1.125 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.
- *1-37.86, 3.B64(j), B67(c)* 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 probable 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.

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.

Note	*Reference*	**Explanatory note**
1.	*3. B64(o)(ii)*	If an entity chooses to value NCI at fair value, then valuation techniques and key model inputs used for determining that value are disclosed.
2.	*3.B64(n)*	If an acquirer in a business combination makes a bargain purchase, then the acquirer discloses: • 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.
3.	*INT 1-27.10*	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 4.13, 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.
4.	*1-17.35(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 subsidiary (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

Reference		$'000
	Total consideration transferred	2,631
3.B64(o)(i)	NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree[1]	304
3.B64(p)(i)	Fair value of pre-existing interest in the acquiree	650
	Fair value of identifiable net assets	(3,044)
	Goodwill[2]	541

3.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).

3.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.

Acquisition of non-controlling interests

12.10(b)(iii), 18 In June 2018, the Group acquired an additional 15% interest in Windmill N.V., 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.

	$'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	(85)

The decrease in equity attributable to owners of the Company comprised:

- a decrease in retained earnings of $93,000; and
- an increase in the translation reserve of $8,000.

33. Operating leases[3]

Leases as lessee

1-17.35(a) Non-cancellable operating lease rentals are payable as follows:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Within one year	417	282	168	198	198	198
Between one and five years	1,416	960	1,250	792	792	792
More than five years	756	414	696	216	414	612
	2,589	1,656	2,114	1,206	1,404	1,602

1-17.35(d) The Group and the Company lease 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 renegotiated 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.[4]

Note	*Reference*	**Explanatory note**
1.	*1-17.15A*	In assessing the classification of each element as a finance or an operating lease, land and buildings are assessed separately in accordance with SFRS(I) 1-17. This issue is discussed in *Insights into IFRS* (5.1.240.10).
2.	*1-17.47*	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.
	1-17.48	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.	*1-17.56(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)

1-17.35(b) One of the leased properties has been sublet by the Group. The lease and sublease expire in 2021. Sublease payments of $50,000 are expected to be received during 2019. The Group has recognised a provision of $160,000 in respect of this lease (see note 20).

1-17.35(c) During the year, an amount of $282,000 was recognised as an expense in profit or loss in respect of operating leases (2017: $168,000). Contingent rent recognised as an expense amounted to $40,000 (2017: $30,000). An amount of $150,000 was recognised as 'other income' in respect of subleases (2017: $90,000).

1-17.15A, 1-1.122 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 adjusted to market rental at regular intervals, and the Group does not have an interest 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 lessor[2]

1-17.56(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		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Within one year	931	519	95
Between one and five years	2,901	2,391	527
More than five years	1,577	1,311	37
	5,409	4,221	659

1-40.75(f)(i)-(iii) During 2018, investment property rentals of $810,000 (2017: $212,000) were included in 'revenue'.[3] Repairs and maintenance expense, included in 'cost of sales', was as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Income-generating property	190	70
Vacant property	55	15
	245	85

Note	*Reference*	**Explanatory note**
1.	*1-16.74(c), 1-38.122(e), 1-40.75(h), 1-41.49(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.	*1-37.89*	In respect of a contingent asset, an entity discloses a brief description of its nature and, when practicable, an estimate of its financial effect.
	1-37.91	When it is not practicable to estimate the potential financial effect of a contingent liability or an asset, an entity discloses that fact.
	1-37.92	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.
	12.23(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.	*1-24.9(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.	*1-1.138(c), 1-24.13*	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.
	1-24.13, 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. Commitments[1]

1-16.74(c) During 2018, 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 (2017: nil). In addition, the Group has also entered into a contract to purchase property, plant and equipment for $1,465,000 (2017: nil).

The Group is committed to incur other capital expenditure of $150,000 (2017: $45,000). The Group's joint venture is committed to incur capital expenditure of $23,000 (2017: $11,000), of which the Group's share is $9,000 (2017: $4,000). These commitments are expected to be settled in 2019.

1-40.75(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. Contingencies[2]

1-1.125, 1-37.86 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 parties[3]

Parent and ultimate controlling party

1-1.138(c), 1-24.13 In August 2018, 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

1-24.17

Key management personnel compensation

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).

1-24.17(d) 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 (2017: nil).

Note	*Reference*	**Explanatory note**
1.		In our view, materiality considerations cannot be used to override the explicit requirements of SFRS(I) 1-24 for the disclosure of elements of key management personnel compensation. This issue is discussed in *Insights into IFRS* (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 *to the entity*. 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 *Insights into IFRS* (5.5.110.40 and 120.30).
3.	*1-24.19*	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 SFRS(I) 1-24.19, 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 SFRS(I) 1-24. Disclosure about these individual transactions could be combined without this level of detail. 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.

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]

Reference		Group 2018 $'000	Group 2017 $'000
1-24.17(a)	Short-term employee benefits	510	420
1-19.151(b), 1-24.17(b)	Post-employment benefits (including CPF)	475	450
1-24.17(d)	Termination benefits	25	-
1-24.17(c)	Other long-term benefits	420	430
1-24.17(e)	Share-based payments	508	133
		1,938	1,433

1-24.18 **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).

1-24.18(b)(i) 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.

1-24.18(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]

		Group			
		Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
Transaction	***Note***	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Legal fees	*(i)*	51	50	-	-
Repairs and maintenance	*(ii)*	176	-	45	-
Inventory purchases – paper	*(iii)*	66	-	12	-

1-24.18(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 market rates for such services and were due and payable under normal payment terms.

Note	*Reference*	**Explanatory note**
1.		Appendix I-F provides example disclosures for government-related entities that apply the exemption in paragraph 25 of SFRS(I) 1-24.
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 *Insights into IFRS* (5.5.120.30).
3.		See explanatory note 3 on page 320.
4.	*1-24.18A*	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.	*1-24.18(c), (d)*	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.	*1-24.23*	Related party transactions are described as having been made on an arm's length basis only if such terms can be substantiated.
7.	*1-24.18 (b)(ii)*	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 SFRS(I) other than SFRS(I) 1-24. 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 *Insights into IFRS* (5.5.120.25).
9.	*1-1.122, 12.7-9*	An entity discloses information about significant judgements and assumptions that it has made in determining: • 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. 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.

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 buy 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 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.

1-24.18

Other related party transactions[1, 2, 3, 4]

	Group			
	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
1-24.18(a) **Sale of goods and services[5]**				
Parent of the Group – [name of new parent]	350	-	250	-
Associate	2,945	600	890	392
Purchase of goods and services				
Associate	170	853	-	139
Other				
Associate – administrative services rendered	623	-	96	-
Associate – interest expense	16	25	-	12

1-24.18(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).

Purchase obligations in relation to recycled paper products arise from supply and service contracts signed by the Group. During 2018, the Group entered into an $89,000 supply agreement with [*New Parent of the Group*]. As at 31 December 2018, the Group has supplied $25,000 of its commitment under the agreement.[8]

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.	*12.5A, B17*	SFRS(I) 12 clarifies that the disclosure requirements in SFRS(I) 12 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.	*12.10(a)(i)*	SFRS(I) 12 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 33), 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 SFRS(I) 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 322.
5.	*12.14*	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 SFRS(I) 12, 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 2018, 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. Subsidiaries[1]

	Company		
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Equity investments at cost	7,537	4,950	4,950

12.10 (a), 12(a)-(b), 1-24.13-14

	Note	Principal place of business/ Country of incorporation	Ownership interest[2] 2018 %	2017 %	1 Jan 2017 %
ABC Private Ltd		Singapore	100	100	100
PT Mermaid		Indonesia	100	100	100
Lei Sure Limited		Romania	100	100	100
Papier Pte Ltd	*15*	Singapore	-	100	100
Papyrus Pty Limited (Papyrus)	*32*	Australia	90	25	25
Solid Trading Inc. (Solid Trading)		United States of America	90	90	90
Windmill N.V. (Windmill)	*32*	Netherlands	75	60	60
Maple-leaf Inc (Maple-leaf)		Canada	48	48	48
Silver Fir Ltd (Silver Fir)		Singapore	45	45	45
Sloan Bio-Research GmbH		Germany	-	-	-
MayCo		United States of America	-	-	-

SGX 717, 718

KPMG LLP[3] 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.

1-1.122, 12.7(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]

12.7(a), 9(b), 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]

12.14

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**

Note	Reference	Explanatory note
1.	*12.12*	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). SFRS(I) 12 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.	*12.12(c)*	SFRS(I) 12 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.	*1.SG.5.1, D17*	If a subsidiary prepares its financial statements under IFRS, the Group's first SFRS(I) consolidated financial statements must use the same carrying amounts of assets and liabilities as in the IFRS financial statements of the subsidiary (after adjusting for consolidation adjustments and for the effects of the business combination).
	1.13	If a subsidiary did not prepare its financial statements under IFRS, the Group applies SFRS(I)s retrospectively unless: • the mandatory exceptions set out in paragraphs 14 to 17 and Appendix B of SFRS(I) 1 apply; or • where the Group elects to use the optional exemptions in Appendices C to E of SFRS(I) 1. The list of mandatory exceptions and optional exemptions are described in *Insights into IFRS* (6.1.230 and 6.1.240).
4.	*12.B10(b)*	SFRS(I) 12 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.
5.	*12.10(a)(ii), 12(e)-(g)*	SFRS(I) 12 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.
6.		See explanatory note 1 on page 328.
7.		See explanatory note 2 on page 328.

Reference

Notes to the financial statements

38. Non-controlling interests[1]

On 31 March 2018, 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 2018.

12.12(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] **2018**	**2017**	**1 Jan 2017**
Papyrus subgroup	Australia	Standard papers	10%	n/a	n/a
Solid Trading	United States of America	Standard papers	10%	10%	10%
Windmill	Netherlands	Standard papers	25%	40%	40%
Maple-leaf	Canada	Forestry	52%	52%	52%
Silver Fir	Singapore	Standard papers	55%	55%	55%

12.10(a)(ii), 12(e)-(g), B10-B11 The following summarised financial information for the above subsidiaries are prepared in accordance with SFRS(I)[3], modified for fair value adjustments on acquisition and differences in the Group's accounting policies.[4, 5, 6, 7]

	Papyrus	**Solid Trading**	**Windmill**	**Maple-leaf**	**Silver Fir**	**Other individually immaterial subsidiaries**	**Intra-group elimination**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2018								
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	1,060	1,578	1,112	740	572			
Non-current liabilities	-	(2,315)	(6,580)	(980)	(524)			
Current liabilities	(520)	(983)	(910)	(278)	(959)			
Net assets	4,430	4,800	1,060	682	87			
Net assets attributable to NCI	443	480	265	355	48	1	(97)	1,495
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)			

Note	*Reference*	**Explanatory note**
1.	*12.B10(b), B11*	SFRS(I) 12 requires the amounts presented in the summarised financial information to be before inter-company eliminations. SFRS(I) 12 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.
2.		Although it is not required by SFRS(I) 12, 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 interests (continued)

	Solid Trading $'000	Windmill $'000	Maple-leaf $'000	Silver Fir $'000	Other individually immaterial subsidiaries $'000	Intra-Group elimination $'000	Total $'000
2017							
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)	-			

	Solid Trading $'000	Windmill $'000	Maple-leaf $'000	Silver Fir $'000	Other individually immaterial subsidiaries $'000	Intra-Group elimination $'000	Total $'000
1 January 2017							
Non-current assets	6,070	7,104	1,198	1,267			
Current assets	2,190	1,189	918	585			
Non-current liabilities	(3,120)	(6,840)	(1,070)	(540)			
Current liabilities	(1,940)	(1,150)	(750)	(1,190)			
Net assets	3,200	303	296	122			
Net assets attributable to NCI	320	121	154	67	2	(63)	601

Note	*Reference*	**Explanatory note**
1.	*12.24–31*	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: IFRS 9 – Illustrative disclosures for banks* (note 36); and • *Guide to annual financial statements – Illustrative disclosures for investment funds* (note 16)
2.	*7.42A-42H*	This example contains certain illustrative disclosures about transfers of financial assets in accordance with the SFRS(I) 7.42A-H on *Transfers of Financial Assets.* For further examples, see *Guide to annual financial statements: IFRS 9 – 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 1-29.7*	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]

7.42A, 42B, 42D(a)-(b), 12.24, 26, FRS 107.42A, 42B, 42D(a)-(b)

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.

7.42D(b)-(c), 12.24(a), FRS 107.42D(b)-(c)

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). The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

7.42D(e), 12.29(a)-(d), FRS 107.42D(e)

The table below sets out the carrying amounts of the receivables transferred to the securitisation vehicle and the associated liabilities.

	2018 $'000	2017 $'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

1-1.122, 12.7(a) 12.26

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 1-29.6

On 1 February 2018, 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 2018 and was completed and available for use on 30 September 2018. 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 2018. 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 1-29.6(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.

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Reference

Notes to the financial statements

40. Service concession arrangement (continued)

INT 1-29.6(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 1-29.6(e), 6A

During the year, the Group recorded the following in respect of its service concession arrangement:

	Construction $'000	Operation of toll road $'000	Total $'000
2018			
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 2018 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 2%, of which $5,000 represents accrued interest.

The Group has recognised an intangible asset of $95,000, of which $5,000 has been amortised in 2018 (see note 5). The intangible asset represents the right to charge users a fee for usage of the toll road.

Note	*Reference*	**Explanatory note**
1.	*1-10.21(b)*	If the financial effect of a material non-adjusting event after the reporting date cannot be estimated, an entity discloses that fact.
2.	*3.59(b), B66, 1-10.21, 22, 1-33.70(d)*	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 SFRS(I) 1-10 provides examples of non-adjusting events that normally would require disclosure.
3.	*3.59(b), B66*	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 SFRS(I) 3 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.

Reference

Notes to the financial statements

1-10.21

41. Subsequent events[1, 2, 3]

Restructuring

At the end of January 2019, 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 2019, 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 2019 and 2020.

Others

Subsequent to 31 December 2018, one of the Group's major trade debtors went into liquidation following a natural disaster in February 2019 that damaged its operating plant. Of the $100,000 owed by the debtor, the Group expects to recover less than $10,000. No additional allowance for impairment has been made in the financial statements.

On 10 January 2019, 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 2018, the Group announced its intention to acquire all of the shares of ABC Company Limited for $6,500,000. On 4 March 2019, 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 2019.

Note	*Reference*	**Explanatory note**
1.	*1.23*	SFRS(I) requires a first-time adopter to provide extensive disclosures to explain how the transition from FRS to SFRS(I) affected the reported financial position, financial performance and cash flows of the first-time adopter.
	1.24, 25	A first-time adopter discloses the following reconciliation in its first annual SFRS(I) financial statements: (a) reconciliation of its equity reported under FRS to its equity under SFRS(I) at: • the date of transition (1 January 2017 in these illustrative financial statements); and • the end of the latest period presented in the first-time adopter's most recent annual financial statements under FRS (31 December 2017 in these illustrative financial statements); and (b) reconciliation of total comprehensive income reported under FRS for the latest period in the entity's most recent annual financial statements (31 December 2017 in these illustrative financial statements) to its total comprehensive income reported under SFRS(I). The appropriate starting point for this reconciliation should be total comprehensive income under FRS for the same period; however if the entity did not report such an amount, then the starting point should be profit or loss under FRS.
	1.25-26	SFRS(I) does not specify the format of the required reconciliations; rather the reconciliations should disclose the material adjustments made to amounts reported under FRS in order to determine the corresponding amounts presented under SFRS(I), together with sufficient explanations of the reconciling items. The correction of errors made under FRS is identified separately. In our view, it is not sufficient to include a cross reference to previously published disclosures of the impact of the transition to SFRS(I) in the first annual SFRS(I) financial statements. A reference to previously published additional voluntary information (e.g. a more detailed analysis) is permitted, if that information fully complies with all SFRS(I) requirements and the reference does not imply that the previously published additional information has been audited if that is not the case. This issue is discussed in *Insights into IFRS* (6.1.1520.70 and 90).
	1.25	A first-time adopter that presented a statement of cash flows under FRS also explains any material adjustments as compared to its SFRS(I) statement of cash flows for the same period.
2.	*1.27A*	If during the period covered by its first SFRS(I) financial statements an entity changes its accounting policies or its use of the exemptions contained in SFRS(I), it shall explain the changes between its first SFRS(I) interim financial report and its first SFRS(I) financial statements, in accordance with paragraph 23 of SFRS(I) 1, and it shall update the reconciliations required by paragraphs 24 (a) and (b) of SFRS(I) 1. In these illustrative financial statements, it is assumed that there were no changes to the accounting policies or optional exemptions elected by the Group during the period covered by its first SFRS(I) financial statements.
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 should not be a substitute for referring to SFRS(I). 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.

Reference

Notes to the financial statements

1.23

42 Explanation of transition to SFRS(I) and adoption of new standards [1, 2, 3]

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. 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.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Note	*Reference*	**Explanatory note**
1.	*1.E1, E2*	SFRS(I) 1 has a short-term exemption that allows a first-time adopter not to restate comparatives when applying SFRS(I) 9 for the first time. The Group has chosen this exemption and recognises the cumulative effect of adopting SFRS(I) 9 in the opening retained earnings (or other component of equity, as appropriate) as at 1 January 2018. The Group has calculated the cumulative effect as the difference between: • the carrying amounts determined in accordance with previous GAAP at 31 December 2017; and • the new carrying amounts determined in accordance with SFRS(I) 9 at 1 January 2018.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact

1.25 The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 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.[1] There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

1.24(a), 25 **Reconciliation of the Group's equity**

Consolidated statement of financial position

	Note	31 December 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I)15 $'000	SFRS(I) framework $'000	1 January 2018 SFRS(I) 9 $'000	SFRS(I) framework $'000
Assets							
Property, plant and equipment	*A(i)*	29,749	1,300	-	31,049	-	31,049
Associates and joint venture	*B(iv)*	3,488	-	150	3,638	-	3,638
Other investments, including derivatives	*C(i), C(ii)*	3,525	-	-	3,525	(35)	3,490
Contract costs	*B(iii)*	-	-	199	199	-	199
Others		14,463	-	-	14,463	-	14,463
Non-current assets		51,225	1,300	349	52,874	(35)	52,839
Other investments, including derivatives	*C(i)*	1,032	-	-	1,032	-	1,032
Inventories	*B(i), B(ii)*	12,009	-	(89)	11,920	-	11,920
Contract assets	*B(i), B(v), C(ii)*	-	-	280	280	(2)	278
Trade and other receivables	*B(v), C(i), C(ii)*	17,784	-	(65)	17,719	(45)	17,674
Cash and cash equivalents	*C(i)*	1,850	-	-	1,850	-	1,850
Others		1,733	-	-	1,733	-	1,733
Current assets		34,408	-	126	34,534	(47)	34,487
Total assets		85,633	1,300	475	87,408	(82)	87,326
Equity							
Share capital		18,050	-	-	18,050	-	18,050
Reserves	*A(ii), B(iv), C(ii), C(iii)*	707	(129)	*	578	86	664
Retained earnings		12,134	1,429	354	13,917	(151)	13,766
Non-controlling interests	*C(iv)*	802	-	-	802	(17)	785
Total equity		31,693	1,300	354	33,347	(82)	33,265
Liabilities							
Deferred income	*B(v)*	1,630	-	(17)	1,613	-	1,613
Deferred tax liabilities	*B(i), B(iii), C(iv)*	1,492	-	49	1,541	*	1,541
Others		20,176	-	-	20,176	-	20,176
Non-current liabilities		23,298	-	32	23,330	*	23,330
Trade and other payables, including derivatives	*B(ii)*	24,298	-	72	24,370	-	24,370
Contract liabilities	*B(v)*	-	-	17	17	-	17
Others		6,344	-	-	6,344	-	6,344
Current liabilities		30,642	-	89	30,731	-	30,731
Total equity and liabilities		85,633	1,300	475	87,408	(82)	87,326

* *Less than $1,000*

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact (continued)

1.24(a), 25

Reconciliation of the Group's equity

Consolidated statement of financial position

	Note	1 January 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I)15 $'000	SFRS(I) framework $'000
Assets					
Property, plant and equipment	A(i)	33,637	1,300	-	34,937
Associates and joint venture	B(iv)	2,880	-	50	2,930
Contract costs	B(iii)	-	-	134	134
Others		18,360	-	-	18,360
Non-current assets		54,877	1,300	184	56,361
Inventories	B(i), B(ii)	12,626	-	(44)	12,582
Contract assets	B(i), B(v)	-	-	259	259
Trade and other receivables	B(v)	16,354	-	(134)	16,220
Others		4,479	-	-	4,479
Current assets		33,459	-	81	33,540
Total assets		88,336	1,300	265	89,901
Equity					
Share capital		18,050	-	-	18,050
Reserves	A(ii), B(iv)	580	(129)	*	451
Retained earnings		8,849	1,429	193	10,471
Non-controlling interests		601	-	-	601
Total equity		28,080	1,300	193	29,573
Liabilities					
Deferred income	B(v)	20	-	(20)	-
Deferred tax liabilities	B(i), B(iii)	1,407	-	29	1,436
Others		27,742	-	-	27,742
Non-current liabilities		29,169	-	9	29,178
Trade and other payables, including derivatives	B(ii)	27,262	-	43	27,305
Contract liabilities	B(v)	-	-	20	20
Others		3,825	-	-	3,825
Current liabilities		31,087	-	63	31,150
Total equity and liabilities		88,336	1,300	265	89,901

* *Less than $1,000*

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact (continued)

1.24(b), 25

Reconciliation of the Group's profit or loss

Consolidated statement of profit or loss

	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
		Year ended 31 December 2017			
Continuing operations					
Revenue	*B(i), B(ii)*	96,613	-	23	96,636
Cost of sales	*B(i), B(ii)*	(56,176)	-	(10)	(56,186)
Gross profit		40,437	-	13	40,450
Distribution expenses	*B(iii)*	(18,077)	-	65	(18,012)
Impairment loss on trade and other receivables and contract assets*		(30)	-	-	(30)
Others		(15,772)	-	-	(15,772)
Results from operating activities		6,558	-	78	6,636
Finance income	*B(i)*	477	-	3	480
Finance costs		(1,646)	-	-	(1,646)
Net finance costs		(1,169)	-	3	(1,166)
Share of profit of equity-accounted investees (net of tax)	*B(iv)*	608	-	100	708
Profit before tax		5,997	-	181	6,178
Tax expense	*B(i), B(iii)*	(1,780)	-	(20)	(1,800)
Profit from continuing operations		4,217	-	161	4,378
Discontinued operations					
Profit from discontinued operation (net of tax)		(422)	-	-	(422)
Profit for the year		3,795	-	161	3,956
Profit attributable to:					
Owners of the Company		3,576	-	161	3,737
Non-controlling interests		219	-	-	219
Profit for the year		3,795	-	161	3,956

The FRS figures have been restated arising from the discontinued operations as discussed in note 29.

* *Under the transition methods chosen, comparative information has not been restated except for separately presenting impairment losses on trade receivables and contract assets to conform to SFRS(I) presentation requirements for the purpose of this note.*

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact (continued)

1.24(b), 25

Reconciliation of the Group's total comprehensive income
Consolidated statement of comprehensive income

	Note	Year ended 31 December 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Profit for the year		3,795	-	161	3,956
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Others		(10)	-	-	(10)
Total items that will not be reclassified to profit or loss		(10)	-	-	(10)
Items that are or may be reclassified subsequently to profit or loss					
Others		429	-	-	429
Total items that are or may be subsequently reclassified to profit or loss		429	-	-	429
Other comprehensive income for the year, net of tax		419	-	-	419
Total comprehensive income for the year		4,214	-	161	4,375
Total comprehensive income attributable to:					
Owners of the Company		3,973	-	161	4,134
Non-controlling interests		241	-	-	241
Total comprehensive income for the year		4,214	-	161	4,375

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact (continued)

1.24(a), 25

Reconciliation of the Company's equity
Statement of financial position for the Company

	Note	31 December 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	1 January 2018 SFRS(I) 9 $'000	SFRS(I) framework $'000
Assets							
Property, plant and equipment	*A(i)*	4,318	1,300	-	5,618	-	5,618
Other investments, including derivatives	*C(i), C(ii)*	3,390	-	-	3,390	(35)	3,355
Others		5,250	-	-	5,250	-	5,250
Non-current assets		12,958	1,300	-	14,258	(35)	14,223
Other investments, including derivatives	*C(i)*	564	-	-	564	-	564
Inventories	*B(ii)*	5,731	-	20	5,751	-	5,751
Trade and other receivables	*C(i), C(ii)*	13,219	-	-	13,219	(48)	13,171
Cash and cash equivalents	*C(i)*	829	-	-	829	-	829
Prepayments		975	-	-	975	-	975
Current assets		21,318	-	20	21,338	(48)	21,290
Total assets		34,276	1,300	20	35,596	(83)	35,513
Equity							
Share capital		18,050	-	-	18,050	-	18,050
Reserves	*C(ii)*	(200)	-	-	(200)	4	(196)
Retained earnings		4,225	1,300	-	5,525	(87)	5,438
Total equity		22,075	1,300	-	23,375	(83)	23,292
Liabilities							
Deferred tax liabilities	*C(iv)*	819	-	-	819	*	819
Others		6,204	-	-	6,204	-	6,204
Non-current liabilities		7,023	-	-	7,023	*	7,023
Trade and other payables, including derivatives	*B(ii)*	5,084	-	20	5,104	-	5,104
Provisions		94	-	-	94	-	94
Current liabilities		5,178	-	20	5,198	-	5,198
Total equity and liabilities		34,276	1,300	20	35,596	(83)	35,513

* *Less than $1,000*

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Summary of quantitative impact (continued)

1.24(a), 25

Reconciliation of the Company's equity
Statement of financial position for the Company

	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
		1 January 2017			
Assets					
Property, plant and equipment	*A(i)*	5,171	1,300	-	6,471
Others		8,339	-	-	8,339
Non-current assets		13,510	1,300	-	14,810
Inventories	*B(ii)*	5,971	-	15	5,986
Others		15,018	-	-	15,018
Current assets		20,989	-	15	21,004
Total assets		34,499	1,300	15	35,814
Equity					
Share capital		18,050	-	-	18,050
Reserves		17	-	-	17
Retained earnings		4,490	1,300	-	5,790
Total equity		22,557	1,300	-	23,857
Liabilities					
Others		6,864	-	-	6,864
Non-current liabilities		6,864	-	-	6,864
Trade and other payables, including derivatives	*B(ii)*	4,945	-	15	4,960
Provisions		133	-	-	133
Current liabilities		5,078	-	15	5,093
Total equity and liabilities		34,499	1,300	15	35,814

Note	*Reference*	**Explanatory note**
1.	*1.13*	SFRS(I) 1 provides mandatory exceptions that prohibit retrospective application of other SFRS(I). These exceptions are set out in paragraphs 14 to 17 of SFRS(I) 1, Appendix B and Appendix D paragraph D17 of SFRS(I) 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 summarised in *Insights into IFRS* (6.1.230.20).
2.	*1.18*	SFRS(I) 1 contains optional exemptions that a first-time adopter may elect to use to transit to SFRS(I). These optional exemptions are contained in Appendices C to E of SFRS(I) 1 except for Appendix D paragraph D17 which are mandatory (see explanatory note 1 above). The list of optional exemptions are also summarised in *Insights into IFRS* (6.1.240.30).
3.		See explanatory note 1 and 2 on page 56.
4.		SFRS(I) 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 SFRS(I) 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.	*1-12.51B*	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* (3.13.410.10). 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.	*1.30*	If an entity uses fair value in its opening SFRS(I) statement of financial position as deemed cost for an item of property, plant and equipment, then the entity's first SFRS(I) financial statements discloses, for each line item in the opening SFRS(I) statement of financial position: • The aggregate of those fair values; and • The aggregate adjustment to the carrying amounts reported under previous FRS.
7.	*1.D12, D13*	Generally, SFRS(I) 1-21 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 FRS 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 SFRS(I) 1-21 retrospectively, except for the requirement in paragraph 47 of SFRS(I) 1-21 when the exemption in paragraph C2 of SFRS(I) 1 is applied.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

1.25 **Notes to the reconciliations**

A SFRS(I) 1

1.9, 7 In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.[1, 2]

(i) Fair value as deemed cost for freehold land classified as property, plant and equipment[3]

1.D5 The Group elected the optional exemption in SFRS(I) 1 to measure the freehold land held by the Company at the date of transition to SFRS(I) at fair value and used that fair value as its deemed cost in its SFRS(I) financial statements.

1.30 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] As such, the carrying amount of freehold land and retained earnings of the Group and of the Company increased by $1,300,000 as at 1 January 2017 and 31 December 2017.[5] The aggregate fair value of these freehold land at 1 January 2017 was determined to be $1,451,000 compared to the carrying amount of $151,000 under FRS.[6]

(ii) Foreign currency translation reserve (FCTR)[7]

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *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]

1.D13 The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $129,000 as at 1 January 2017 determined in accordance with FRS 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.

By electing this optional exemption, the cumulative FCTR decreased by $129,000 and retained earnings increased by the same amount as at 31 December 2017.

Note	*Reference*	**Explanatory note**
1.	*1.D34, D35*	Under SFRS(I) 1, the Group cannot apply the cumulative effect approach to transit to SFRS(I) 15. The cumulative effect approach allows the cumulative effect of applying SFRS(I) 15 to be recognised directly in opening equity at the date of initial application of SFRS(I) 15 with no adjustments to the comparative information. SFRS(I) 1 has specific provisions regarding how a first-time adopter should apply SFRS(I) 15.
		The transitional provisions in SFRS(I) 15 are not applicable as the provisions in SFRS(I) 1 take precedence. Under SFRS(I) 1, an entity can only adopt the retrospective approach, subject to certain expedients that are available. An entity is able to elect the practical expedients available in SFRS(I) 15 when adopting the standard. This issue is discussed in Insights into IFRS (6.1.1360.10 and 20).
		The Group has applied SFRS(I) 15 retrospectively and adjusted each comparative period presented in the 2018 financial statements.
	15.C3	SFRS(I) 15 offers a range of transition options. An entity which is not a first-time adopter of SFRS(I) could apply the cumulative effect method. *IFRS 15 Revenue supplement* and *Guide to annual financial statements – Illustrative disclosures* provide illustration of the cumulative effect method.

2.	*1.D34, 15.C6*	SFRS(I) 1 allows an entity to apply the transition provisions in paragraph C5 of SFRS(I) 15, where references to the 'date of initial application' is interpreted as the beginning of the first SFRS(I) reporting period. If the first-time adopter elects to apply those transition provisions, it discloses the expedients that have been used and a qualitative assessment of the estimated effect of applying each expedient, to the extent reasonably possible.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

B SFRS(I) 15

SFRS(I) 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.

1.D34 The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach.[1] All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

1.D34, D35, 15.C5, C6 The Group has applied the following practical expedients as allowed under SFRS(I) 1.[2]

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.
- For contracts modified before 1 January 2017, the Group has reflected the aggregate effect of all of the modifications that occurred before 1 January 2017 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been higher.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

(i) Furniture manufacturing

The Group manufactures and sells certain furniture products for a few customers under various non-cancellable long-term exclusive supply arrangements. The Group previously recognised revenue from such sales when the customers take delivery of the furniture at their warehouses. Under SFRS(I) 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 costs incurred to date, including a reasonable margin, if the contract is terminated for reasons other than the Group's failure to perform as promised. The impact to the financial statements is as follows:

	31 December 2017 $'000	1 January 2017 $'000
Consolidated statement of financial position		
Increase in contract assets	215	125
Decrease in inventories	(161)	(87)
Increase in deferred tax liabilities	(15)	(6)
Increase in retained earnings	(39)	(32)
Consolidated statement of profit or loss		
Increase in revenue	95	
Increase in cost of sales	(82)	
Increase in finance income	3	
Increase in tax expense	(9)	
Increase in profit for the year	7	

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

B SFRS(I) 15 (continued)

(ii) Sales with a right of return

15.B21, B25

Certain sales contracts of the Group grant customers the right to return the product during a stipulated grace period if the customers are dissatisfied with the product. The Group previously recognised revenue when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition are met, and recorded a refund liability for expected returns as provisions. Under SFRS(I) 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 payables, including derivatives) and a right to recover returned goods (classified in inventories) are recognised. The impact to the financial statements is as follows:

	31 December 2017 $'000	1 January 2017 $'000
Consolidated statement of financial position		
Increase in inventories	72	43
Increase in trade and other payables, including derivatives	(72)	(43)
Consolidated statement of profit or loss		
Decrease in revenue	(72)	
Decrease in cost of sales	72	
Decrease in profit for the year	-	
Statement of financial position		
Increase in inventories	20	15
Increase in trade and other payables, including derivatives	(20)	(15)

(iii) 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 previously recognised sales commissions as an expense when incurred, but are now capitalising such costs as costs of obtaining a contract under SFRS(I) 15 as they are incremental and are expected to be recovered. The capitalised costs are amortised consistently with the pattern of revenue recognised for the related contract. The impact to the financial statements is as follows:

	31 December 2017 $'000	1 January 2017 $'000
Consolidated statement of financial position		
Increase in contract costs	199	134
Increase in deferred tax liabilities	(34)	(23)
Increase in retained earnings	(165)	(111)
Consolidated statement of profit or loss		
Decrease in distribution expenses	65	
Increase in tax expenses	(11)	
Increase in profit for the year	54	

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

B SFRS(I) 15 (continued)

(iv) Equity-accounted investees

As a result of the adoption of SFRS (I) 15, the Group's share in its equity-accounted investees increased. The corresponding effect to the foreign currency translation reserve as at and for the year ended 31 December 2017 is not significant.

The impact to the financial statements is as follows:

	31 December 2017 $'000	1 January 2017 $'000
Consolidated statement of financial position		
Increase in associates and joint venture	150	50
Increase in retained earnings	(150)	(50)
Consolidated statement of profit or loss		
Increase in share of profit of equity-accounted investees	100	
Increase in profit for the year	100	

(v) Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

a) 'Construction contract in progress' classified as 'Trade and other receivables' of $65,000 as at 31 December 2017 and $134,000 as at 1 January 2017 were reclassified to 'Contract assets'.

b) 'Customer advances' and 'Customer loyalty credits' classified as 'Deferred income' of $17,000 as at 31 December 2017 and $20,000 as at 1 January 2017 were reclassified to 'Contract liabilities'.

Note	*Reference*	**Explanatory note**
1.		See explanatory note 1 on page 338.
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 SFRS(I) 1 which require the assessment to be made at the date of transition, the transition provisions of SFRS(I) 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. *Guide to annual financial statements – Illustrative disclosures* provides illustrative disclosures for the adoption of IFRS 9 *Financial Instruments* of an existing IFRS preparer.
3.	*1.E2*	An entity that chooses to present comparative information that does not comply with SFRS(I) 7 and SFRS(I) 9 in its first year of transition shall: • apply the requirements of FRS in place of the requirements of SFRS(I) 7 to comparative information about items within the scope of SFRS(I) 9; • disclose this fact together with the basis used to prepare this information; • treat any adjustment between the statement of financial position at the comparative period's reporting date (includes comparative information under FRS) and the statement of financial position at the start of the first SFRS(I) reporting period (includes information that complies with SFRS(I) 7 and SFRS(I) 9) as arising from a change in accounting policy and provide the disclosures required by paragraph 28 (a) – (e) and (f)(i) of SFRS(I) 1-8 (see paragraph below). Paragraph 28(f)(i) applies only to amounts presented in the statement of financial position at the comparative period's reporting date; and • apply paragraph 17(c) of SFRS(I) 1-1 to achieve fair presentation by providing additional disclosures when compliance with the specific requirements in SFRS(I)s is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
	1-8.28(a)-(e), f(i)	When initial application of a SFRS(I) has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose: • the title of the SFRS(I); • when applicable, that the change in accounting policy is made in accordance with its transitional provisions; • the nature of the change in accounting policy; • when applicable, a description of the transitional provisions; • when applicable, the transitional provisions that might have an effect on future periods; • for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected.
4.		See explanatory note 2 on page 360.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9[1, 2, 3]

9.7.1.1, 7.2.2, 1-8.28(a) SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

1-8.28(b), 1.E1 In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

1.E1 Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

1-8.28(c), (d) Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been applied by the Group retrospectively, except as described below.

- 1.E1 The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - 1.B8 The determination of the business model within which a financial asset is held;
  - 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;
  - 1.D19B The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - 1.D19A The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- 1.B8F(a), E1 If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.
- 1.B5, B6, E1 New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.[4]

Note	*Reference*	**Explanatory note**
1.	*9.5.7.7*	SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification of financial liabilities. However, see explanatory note 2 below regarding removal of the cost exemption that applies under FRS 39 to certain derivatives. Furthermore, under FRS 39 all fair value changes on liabilities designated under the fair value option are recognised in profit or loss; under SFRS(I) 9, those fair value changes are generally presented as follows: • the amount that is attributable to changes in the credit risk of the liability is presented in OCI; and • the remaining amount of change in the fair value is presented in profit or loss.
2.	*9.7.2.12–7.2.13*	Other possible impacts include the removal of the exemption allowing the measurement of certain investments in equity instruments and related derivatives at cost rather than fair value. If an entity previously accounted for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument (i.e. a Level 1 input) (or for a derivative that is linked to and must be settled by delivery of such an equity instrument) at cost (in accordance with FRS 39), then it measures that instrument at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9 (continued)

(i) Classification of financial assets and financial liabilities (continued)

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3(ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities. [1]

7.42I The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group	*Note*	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	1 January 2018 New carrying amount under SFRS(I) 9 $'000
Financial assets					
Other investments, including derivatives					
Interest rate swaps used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	131	131
Debt investments	*(a)*	Available-for-sale	FVOCI – debt instrument	373	373
Debt investments	*(e)*	Held-to-maturity	Amortised cost	2,256	2,221
Equity investments	*(b)*	Available-for-sale	FVOCI – equity instrument	511	511
Equity investments	*(c)*	Designated as at FVTPL	Mandatorily at FVTPL	254	254
Forward exchange contracts used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	375	375
Other forward exchange contracts		Held-for-trading	Mandatorily at FVTPL	89	89
Debt investments		Held-for-trading	Mandatorily at FVTPL	568	568
				4,557	4,522
Trade and other receivables	*(d)*	Loans and receivables	Amortised cost	17,719	17,674
Cash and cash equivalents		Loans and receivables	Amortised cost	1,850	1,850
Total financial assets				24,126	24,046

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9 (continued)

(i) Classification of financial assets and financial liabilities (continued)

Company	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	1 January 2018 New carrying amount under SFRS(I) 9 $'000
Financial assets					
Other investments, including derivatives					
Other forward exchange contracts		Held-for-trading	Mandatorily at FVTPL	50	50
Debt investments		Held-for-trading	Mandatorily at FVTPL	514	514
Debt investments	*(a)*	Available-for-sale	FVOCI – debt instrument	373	373
Debt investments	*(e)*	Held-to-maturity	Amortised cost	2,256	2,221
Equity investments	*(b)*	Available-for-sale	FVOCI – equity instrument	511	511
Equity investments	*(c)*	Designated as at FVTPL	Mandatorily at FVTPL	250	250
				3,954	3,919
Trade and other receivables	*(d)*	Loans and receivables	Amortised cost	13,219	13,171
Cash and cash equivalents		Loans and receivables	Amortised cost	829	829
Total financial assets				18,002	17,919

7.42J(a) (a) The debt investments categorised as available-for-sale under FRS 39 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group and the Company consider that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt investments mature in more than one year and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under SFRS(I) 9. An allowance for impairment of $4,000 was recognised as a decrease in opening retained earnings and an increase in fair value reserve at 1 January 2018 on transition to SFRS(I) 9.

7.42J(a) (b) These equity investments represent investments that the Group and the Company intend to hold for the long term for strategic purposes. The Group and the Company have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

7.42J(a) (c) Under FRS 39, these equity investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9.

Note	*Reference*	**Explanatory note**
1.	*9.2.1, 9.5.5.1*	The impairment model in SFRS(I) 9 and associated disclosure requirements in SFRS(I) 7 apply additionally to lease receivables, loan commitments and financial guarantee contracts. It is assumed that the Group has no such items. However, the Company has intra-group financial guarantees for which the impairment model in SFRS(I) 9 and associated disclosure requirements in SFRS(I) 7 apply.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9 (continued)

(i) Classification of financial assets and financial liabilities (continued)

7.42J(a) (d) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of $45,000 and $48,000 in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 respectively on transition to SFRS(I) 9.

7.42J(a) (e) Debt investments that were previously classified as held-to-maturity are now classified at amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of $35,000 in the allowance for impairment was recognised in opening retained earnings of the Group and of the Company at 1 January 2018 on transition to SFRS(I) 9.

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. [1] The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets, separately in the statement of profit or loss. As a result, the Group reclassified impairment loss amounting to $30,000, recognised under FRS 39, from 'other expenses' to 'impairment loss on trade receivables and contract assets' in the consolidated statement profit or loss for the year ended 31 December 2017.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under FRS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

7.42P

	Group $'000	Company $'000
Loss allowance at 31 December 2017 under FRS 39	74	30
Additional impairment recognised at 1 January 2018 on:		
Trade receivables as at 31 December 2017	45	48
Contract assets recognised on adoption of SFRS(I) 15	2	-
Debt investments – amortised costs	35	35
Debt investments – FVOCI	4	4
Loss allowance at 1 January 2018 under SFRS(I) 9	160	117

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 22.

Note	*Reference*	**Explanatory note**
1.	*9.6*	Other possible impacts include the ability to hedge an aggregated exposure or a component of a non-financial item and the application of the cost of hedging approach to the time value of options and to foreign currency basis spreads.

Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9 (continued)

(iii) Hedging accounting[1]

9.7.2.26(b), 7.2.24 The Group has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under FRS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in profit or loss. However, under SFRS(I) 9 the forward points are separately accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity. Accordingly, cost of hedging reserve increased by $82,000 and retained earnings decreased by the same amount as at 1 January 2018. The corresponding tax effect is insignificant.

Under FRS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. However, under SFRS(I) 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The same approaches also apply under SFRS(I) 9 to the amounts accumulated in the costs of hedging reserve. As at 31 December 2017, the Group held no inventory whose purchase had been subject to hedge accounting.

For an explanation of how the Group applies hedge accounting under SFRS(I) 9, see note 3.3(vii).

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Reference

Notes to the financial statements

42 Explanation of transition to SFRS(I) and adoption of new standards (continued)

Notes to the reconciliations (continued)

C SFRS(I) 9 (continued)

(iv) Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on reserves, retained earnings and NCI at 1 January 2018.

	Impact of adopting SFRS(I) 9 at 1 January 2018	
	Group	**Company**
	$'000	**$'000**
Cost of hedging reserve		
Closing balance under FRS 39 (31 December 2017)	-	-
Cumulative change in forward points	82	-
Related tax	*	-
Opening balance under SFRS(I) 9 (1 January 2018)	82	-
Fair value reserve		
Closing balance under FRS 39 (31 December 2017)	80	80
Recognition of expected credit losses under SFRS(I) 9 for debt financial assets at FVOCI	4	4
Related tax	*	*
Opening balance under SFRS(I) 9 (1 January 2018)	84	84
Retained earnings		
Closing balance under FRS 39 (31 December 2017)	13,917	5,525
Cost of hedging adjustment at 1 January 2018	(82)	-
Recognition of expected credit losses under SFRS(I) 9	(69)	(87)
Related tax	*	*
Opening balance under SFRS(I) 9 (1 January 2018)	13,766	5,438
Non-controlling interests		
Closing balance under FRS 39 (31 December 2017)	802	-
Recognition of expected credit losses under SFRS(I) 9	(17)	-
Related tax	*	-
Opening balance under SFRS(I) 9 (1 January 2018)	785	-

**Less than $1,000.*

Note	*Reference*	**Explanatory note**
1.		Although new or amended SFRS(I) 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 SFRS(I) and interpretations issued but not effective (as at 31 December 2018) for illustrative purposes only. For a list of forthcoming requirements that are not yet mandatory for 2018 but are available for early adoption, see ASC webpage.
2.	*16.C5(b)*	A lessee shall apply SFRS(I) 16 to its leases retrospectively with the cumulative effect of initially applying SFRS(I) 16 recognised at the date of initial application in accordance with SFRS(I) 16 paragraphs C7 to C13.
3.	*16.C3*	As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted: (a) to apply SFRS(I) 16 to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4. The entity shall apply the transition requirements in paragraphs C5–C18 to those leases. (b) not to apply SFRS(I) 16 to contracts that were not previously identified as containing a lease applying SFRS(I) 1-17 and SFRS(I) INT 4.

Reference

Notes to the financial statements

1-8.30, 31

43 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 January 2018:[1]

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach.[2] Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.[3]

Note	*Reference*	**Explanatory note**
1.	*16.C10(a)*	As a practical expedient, a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics. Lessee is permitted to apply this practical expedient on a lease-by-lease basis.
2.	*16.C8*	Lessee shall recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying SFRS(I) 1-17. The lessee shall choose, on a lease-by-lease basis, to measure that right-of-use asset at either: (a) its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or. (b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
3.	*16.C10(e)*	Lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. Lessee is permitted to apply this practical expedient on a lease-by-lease basis.
4.	*16.C15*	An intermediate lessor shall: (a) reassess subleases that were classified as operating leases applying SFRS(I) 1-17 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying this Standard. The intermediate lessor shall perform this assessment at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date. (b) for subleases that were classified as operating leases applying SFRS(I) 1-17 but finance leases applying this Standard, account for the sublease as a new finance lease entered into at the date of initial application.

Reference

Notes to the financial statements

43 New standards and interpretations not yet adopted

SFRS(I) 16 (continued)

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases.[1] Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019.[2] For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.[3]

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in note 20. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU assets of $3,217,000, an increase finance lease receivables from sublease of $15,000 (see note ii below), an increase in lease liabilities of $3,380,000, a decrease in provisions of $160,000, and an increase in retained earnings of $12,000. The Company expects an increase in ROU assets and lease liabilities of $1,613,000 as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases. The Group and the Company do not expect the adoption of SFRS(I) 16 to impact their ability to comply with the revised maximum leverage threshold loan covenant described in note 2.2 and 16.

ii. The Group as lessor

SFRS(I) 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.

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify one sub-lease as a finance lease,[4] resulting in recognition of a finance lease receivable of $15,000 as at 1 January 2019.

No significant impact is expected for other leases in which the Group is a lessor.

Note *Reference* **Explanatory note**

1. A revised Code of Corporate Governance (2018 Code) and an accompanying Practice Guidance were issued by the Monetary Authority of Singapore (MAS) on 6 August 2018. This 2018 Code supersedes and replaces the Code that was issued in May 2012 (2012 Code). The SGX Listing Manual has also been amended to include the mandatory requirements of the 2018 Code to the SGX Listing Rules. The 2018 Code and revised SGX Listing Rules apply to annual reports covering financial years commencing from 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board – which will come into effect later, on 1 January 2022. As such, the 2018 Code, the Practice Guidance and related SGX Listing Rules amendments are not illustrated in this supplementary information. For a summary of the key changes, see Singapore Corporate Governance Changes Fact Sheet.

2. *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)
2012 Code

1. Directors and key executives' remuneration[1, 2]

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 2018, 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 2018, 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 2018, is $2,000,000.

For the year ended 31 December 2018, 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 properties[1]

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 2019	1,955	3,280	100
Sun Centre 15 Scotts Road, Singapore	5 storeys of retail space	Commercial	80%	Apr 2019	4,093	15,550	100
51, 52 & 53 Poole Road, Singapore	3-storey terrace houses	Residential	70%	Aug 2019	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 transactions[1]

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

4. Material contracts[3]

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 (2017: nil) during the year 31 December 2018.

Note	*Reference*	**Explanatory note**
1.	*FRS 1.10, 81(a)*	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 income[1]

Year ended 31 December 2018

	Note	**2018 $'000**	**2017 $'000**
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	194
Distribution expenses		(17,984)	(18,012)
Administrative expenses		(17,142)	(15,269)
Research and development expenses		(1,109)	(697)
Impairment loss on trade receivables and contract assets		(150)	(30)
Other expenses	*25*	(826)	-
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

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

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Consolidated statement of profit or loss and other comprehensive income (continued)

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
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)
Equity investments at FVOCI – net change in fair value		163	-
Related tax	28	(144)	5
Total items that will not be reclassified to profit or loss		291	(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		(68)	77
Net change in fair value of cash flow hedges reclassified to profit or loss		(31)	(11)
Cost of hedging reserve – changes in fair value		18	-
Cost of hedging reserve – reclassified to profit or loss		(18)	-
Net change in fair value of available-for-sale financial assets		-	94
Debt investments at FVOCI – net change in fair value		36	-
Debt investments at FVOCI – reclassified to profit or loss		(64)	-
Related tax	28	40	(53)
Total items that are or may be reclassified subsequently to profit or loss		411	429
Other comprehensive income for the year, net of tax		702	419
Total comprehensive income for the year		8,639	4,375
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests	38	524	219
Profit for the year		7,937	3,956
Total comprehensive income attributable to:			
Owners of the Company		8,088	4,134
Non-controlling interests	38	551	241
Total comprehensive income for the year		8,639	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

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

Note	*Reference*	**Explanatory note**
1.	*1-1.99, 102*	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.

Appendix I-B

Consolidated statement of profit or loss[1]

Year ended 31 December 2018

	Note	**2018 $'000**	**2017 $'000**
Continuing operations			
Revenue	*23*	100,160	96,636
Gain on distribution to owners of the Company	*15*	2,556	-
Other income	*24*	1,021	194
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		377	(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		(282)	(168)
Impairment loss on trade receivables and contract assets		(150)	(30)
Other expenses		(2,586)	(1,271)
Total expenses		(92,803)	(90,194)
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

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Consolidated statement of profit or loss (continued)

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests	*38*	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

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

Note	*Reference*	**Explanatory note**
1.	*1-1.106*	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 equity[1]

Year ended 31 December 2018

	Note	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	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company									
At 1 January 2017		18,050	-	434	17	-	-	10,471	28,972	601	29,573
Total comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	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 2017		18,050	300	478	80	-	(280)	13,917	32,545	802	33,347

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

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Consolidated statement of changes in equity (continued)

Year ended 31 December 2018

		Attributable to owners of the Company											
	Note	**Share capital $'000**	**Capital reserves $'000**	**Trans-lation reserve $'000**	**Hedging reserve $'000**	**Cost of 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**	**Total equity $'000**
At 1 January 2018		18,050	-	300	478	-	80	-	(280)	13,917	32,545	802	33,347
Adjustment on initial application of SFRS(I) 9 (net of tax)	*42*	-	-	-	-	82	4	-	-	(69)	17	(17)	-
Adjusted balance at 1 January 2018		18,050	-	300	478	82	84	-	(280)	13,848	32,562	785	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	(68)	-	90	134	-	48	675	27	702
Total comprehensive income for the year		-	-	471	(68)	-	90	134	-	7,461	8,088	551	8,639
Hedging gains and losses and costs of hedging transferred to the cost of inventory		-	-	-	6	-	-	-	-	-	6	-	6
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.

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Consolidated statement of changes in equity (continued)

Year ended 31 December 2018

	Note	Share capital $'000	Capital reserves $'000	Translation reserve $'000	Hedging reserve $'000	Cost of hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Reserve for own shares $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company											
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 2018		19,737	119	779	416	82	174	107	(260)	8,285	29,439	1,495	30,934

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

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Notes to the financial statements

15. Capital and reserves (continued)

Other comprehensive income

	Attributable to owners of the Company								
	Translation reserve $'000	Hedging reserve $'000	Cost of hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total other comprehensive income $'000
31 December 2018									
Foreign currency translation differences	453	-	-	-	-	-	453	27	480
Share of foreign currency translation differences of equity-accounted investees	21	-	-	-	-	-	21	-	21
Net loss on hedge of net investment in foreign operation	(3)	-	-	-	-	-	(3)	-	(3)
Revaluation of property, plant and equipment	-	-	-	-	200	-	200	-	200
Effective portion of changes in fair value of cash flow hedges	-	(68)	-	-	-	-	(68)	-	(68)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	(31)	-	-	-	-	(31)	-	(31)
Cost of hedging reserve – changes in fair value	-	-	18	-	-	-	18	-	18
Cost of hedging reserve – reclassified to profit or loss	-	-	(18)	-	-	-	(18)	-	(18)
Net change in fair value –									
equity investments at FVOCI	-	-	-	163	-	-	163	-	163
debt investments at FVOCI	-	-	-	36	-	-	36	-	36
Debt investments at FVOCI – reclassified to profit or loss	-	-	-	(64)	-	-	(64)	-	(64)
Defined benefit plan remeasurements	-	-	-	-	-	72	72	-	72
Tax on other comprehensive income	-	31	-	(45)	(66)	(24)	(104)	-	(104)
Total other comprehensive income	471	(68)	-	90	134	48	675	27	702

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Reference

Notes to the financial statements (continued)

15. Capital and reserves (continued)

1-1.106(d)(ii)

Other comprehensive income (continued)

	Attributable to owners of the Company							
	Translation reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revaluation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total other comprehensive income $'000
31 December 2017								
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

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Appendix I-D

Consolidated statement of cash flows (direct method)

Year ended 31 December 2018

	Note	**2018 $'000**	**2017 $'000**
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)
Net cash used in investing activities		(9,656)	(2,619)
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		522	260
Repayment of borrowings		(5,517)	(4,705)
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		(314)	(633)
Cash and cash equivalents at 1 January		1,568	2,226
Effect of exchange rate fluctuations on cash held		(83)	(25)
Cash and cash equivalents at 31 December	*14*	1,171	1,568

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

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.	*1-1.25*	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 SFRS(I) 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, SFRS(I) is applied accordingly, with particular attention paid to the requirements of: • SFRS(I) 5 (to the extent that assets are being held for sale and not abandoned); • SFRS(I) 1-32 (with respect to the classification of the entity's debt and equity instruments); • SFRS(I) 1-36; and • SFRS(I) 1-37.
	1-10.14, 1-1.25, 26	If an entity ceases to be a going concern after the reporting date but before its financial statements are authorised for issue, then it is not permitted to prepare its financial statements on a going concern basis. This issue is discussed in *Insights into IFRS* (1.2.70.20 and 1.2.70.50).
3.	*1-1.122*	Even if management concludes that there were no material uncertainties but the conclusion involved significant judgements, an entity discloses these judgements under paragraph 122 of SFRS(I) 1-1. This issue is discussed in *Insights into IFRS* (1.2.80.10).

Appendix I-E

Example disclosures for entities that require going concern disclosures[1]

Basis of preparation

(X) Going concern basis of accounting[2, 3]

1-1.25-26, 122

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 2018 and as at that date, current assets exceed current liabilities by $15,484,000. However, as described in note 20, significant one-off environmental costs are expected in 2019 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 2019. 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 believes 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 2019 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipates 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.

Management acknowledges 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, then this 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.		The purpose of this Appendix is to illustrate a variety of disclosures that a government-related entity may make under paragraph 26 of SFRS(I) 1-24. 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. Other formats are possible; the appropriate level of disclosure may vary depending on the significance of related party transactions.
2.		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.

Appendix I-F

Example disclosures for government-related entities under SFRS(I) 1-24 *Related Party Disclosures*[1]

36. Related parties

Example 1: Individually significant transaction because of size of transaction
In 2016, a subsidiary entity, Griffin Ltd[2], 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 2017 to 2019, 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 2018 amounted to $3,500,000 (2017: $2,800,000). As at 31 December 2018, the aggregate amounts due from the Department amounted to $10,000 (2017: $30,000) and were payable under normal 30 days' credit terms.

Example 2: Individually significant transaction carried out on 'non-market' terms
On 30 December 2017, 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 2018 to 2022. 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 2018 amounted to $3,500,000. As at 31 December 2018, the aggregate amounts due from the Department amounted to $1,000,000 and were 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 2018, 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 2018, 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 2018, 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 2019. Upon the completion of the proposed acquisition, Galaxy Ltd will become a wholly-owned subsidiary of Griffin Ltd.

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Example disclosures for government-related entities under SFRS(I) 1-24 *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 purchases 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.

For the year ended 31 December 2018, management estimates that the aggregate amount of Griffin Ltd's significant transactions with other government-related entities is 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.
	12th 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.	*1-10.17*	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.
		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.
3.	12th Sch(7)	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.
		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.
4.	12th Sch(9), *S164(15)(a), (16)*	Directors' interests in shares/debentures include: • 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).
		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.
	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.
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 408.
8.		See explanatory note 1 on page 408.

Appendix II

Reference	

Directors' statement[1]

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 2018.

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 2018 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 (International); 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 statement[2], authorised these financial statements for issue.

Directors[3]

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 2018)

Directors' interests[4]

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 corporations[5] (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 2019.[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:
	12th Sch(2),(4)	1. Options granted during the financial year: • number of shares; • the related class of shares; • date of expiration; and • basis upon which the option may be exercised and any participation rights. 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).
	12th 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.
	12th Sch(5)	2. Options exercised during the financial year: • 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).
	12th Sch(6)	3. Unissued shares under option as at end of the financial year: • number of shares; • the related class of shares; • date of expiration; and • exercise price or method of fixing the price. 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.
	12th 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 options[1]

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 2014 and 10 years for options granted after 1 January 2014.

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 2018	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2018	Number of option holders at 31 December 2018	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 scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end 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 granted[1] to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 December 2018	Aggregate options granted since commencement of Scheme to 31 December 2018	Aggregate options exercised since commencement of Scheme to 31 December 2018	Aggregate options outstanding as at 31 December 2018
[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 Committee[2]

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**

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 <u>*or*</u> 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).

SGX 1207(6)(b)

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.

The Audit Committee is satisfied with the independence[1] 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 Singapore Financial Reporting Standards (International) (SFRS(I)s) that comprises standards and interpretations issued by the Accounting Standards Council that are effective for annual reporting periods beginning on 1 January 2018.

SFRS(I)	Title
SFRS(I) 1	*First-time Adoption of Singapore Financial Reporting Standards (International)*
SFRS(I) 2	*Share-based Payment*
SFRS(I) 3	*Business Combinations*
SFRS(I) 4	*Insurance Contracts* Not covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 5	*Non-current Assets Held for Sale and Discontinued Operations*
SFRS(I) 6	*Exploration for and Evaluation of Mineral Resources* Not covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 7	*Financial Instruments: Disclosures*
SFRS(I) 8	*Operating Segments*
SFRS(I) 9	*Financial Instruments*
SFRS(I) 10	*Consolidated Financial Statements*
SFRS(I) 11	*Joint Arrangements*
SFRS(I) 12	*Disclosure of Interests in Other Entities*
SFRS(I) 13	*Fair Value Measurement*
SFRS(I) 14	*Regulatory Deferral Accounts* Not Covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 15	*Revenue from Contracted with Customers*
SFRS(I) 1-1	*Presentation of Financial Statements*
SFRS(I) 1-2	*Inventories*
SFRS(I) 1-7	*Statement of Cash Flows*
SFRS(I) 1-8	*Accounting Policies, Changes in Accounting Estimates and Errors*
SFRS(I) 1-10	*Events after the Reporting Period*

SFRS(I)	Title
SFRS(I) 1-12	*Income Taxes*
SFRS(I) 1-16	*Property, Plant and Equipment*
SFRS(I) 1-17	*Leases*
SFRS(I) 1-19	*Employee Benefits*
SFRS(I) 1-20	*Accounting for Government Grants and Disclosure of Government Assistance*
SFRS(I) 1-21	*The Effects of Changes in Foreign Exchange Rates*
SFRS(I) 1-23	*Borrowing Costs*
SFRS(I) 1-24	*Related Party Disclosures*
SFRS(I) 1-26	*Accounting and Reporting by Retirement Benefit Plans* Not covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 1-27	*Separate Financial Statements*
SFRS(I) 1-28	*Investments in Associates and Joint Ventures*
SFRS(I) 1-29	*Financial Reporting in Hyperinflationary Economies* Not covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 1-32	*Financial Instruments: Presentation*
SFRS(I) 1-33	*Earnings per Share*
SFRS(I) 1-34	*Interim Financial Reporting* Not covered; see About Singapore Illustrative Financial Statements 2018
SFRS(I) 1-36	*Impairment of Assets*
SFRS(I) 1-37	*Provisions, Contingent Liabilities and Contingent Assets*
SFRS(I) 1-38	*Intangible Assets*
SFRS(I) 1-39	*Financial Instruments: Recognition and Measurement*
SFRS(I) 1-40	*Investment Property*
SFRS(I) 1-41	*Agriculture*

SFRS(I) INT	Title
SFRS(I) INT 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
SFRS(I) INT 2	*Members' Shares in Co-operative Entities and Similar Instruments*
SFRS(I) INT 4	*Determining whether an Arrangement contains a Lease*
SFRS(I) INT 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
SFRS(I) INT 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
SFRS(I) INT 7	*Applying the Restatement Approach under SFRS(I) 1-29 Financial Reporting in Hyperinflationary Economies*
SFRS(I) INT 10	*Interim Financial Reporting and Impairment*
SFRS(I) INT 12	*Service Concession Arrangements*
SFRS(I) INT 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
SFRS(I) INT 16	*Hedges of a Net Investment in a Foreign Operation*
SFRS(I) INT 17	*Distributions of Non-cash Assets to Owners*
SFRS(I) INT 19	*Extinguishing Financial Liabilities with Equity Instruments*
SFRS(I) INT 20	*Stripping Costs in the Production Phase of a Surface Mine*
SFRS(I) INT 21	*Levies*
SFRS(I) INT 22	*Foreign Currency Transactions and Advance Considerations*
SFRS(I) INT 1-7	*Introduction of the Euro*
SFRS(I) INT 1-10	*Government Assistance – No Specific Relation to Operating Activities*
SFRS(I) INT 1-15	*Operating Leases – Incentives*
SFRS(I) INT 1-25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
SFRS(I) INT 1-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*
SFRS(I) INT 1-29	*Service Concession Arrangements: Disclosures*
SFRS(I) INT 1-32	*Intangible Assets – Web Site Costs*

Appendix IV

New standards and amendments effective for 2018 and forthcoming requirements

This Appendix provides an overview of the new standards, amendments to or interpretations of standards in issue at 15 August 2018.

This Appendix contains two tables:

- **New currently effective requirements:** The first volume of SFRS(I) issued by the Accounting Standards Council in December 2017 contains the equivalent of the consolidated text of IFRS standards and interpretations issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018.

  The first volume of SFRS(I) is effective for annual reporting periods beginning on or after 1 January 2018. Key changes, compared to FRS that were applicable for annual reporting periods beginning on 1 January 2017 are highlighted in this table. Requirements that are applicable for a first-time adopter of SFRS(I) are highlighted in grey.

- **Forthcoming requirements:** This table lists the recent changes to SFRS(I)s that are available for early adoption for annual periods beginning on or after 1 January 2018, although they are not yet mandatory until a later period.

The table also includes 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

Table A: New currently effective requirements, including requirements arising from amendments to IFRSs issued by the IASB (First mandatory *from* 1 January 2018)

SFRS(I)	Overview of key changes	Relevant sections in this publication
1. SFRS(I) 15 *Financial Reporting Matters – June 2015, Sept 2015, Jan 2016, Apr 2016*	***Revenue from Contracts with Customers*** SFRS(I) 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. 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. SFRS(I) 15 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. On transition, the standard provides two options: • 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 previous accounting standards for revenue. ***Clarifications to IFRS 15 Revenue from Contracts with Customers* issued by the IASB in April 2016** The SFRS(I) 15 requirements arising from clarifications to IFRS 15 clarify some requirements and provide additional transitional relief for entities that are implementing SFRS(I) 15. The requirements clarify the following: • 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.	Note 42

SFRS(I)	Overview of key changes	Relevant sections in this publication
	• 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. The requirements include the following additional optional practical expedients: • 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. 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. For a first-time adopter transitioning to SFRS(I), 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 SFRS(I) when applying the retrospective method. There are also a series of practical expedients available to a first-time adopter that may ease transition.	
2. SFRS(I) 9 *In the Headlines – Issue 2014/13* *Financial Reporting Matters – Sep 2014, Dec 2014, Sept 2015, Jan 2016, Feb 2018*	***Financial Instruments*** SFRS(I) 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. 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, there is no change in the requirements for financial liabilities. 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. 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.	Note 42

SFRS(I)	Overview of key changes	Relevant sections in this publication
	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 SFRS(I) 9. 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 previous carrying amounts and the carrying amount under SFRS(I) 9 at the date of initial application) – and make no adjustment to the comparatives. There are also a series of optional and mandatory practical expedients and exemptions that create additional alternatives and may ease transition. For a first-time adopter transitioning to SFRS(I), SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has specific provisions that allow a first-time adopter not to restate comparatives when applying SFRS(I) 9 for the first time for its first set of SFRS(I) financial statements. Hence, a first-time adopter of SFRS(I) with a December year end that chooses this exemption recognises the cumulative effect of adopting SFRS(I) 9 in equity as at 1 January 2018. The cumulative effect is calculated as the difference between: • the carrying amount under previous GAAP; and • the new carrying amount calculated in accordance with SFRS(I) 9 at 1 January 2018.	

3. SFRS(I) 2
 	
Insights – Clarifying share-based payment
	Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016
	
	The narrow-scope amendments clarify that:
	• 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:
	  - 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.
	
	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.
		-

SFRS(I)	Overview of key changes	Relevant sections in this publication
	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.	
4. SFRS(I) 1-40 *Insights – Transfers to and from investment property*	**Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016** The amendments clarify that a property asset is transferred to or from investment property *when and only* when there is an *actual change in use*. This happens when: • an asset meets or ceases to meet the definition of investment property; and • there is evidence of the change in use. A change in management intention alone does not support a transfer. 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. An entity has a choice on transition to apply: - 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. For a first-time adopter, the amendments are required to be applied retrospectively.	-
5. SFRS(I) 1	**Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by IASB in December 2016** Removed outdated exemptions for first-time adopters.	-
6. SFRS(I) 1-28 *Insights – Annual Improvements to IFRS*	**Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016** The amendments clarify 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 (FVTPL) 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.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
7. SFRS(I) 4 *Insights – Insurance IFRS 4 amendments*	**Requirements in SFRS(I) 4 *Insurance Contracts* arising from the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments* with IFRS 4 *Insurance Contracts* issued by the IASB in September 2016** 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 SFRS(I) 9 and the new SFRS(I) 17 *Insurance Contracts*, and respond to concerns regarding temporary accounting mismatches and volatility. Two optional solutions are provided: • Temporary exemption from SFRS(I) 9: Rather than having to implement SFRS(I) 9 in 2018 (for entities with December year-ends), some entities will be permitted to continue to apply SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement* 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 SFRS(I) 1-39 and SFRS(I) 9. • 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 SFRS(I) 9 and those that would have been reported under SFRS(I) 1-39. Entities applying the overlay approach will have to produce and track SFRS(I) 1-39 and SFRS(I) 9 values in parallel for designated financial assets. A first-time adopter is permitted to apply these amendments – i.e. the temporary exemption from SFRS(I) 9 and the overlay approach – if they meet the applicable eligibility criteria. A first-time adopter that applies the overlay approach restates comparative information to reflect the overlay approach if it restates comparative information under SFRS(I) 9.	-
8. SFRS(I) INT 22 *Insights – Foreign currency transactions – Advance consideration*	***Foreign Currency Transactions and Advance Consideration*** 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: • 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.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
	On initial application, entities may choose to apply the interpretation: • retrospectively; or • prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after: - the beginning of the reporting period an entity first applies the interpretation; or - the beginning of a prior reporting period presented as comparative information. 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.	

Table B: Forthcoming requirements (Effective *after* 1 January 2018)

SFRS(I)	Overview of key changes	Relevant sections in this publication
1. SFRS(I) 16 Issued Dec 2017 Effective 1 Jan 2019 *Insights – Leases* *Financial Reporting Matters – Apr 2016*	***Leases*** *For Lessee:* SFRS(I) 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 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. *For Lessor:* SFRS(I) 16 substantially carries forward the lessor accounting requirements in SFRS(I) 1-17 *Leases*. 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 SFRS(I) 1-17 operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor. When effective, SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 *Revenue from Contracts with Customers* is also applied. Both lessor and lessee are required to retrospectively apply SFRS(I) 16's requirements upon application. However, SFRS(I) 16 provides an option for a modified retrospective approach and certain practical expedients.	Note 43
2. Amend-ments to SFRS(I) 9 Issued Dec 2017 Effective 1 Jan 2019	**Amendments to SFRS(I) 9 *Financial Instruments – Prepayment Features with Negative Compensation*** The amendments affect financial assets containing prepayment features which could result in the party early terminating the contract receiving compensation from the other party (negative compensation). Under the amendments, such features would still result in cash flows that are solely payments of principal and interest on principal outstanding if the negative compensation is intended to reflect the effect of the change in the relevant benchmark interest rate. The amendments also clarify that the conclusion remains the same irrespective of the event or circumstance that causes the early termination of the contract.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
Insights – Prepayment features with negative compensation and modifications of financial liabilities	The amendments provide specific transition provisions when the entity first applies the amendments for annual periods beginning on or after 1 January 2019, instead of 2018 when it first applies SFRS(I) 9: • the entity must revoke its previous designation of a financial asset or a financial liability as measured at FVTPL if, as a result of the amendment, an accounting mismatch no longer exists, and may newly designate a financial asset or a financial liability to be measured at FVTPL if a new accounting mismatch is created. Such a revocation and designation must be made on the basis of facts and circumstances that exist at the date of initial application of the amendments. • restatement of prior periods is not required and is only permitted if such restatement is possible without the use of hindsight. • additional disclosures must be provided to describe any changes to the measurement categories and carrying amounts of each class of financial assets and financial liabilities that were affected. **Modification of financial liabilities** In the basis for conclusions to the amendments, the IASB clarified that under SFRS(I) 9, entities that have non-substantial modification to fixed rate financial liability that does not lead to derecognition of the financial liability have to: • recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and • recognise any adjustment in profit or loss.	
3. Amend-ments to SFRS(I) 1-28 Issued Dec 2017 Effective 1 Jan 2019 *Insights – Long-term interests in associates and joint ventures*	**Amendments to SFRS(I) 1-28 *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*** The amendments to SFRS(I) 1-28 *Investments in Associates and Joint Ventures* will affect entities that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment, which addresses equity-accounted loss absorption by LTI, involves the dual application of SFRS(I) 1-28 and SFRS(I) 9, as shown in the three-step annual process: Step 1: Apply SFRS(I) 9 independently by ignoring any prior years' SFRS(I) 1-28 loss absorption. Step 2: If necessary, prior years' SFRS(I) 1-28 loss allocation is trued-up in the current year, because the SFRS(I) 9 carrying value may have changed. This may involve recognising more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Step 3: Any current year SFRS(I) 1-28 losses are allocated to the extent that the remaining LTI balance allows. Any current year SFRS(I) 1-28 profits reverse any unrecognised prior years' losses and then allocations against LTI.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
	The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted (i.e. applying the amendments at the same time it first applies SFRS(I) 9, and applying the transition requirements in SFRS(I) 9). The amendments are to be applied retrospectively but they provide transition requirements similar to those in SFRS(I) 9 for entities that apply the amendments after they first apply SFRS(I) 9. They also include relief from restating prior periods for entities electing, in accordance with SFRS(I) 4 *Insurance Contracts*, to apply the temporary exemption from SFRS(I) 9. Full retrospective application is permitted if that is possible without the use of hindsight.	
4. SFRS(I) INT 23 Issued Dec 2017 Effective 1 Jan 2019 *Insights – Income tax exposures*	**SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*** SFRS(I) INT 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 SFRS(I) 1-12 *Income Taxes*. The Interpretation does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Under SFRS(I) INT 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. 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. 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. SFRS(I) INT 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in accordance with SFRS(I) 1-1, about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected. On transition, SFRS(I) INT 23 provides two options: • Retrospective method: Entities apply the amendments retrospectively, but only if it does not involve the use of hindsight.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
	• Cumulative effect method: Entities recognise the cumulative effect of applying SFRS(I) INT 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 SFRS(I) INT 23.	
5. Amend-ments to SFRS(I) 3 and SFRS(I) 11 Issued Mar 2018 Effective 1 Jan 2019 *Insights – Annual Improvements to IFRS*	***Annual Improvements to SFRS(I)s 2015 – 2017 Cycle* (Amendments to SFRS(I) 3 *Business Combination* and SFRS(I) 11 *Joint Arrangements – Previously Held Interest in a Joint Operation*)** The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business and provides further guidance on what constitutes previously held interest. If a party maintains (or obtains) joint control, the previously held interest is not remeasured. If a party obtains control, the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. The amendments are effective for transactions with transaction dates on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.	-
6. Amend-ments to SFRS(I) 1-12 Issued Mar 2018 Effective 1 Jan 2019 *Insights – Annual Improvements to IFRS*	***Annual Improvements to SFRS(I)s 2015 – 2017 Cycle* (Amendments to SFRS(I) 1-12 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity*)** The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity. Challenges however are likely to remain when determining whether to recognise the income tax on some instruments in profit or loss or in equity as the clarifications do not address the question of when a payment represents distribution of profits.	-
7. Amend-ments to SFRS(I) 1-23 Issued Mar 2018 Effective 1 Jan 2019	***Annual Improvements to SFRS(I)s 2015 – 2017 Cycle* (Amendments to SFRS(I) 1-23 *Borrowing Costs – Borrowing costs eligible for capitalisation*)** The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
Insights – Annual Improvements to IFRS	The amendments are applied prospectively for borrowing costs incurred on or after the beginning of annual period beginning on or after 1 January 2019.	
8. Amendments to SFRS(I) 1-19 Issued Aug 2018 Effective 1 Jan 2019 *Insights – Clearer accounting for defined benefit plans*	**Amendments to SFRS(I) 1-19 *Employee Benefits – Plan Amendment, Curtailment or Settlement*** Amendments to SFRS(I) 1-19 clarify how entities determine pension expenses when changes to a defined benefit pension plan occur. The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and • the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments apply for plan amendments, curtailments or settlements that occur on or after 1 January 2019, or the date on which the amendments are first applied.	-
9. SFRS(I) 17 Issued Mar 2018 Effective 1 Jan 2021 *First impressions – Insurance contracts*	***Insurance Contracts*** SFRS(I) 17 is set to replace SFRS(I) 4 *Insurance Contracts.* SFRS(I) 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. SFRS(I) 17 solves the comparison problems under SFRS(I) 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 than ever before. 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. 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.	-

SFRS(I)	Overview of key changes	Relevant sections in this publication
	SFRS(I) 17 requires an entity that issues insurance contracts to report them on the balance sheet as the total of: 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. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. SFRS(I) 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. 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. SFRS(I) 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. SFRS(I) 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. SFRS(I) 17 is applied for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted for entities that apply SFRS(I) 9 and SFRS(I) 15 on or before the date of initial application of SFRS(I) 17. SFRS(I) 17 supersedes SFRS(I) 4, including the amendments to SFRS(I) 4 introduced in 2017, which include: • the temporary exemption from SFRS(I) 9; and • the overlay approach. SFRS(I) 17 is applied retrospectively unless this is impracticable. The standard offers a range of transition options. An entity can apply SFRS(I) 17 retrospectively to groups of insurance contracts. If impracticable to apply SFRS(I) 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.	

SFRS(I)	Overview of key changes	Relevant sections in this publication
	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 SFRS(I) 13, except for demand liability for which the fair value cannot be lower than the amount payable on demand.	
10. Amendments to SFRS(I) 10 and SFRS(I) 1-28 Issued Nov 2014 *In the Headlines – Issue 2014/17*	**Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** There is an inconsistency between the current requirements in SFRS(I) 10 and those in SFRS(I) 1-28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. 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 SFRS(I) 3 *Business Combinations*. The amendments are to be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined.	-

Appendix V

Differences between SFRS(I) and IFRS as at 15 August 2018

A. Differences relating to requirements for consolidated financial statements

SFRS(I)	Comparison with IFRS
SFRS(I) 1-28 *Investments in Associates and Joint Ventures*	IAS 28 *Investments in Associates and Joint Ventures* Under IAS 28, an entity 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 financial statements that are available for public use and comply with IFRS, in which subsidiaries are consolidated or are measured at FVTPL in accordance with IFRS 10.
SFRS(I) 10 *Consolidated Financial Statements*	IFRS 10 *Consolidated Financial Statements* Under IFRS 10, for an entity to be exempted from presenting consolidated financial statements, the ultimate or any intermediate parent of the entity should produce financial statements that are available for public use and comply with IFRS, in which subsidiaries are consolidated or are measured at FVTPL in accordance with IFRS 10. SFRS(I) 1-28 and SFRS(I) 10 allow the ultimate or any intermediate parent to use either SFRS(I) or IFRS to produce financial statements that are available for public use, in which subsidiaries are consolidated or are measured at FVTPL in accordance with SFRS(I) 10 or IFRS 10.

B. Differences relating to first-time adoption

SFRS(I)	Comparison with IFRS
SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*	IFRS 1 *First-time Adoption of International Financial Reporting Standards* (1) Existing IFRS preparers transitioning to SFRS(I) cannot apply SFRS(I) 1. Instead, it applies the transition provisions in other SFRS(I)s. Entities asserting compliance with SFRS(I) however, could apply IFRS 1 in subsequent years to transition to IFRS, if required. (2) If a subsidiary, associate or joint venture of a Group is an existing SFRS(I) or IFRS preparer, the Group that applies SFRS(I) 1 shall use the same carrying amounts of assets and liabilities as in the SFRS(I) or IFRS financial statements of the subsidiary, associate or joint venture (after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary). Under IFRS 1, the requirement only applies if the subsidiary, associate or joint venture is an existing IFRS preparer and the Group is a first-time adopter of IFRS. (3) If a parent is an existing SFRS(I) or IFRS preparer for its consolidated financial statements, and subsequently the parent applies SFRS(I) in its separate financial statements, the parent shall use the same carrying amounts of assets and liabilities in both financial statements, except for consolidation adjustments. Under IFRS 1, the requirement applies only if the parent is an existing IFRS preparer for its consolidated financial statements. (4) If a parent is an existing SFRS(I) or IFRS preparer for its separate financial statements, and subsequently the parent applies SFRS(I) in its consolidated financial statements, the parent shall use the same carrying amounts of assets and liabilities in both financial statements, except for consolidation adjustments. Under IFRS 1, the requirement only applies if the parent is an existing IFRS preparer for its separate financial statements.

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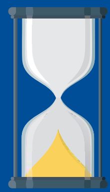

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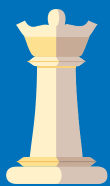

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