



cutting through complexity

Singapore Illustrative Financial Statements 2013



About KPMG

KPMG is one of the world's leading networks of professional services firms. With more than 152,000 professionals worldwide, KPMG member firms help its clients cut through complexity by providing audit, tax and advisory services in 156 countries. KPMG's history in Singapore dates back to 1941. Today, with over 2,000 professionals, KPMG is one of the largest professional services firms in Singapore with a balanced mix of international and local clients.

Why KPMG

Independent, clear and practical advice

Fast, effective and informed decision making is fast becoming a business imperative. Our goal is to provide our clients with clear, concise and jargon-free advice which helps them cut through the complexities of a rapidly changing business environment.

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We believe we cannot truly provide value to our clients without a thorough understanding of the industry. Organised along lines of business, KPMG continually invests in deepening our industry knowledge.

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In order to consistently provide our clients with comprehensive advice regardless of where in the world they do business, our professionals are constantly kept up-to-date with global technical and industry developments.

We listen to you

Before we give advice and make recommendations, our professionals listen to our clients' needs, concerns and business objectives. We make sure that we understand their business challenges and priorities.

About this publication

These illustrative financial statements have been produced by KPMG in Singapore, and the views expressed herein are those of KPMG in Singapore.

Singapore Illustrative Financial Statements 2013

The purpose of this publication is to assist preparers of financial statements in complying with the disclosure requirements of the Singapore Companies Act, Singapore Financial Reporting Standards (FRSs) and Singapore Exchange Limited (SGX) Listing Manual. It illustrates one possible format for financial statements, based on a fictitious multinational corporation incorporated in Singapore and listed on the SGX; the corporation is not a first-time adopter of FRSs (see *Technical guide*).

This publication reflects FRSs in issue at 30 June 2013 that are required to be applied by an entity with an annual period beginning on 1 January 2013. FRSs that are effective for annual periods beginning after 1 January 2013 have not been early adopted in preparing these illustrative financial statements.

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

FRSs and their interpretations change over time. Accordingly, these illustrative financial statements should not be used as a substitute for referring to the standards and interpretations themselves.

References

The illustrative financial statements are contained on the odd-numbered pages (pages on the right hand side) of this publication. The even-numbered pages (pages on the left hand side) contain explanatory comments and notes on the disclosure requirements of FRSs. 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 FRSs. For an overview of all disclosure requirements that may be applicable under FRSs, see KPMG International Standards Group publication *Disclosure Checklist* that has been prepared based on the disclosure requirements of the International Financial Reporting Standards (IFRSs). The key differences between FRS and IFRS are set out in Appendix VII.

To the left of each item disclosed, references are made to the provisions in the Singapore Companies Act, FRSs and interpretations, and the SGX Listing Manual that require or recommend the disclosures. The illustrative financial statements also include references to KPMG International Standards Group publication *Insights into IFRS: KPMG's Practical Guide to International Financial Reporting Standards (IFRS)* (9th Edition). Examples of references used are:

S201(10):.....refers to Section 201(10) of the Singapore Companies Act
FRS 8.28:.....refers to paragraph 28 of Financial Reporting Standard (FRS) 8
INT FRS 15.5:.....refers to paragraph 5 of the Interpretation to Financial Reporting Standard (INT FRS) 15
SGX 1207(3):.....refers to Rule 1207(3) of the SGX Listing Manual
SSA 700.8:.....refers to paragraph 8 of Singapore Standard on Auditing (SSA) 700
RAP 8.7:.....refers to paragraph 7 of Recommended Accounting Practice (RAP) 8
CP:.....refers to current practice or best practice

What's new in the 2013 illustrative financial statements

The illustrative financial statements is an annual publication of KPMG in Singapore. Major changes from the 2012 edition of illustrative financial statements include the following:

- Example disclosures for the adoption of new or revised FRSs, which are effective for the first time for entities with an annual reporting period beginning on 1 January 2013:
 - FRS 113 *Fair Value Measurement*
 - Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*
 - Revised FRS 19 *Employee Benefits*
 - Amendments to FRS 107 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- an appendix illustrating the early adoption of FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities* (refer to Appendix I-E).

In addition, the ASC has issued several other amendments to its standards during the past year. To help identify requirements that are effective for the first time for annual periods beginning on 1 January 2013, and those that are available for early adoption in the period, Appendix VI has been introduced to provide an overview of these new requirements, with cross-references to the related example disclosures and sources of relevant KPMG guidance where appropriate.

Other significant changes on the presentation and disclosure of financial information in these illustrative financial statements are highlighted by a thick-line border running down the right margin of the text within this document.

Other ways KPMG member firm professionals can help

A more detailed discussion of the general accounting issues that arise from the application of IFRSs can be found in our publication *Insights into IFRS*.

In addition to *Insights into IFRS*, we have a range of publications that can assist you further, including:

- IFRS compared to U.S. GAAP
- Illustrative financial statements for banks and investment funds
- IFRS Handbooks, which include extensive interpretative guidance and illustrative examples to elaborate or clarify the practical application of a standard
- New on the Horizon publications, which discuss consultation papers
- IFRS Practice Issues publications, which discuss specific requirements of pronouncements
- First Impressions publications, which discuss new pronouncements
- Newsletters, which highlight recent developments
- Disclosure checklist

IFRS-related technical information is available at www.kpmg.com/ifrs.

For access to an extensive range of accounting, auditing and financial reporting guidance and literature, visit KPMG's Accounting Research Online. This web-based subscription service can be a valuable tool for anyone who wants to stay informed in today's dynamic environment. For a free 15-day trial, go to www.aro.kpmg.com and register today.

Technical guide

Form and content of financial statements

FRS 1 *Presentation of Financial Statements* sets out the overall requirements for the presentation of financial statements, including their content and structure. Other standards and interpretations deal with the recognition, measurement and disclosure requirements related to specific transactions and events.

Choice of accounting policies

The accounting policies disclosed in these illustrative financial statements reflect the facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of the requirements of FRSs and should not be used as a substitute for referring to the standards and interpretations themselves. The accounting policies 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 presented in these illustrative financial statements. The recognition and measurement requirements of FRSs are discussed in KPMG International Standards Group publication *Insights into IFRS*.

First-time adopters of FRSs

These illustrative financial statements assume that the entity is not a first-time adopter of FRSs. FRS 101 *First-time Adoption of Financial Reporting Standards* applies to an entity's first financial statements prepared in accordance with FRSs. FRS 101 requires extensive disclosures explaining how the transition from previous Generally Accepted Accounting Principles (GAAP) to FRSs affects the reported financial position, financial performance and cash flows of an entity. These disclosures include reconciliations of equity and reported profit or loss at the date of transition to FRSs, and at the end of the comparative period presented in the entity's first FRS financial statements. It also include explaining material adjustments to the statements of financial position, changes in equity and comprehensive income, and identifying separately the correction of any errors made under previous GAAP. An entity that presented a statement of cash flows under previous GAAP should also explain any material adjustments to its statement of cash flows. For more information, see KPMG's *Illustrative financial statements for first-time adopters*, published in February 2010 based on IFRS.

Note *Reference* **Explanatory note**

1. <i>FRS 1.10</i>	In these illustrative financial statements, the titles of the statements are consistent with the titles used in FRS 1. The amendments to FRS 1 (effective for annual periods beginning on or after 1 July 2012) change the title of the 'Statement of comprehensive income' to the 'Statement of profit or loss and other comprehensive income'. However, these terms are not mandatory and different titles are permitted, as long as the meaning is clear and they are not misleading.
2. <i>FRS 1.7, 81A</i>	<p>Total comprehensive income is the changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Entities have a choice of presenting all items of income and expense recognised in a period either in:</p> <ul style="list-style-type: none"> • one statement (i.e. a statement of profit or loss and other comprehensive income); or • two statements (i.e. a separate statement of profit or loss and a statement beginning with profit or loss and displaying components of other comprehensive income).
<i>FRS 1.12</i>	When an entity elects to present two statements, the separate statement of profit or loss is part of a complete set of financial statements and is presented immediately before the statement of comprehensive income.
<i>FRS 1.81A</i>	This analysis is based on a two-statement approach. The single-statement approach is illustrated in Appendix I-A.

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Note Reference **Explanatory note**

- | | | |
|-----------|---------------------|---|
| 1. | <i>FRS 1.45</i> | The presentation and classification of items in the financial statements is retained from one period to the next unless the changes are required by a new standard or interpretation, or it is apparent, following a significant change to an entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate. The entity also considers the criteria for the selection and application of accounting policies in FRS 8. |
| 2. | <i>FRS 1.55, 58</i> | 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, prepayments as illustrated here. |
| | <i>FRS 1.57</i> | FRS 1 does not prescribe the order or format in which an entity presents items. Additional line items are included when size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position and the descriptions used. In addition, the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions to provide information that is relevant to an understanding of an entity's financial position. |
| 3. | <i>FRS 1.38C-D</i> | The third statement of financial position is required only if a retrospective change in accounting policy, a retrospective correction of an error or a reclassification has a material effect on the information in the statement of financial position. Except for the disclosures required under FRS 8, notes related to the third statement of financial position are not required. The third statement of financial position to be presented is that at the beginning of the <i>preceding</i> period, rather than at the beginning of the <i>earliest</i> comparative period presented. This is also the case even if an entity provides additional comparative information beyond the minimum comparative information requirements. |
| 4. | | 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 our publication <i>Insights into IFRS</i> (7.8.120.40). |
| 5. | <i>FRS 1.60, 61</i> | In these illustrative financial statements, we have presented current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. An entity may present its assets and liabilities broadly in order of liquidity if such presentation provides reliable and more relevant information. 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 end of the reporting period, and (2) more than 12 months after the end of the reporting period, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months. |
| 6. | | See explanatory note 3 on page 8. |
| 7. | | See explanatory note 4 on page 8. |
| 8. | | See explanatory note 5 on page 8. |
| 9. | <i>S201(3A)</i> | Only the statement of financial position of the Company is required to be presented with the consolidated financial statements. |

Reference Statements of financial position^{1, 2}

S201(3A)(b)

FRS 1.10(a), 10(f), 38

As at 31 December 2013

FRS 1.113

			Group			Company ⁹	
			31 Dec	31 Dec	1 Jan	31 Dec	31 Dec
			2013	2012	2012 ³	2013	2012
			\$'000	\$'000	\$'000	\$'000	\$'000
				Restated*	Restated*		
Assets							
FRS 1.54(a)	Property, plant and equipment	4	16,936	31,049	34,937	5,816	5,618
FRS 1.54(c)	Intangible assets and goodwill	5	5,826	4,661	5,429	-	-
FRS 1.54(f)	Biological assets	6	4,860	6,636	6,279	-	-
FRS 1.54(b), 17.49	Investment property	7	2,070	1,050	950	-	-
FRS 1.55	Subsidiaries	38	-	-	-	7,537	4,950
FRS 1.54(e), 28.38	Associates and jointly controlled entities	8	7,179	3,638	2,931	-	300
FRS 1.54(d)	Other investments, including derivatives ⁴	9	3,631	3,525	3,269	3,512	3,390
FRS 1.54(o), 56	Deferred tax assets ⁶	10	-	1,376	1,902	-	-
FRS 1.54(h)	Trade and other receivables	13	213	-	-	-	-
	Employee benefits ²	17	635	731	530	-	-
FRS 1.60	Non-current assets ⁵		41,350	52,666	56,227	16,865	14,258
FRS 1.54(f)	Biological assets	6	245	140	234	-	-
FRS 1.54(d)	Other investments, including derivatives ⁴	9	662	1,032	821	317	564
FRS 1.54(n)	Current tax assets ⁷		-	228	-	-	-
FRS 1.54(g)	Inventories	12	9,967	12,119	12,716	4,694	5,751
FRS 1.54(h)	Trade and other receivables	13	16,561	17,999	16,479	20,698	13,219
	Prepayments ²		530	1,400	895	278	975
FRS 1.54(i)	Cash and cash equivalents	14	1,505	1,850	2,529	738	829
FRS 105.38, 40	Assets held for sale ⁸	11	14,410	-	-	-	-
FRS 1.54(j)	Current assets ⁵		43,880	34,768	33,674	26,725	21,338
FRS 1.60	Total assets		85,230	87,434	89,901	43,590	35,596

* See note 2.5(i).

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

Note *Reference* **Explanatory note**

1.	See explanatory note 2 on page 6.
2.	See explanatory note 5 on page 6.
3. <i>FRS 12.74</i>	<p>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 4 below), and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either:</p> <ul style="list-style-type: none"> • the same taxable entity; or • different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously for each future period in which these differences reverse.
4. <i>FRS 12.71</i>	An entity offsets current tax assets and current tax liabilities only if it has a legally enforceable right to set off the recognised amounts, and intends to realise the asset and settle the liability on a net basis or simultaneously.
5. <i>FRS 105.40</i>	Comparatives are not restated to reflect classification as held for sale or distribution at the end of the reporting date.
<i>FRS 1.66</i>	In our view, non-current assets, as well as assets and liabilities of disposal groups classified as held for sale or distribution are classified as current in the statement of financial position. Consequently, presentation of a three-column statement of financial position with the headings "Assets / Liabilities not for sale", "Assets / Liabilities held for sale" and "Total", with the assets and liabilities held for sale or distribution included in non-current line items, would not generally be appropriate. This issue is discussed in our publication <i>Insights into IFRS</i> (5.4.110.30).
6.	See explanatory note 9 on page 6.
7.	See explanatory note 4 on page 6.

Reference Statements of financial position (continued)

S201(3A)(b)

FRS 1.10(a), 10(f), 38

As at 31 December 2013

FRS 1.113	Note		Group			Company ⁶	
			31 Dec 2013 \$'000	31 Dec 2012 \$'000 Restated*	1 Jan 2012 \$'000 Restated*	31 Dec 2013 \$'000	31 Dec 2012 \$'000
		Equity					
FRS 1.54(r), 78(e)		Share capital	19,737	18,050	18,050	19,737	18,050
FRS 1.54(r), 78(e)	15	Reserves	1,202	449	322	29	(200)
FRS 1.55, 78(e)		Retained earnings	8,483	14,046	10,600	5,639	5,525
		Equity attributable to owners of the Company	29,422	32,545	28,972	25,405	23,375
FRS 1.54(q), 27.27		Non-controlling interests	1,512	802	601	-	-
		Total equity	30,934	33,347	29,573	25,405	23,375
		Liabilities					
FRS 1.54(m)	16	Loans and borrowings	20,133	19,206	26,270	11,708	6,144
FRS 1.55, 1.78(d)	17	Employee benefits ¹	982	841	804	-	-
FRS 1.54(k)	21	Other payables, including derivatives ⁷	290	5	-	-	-
FRS 20.24	19	Deferred income	1,424	1,462	-	-	-
FRS 1.54(l)	20	Provisions	1,010	140	682	70	60
FRS 1.54(o), 56	10	Deferred tax liabilities ³	2,239	1,567	1,436	1,285	819
FRS 1.60		Non-current liabilities²	26,078	23,221	29,192	13,063	7,023
FRS 1.55	14	Bank overdraft ¹	334	282	303	-	-
FRS 1.54(m)	16	Loans and borrowings	2,090	4,386	2,017	51	-
FRS 1.54(n)		Current tax liabilities ⁴	762	-	25	-	-
FRS 1.54(k)	21	Trade and other payables, including derivatives ⁷	19,784	24,370	27,305	4,943	5,104
FRS 11.42(b)	19	Deferred income	178	168	86	-	-
FRS 1.54(l)	20	Provisions	660	1,660	1,400	128	94
FRS 105.38, 40	11	Liabilities held for sale ⁵	4,410	-	-	-	-
FRS 1.54(p)		Current liabilities²	28,218	30,866	31,136	5,122	5,198
FRS 1.60		Total liabilities	54,296	54,087	60,328	18,185	12,221
		Total equity and liabilities	85,230	87,434	89,901	43,590	35,596

* See note 2.5(i).

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

Note Reference **Explanatory note**

1. *FRS 1.99, 100* An entity presents an analysis of expenses based on function or nature whichever provides information that is reliable and more relevant. This analysis may be presented in the statement of profit or loss or in the notes. In these illustrative financial statements, this analysis is based on functions within the entity. An illustration of the statement of profit or loss presenting analysis of expenses based on their nature is illustrated in Appendix I-B.

Individual material items are classified in accordance with their nature or function, consistent with the classification of items that are not material individually. This issue is discussed in our publication *Insights into IFRS* (4.1.82.10 – 20).

2. *FRS 1.85* An entity presents additional line items, headings and subtotals when this is relevant to an understanding of its financial performance.

3. FRSs do not specify whether revenue can be presented only as a single line item in the statement of profit or loss, or whether an entity may also include the individual components of revenue in the statement of profit or loss, with a subtotal for revenue from continuing operations.

4. *FRS 28.38* An entity presents separately its share of any discontinued operations of its associates.

5. *FRS 105.33(a), (b)* An entity discloses a single amount in the statement of comprehensive income comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

In addition, an entity analyses the above single amount into revenue, expenses, and the pre-tax profit or loss from discontinued operations, tax on the profit or loss from discontinued operations, gain or loss on the disposal or measurement to fair value less costs to sell, and tax on that gain or loss. In these illustrative financial statements, we have illustrated these analyses in the notes. An entity may also present this analysis in the statement of profit or loss, in a section identified as related to discontinued operations. For example, a columnar format presenting the results from continuing and discontinued operations in separate columns is acceptable.

6. *FRS 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 our publication *Insights into IFRS* (5.3.370.55).

7. *FRS 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 our publication *Insights into IFRS* (5.3.370.50).

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

S201(3A), FRS 1.10(b),
FRS 1.38, 81A
FRS 1.113

Year ended 31 December 2013

		Note	2013 \$'000	2012 \$'000 Restated*
	Continuing operations			
FRS 1.82(a)	Revenue ³	23	100,160	96,636
FRS 1.99, 103	Cost of sales ¹		(55,708)	(56,186)
FRS 1.103	Gross profit		44,452	40,450
INT FRS 117.15	Gain on distribution to owners of the Company	15	2,556	-
	Other income	24	1,021	642
FRS 1.99, 103	Distribution expenses ¹		(17,984)	(18,460)
FRS 1.99, 103	Administrative expenses ¹		(17,142)	(15,269)
FRS 1.99, 103, 38.126	Research and development expenses ¹		(1,109)	(697)
FRS 1.99, 103	Other expenses ¹	25	(860)	(30)
FRS 1.85	Results from operating activities		10,934	6,636
	Finance income		981	480
FRS 1.82(b)	Finance costs		(1,527)	(1,646)
	Net finance costs	26	(546)	(1,166)
FRS 1.82(c), 28.38	Share of profit of associates and jointly controlled entities (net of tax) ⁴	8	541	708
FRS 1.85	Profit before tax		10,929	6,178
FRS 1.82(d), 12.77	Tax expense	28	(3,371)	(1,800)
FRS 1.85	Profit from continuing operations		7,558	4,378
	Discontinued operation			
FRS 105.33(a), 1.82(ea)	Profit (loss) from discontinued operation (net of tax) ⁵	29	379	(422)
	Profit for the year	27	7,937	3,956
	Profit attributable to:			
FRS 1.83(a)(ii)	Owners of the Company		7,413	3,737
FRS 1.83(a)(i)	Non-controlling interests		524	219
	Profit for the year		7,937	3,956
	Earnings per share⁶			
FRS 33.4	Basic earnings per share (cents) ⁷	30	22.46	10.71
FRS 33.66	Diluted earnings per share (cents) ⁷	30	21.07	10.65
	Earnings per share - continuing operations			
FRS 33.66	Basic earnings per share (cents) ⁷	30	21.24	12.08
FRS 33.66	Diluted earnings per share (cents) ⁷	30	19.94	12.01

* See notes 2.5, 29 and 41.

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

Note Reference **Explanatory note**

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|-----------|---------------------|---|
| 1. | <i>FRS 1.10A</i> | <p><i>Presentation of Items of Other Comprehensive Income</i> (Amendments to FRS 1), which is effective for annual periods beginning on or after 1 July 2012, do not change the existing option to present total comprehensive income in one or two statements.</p> |
| 2. | <i>FRS 1.82A</i> | <p>An entity is required to present items of other comprehensive income, classified by nature (including share of other comprehensive income of associates and jointly controlled entities accounted for using the equity method), separately:</p> <ul style="list-style-type: none"> (a) those that may be reclassified to profit or loss in the future if certain conditions are met; and (b) those that would never be reclassified to profit or loss. |
| 3. | <i>FRS 1.92, 94</i> | <p>An entity may present reclassification adjustments directly in the statement(s) of profit or loss and other comprehensive income or in the notes. In these illustrative financial statements, we have illustrated the presentation directly in the statement of comprehensive income.</p> |
| 4. | <i>FRS 1.90-91</i> | <p>Individual components of other comprehensive income may be presented either net of related tax effects, or before related tax effects, with an aggregate amount presented for tax.</p> <p>In these illustrative financial statements, we have illustrated the latter approach. Consequently, disclosures related to tax on each component of other comprehensive income are presented in the notes.</p> |

Reference Consolidated statement of comprehensive income^{1, 2}

Year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000 Restated*
Profit for the year		7,937	3,956
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
FRS 1.82A Revaluation of property, plant and equipment	4	200	-
Defined benefit plan remeasurements	17	72	(15)
FRS 1.91 Tax on items that will not be reclassified to profit or loss ⁴	28	(90)	5
		182	(10)
Items that are or may be reclassified subsequently to profit or loss:			
FRS 1.82A Net loss on hedge of net investment in foreign operation		(3)	(8)
FRS 21.52(b) 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 associates and jointly controlled entities		21	-
FRS 107.23(c) Effective portion of changes in fair value of cash flow hedges		(62)	77
FRS 107.23(d), FRS 1.92 Net change in fair value of cash flow hedges reclassified to profit or loss ³		(31)	(11)
FRS 107.20(a)(ii) Net change in fair value of available-for-sale financial assets		199	94
FRS 107.20(a)(iii), FRS 1.92 Net change in fair value of available-for-sale financial assets reclassified to profit or loss ³		(64)	-
FRS 1.91 Tax on items that are or may be reclassified subsequently to profit or loss ⁴	28	(14)	(53)
		526	429
Other comprehensive income for the year, net of tax		708	419
Total comprehensive income for the year		8,645	4,375
Total comprehensive income attributable to:			
FRS 1.83(b)(iii) Owners of the Company		8,094	4,134
FRS 1.83(b)(i) Non-controlling interests		551	241
Total comprehensive income for the year		8,645	4,375

* See notes 2.5, 29 and 41.

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

Note Reference **Explanatory note**

- | | |
|------------------------|---|
| 1. FRS 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. FRS 1.106(b) | When a change in accounting policy, either voluntarily or as a result of the initial application of a standard, has an effect on the current period or any prior period, an entity presents the effects of retrospective application or retrospective restatement recognised in accordance with FRS 8 in the statement of changes in equity. The illustrative examples to FRS 1 demonstrate this in relation to a change in accounting policy, as does our publication <i>Insights into IFRS</i> (2.8.40.90) in relation to an error. |
| 3. FRS 1.106A | An entity may present the disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income either in the statement of changes in equity or in the notes. In these illustrative financial statements, we have illustrated the presentation of this information in the statement of changes in equity. See Appendix I-C for an illustrative example in which this information is presented in the notes. |

Reference Consolidated statement of changes in equity

FRS 1.38, 108-109

Year ended 31 December 2013

FRS 1.113

FRS 1.106(b)

FRS 1.106(d)(i)

FRS 1.106(d)(iii)

FRS 21.52(b)

FRS 107.23(c)

FRS 107.23(d)

FRS 107.20(a)(iii)

FRS 19.93B

FRS 1.106(a)

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share Capital ¹	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2012, as previously stated	18,050	(129)	434	17	-	-	10,567	28,939	601	29,540
Impact of change in accounting policy ²	2.5(i) -	-	-	-	-	-	33	33	-	33
At 1 January 2012, as restated	18,050	(129)	434	17	-	-	10,600	28,972	601	29,573
Total comprehensive income for the year										
Profit for the year, restated	-	-	-	-	-	-	3,737	3,737	219	3,956
Other comprehensive income										
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	17 -	-	-	-	-	-	(15)	(15)	-	(15)
Tax on other comprehensive income	10 -	-	(22)	(31)	-	-	5	(48)	-	(48)
Total other comprehensive income³	-	300	44	63	-	-	(10)	397	22	419
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. | <i>FRS 32.33</i> | <p>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 the FRSs 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:</p> <ul style="list-style-type: none"> • 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. | <p>FRS 102 does not address specifically how share-based payment transactions to be settled using the Company's equity instruments are presented within equity, e.g. whether an increase in equity in connection with a share-based payment transaction is presented in a separate component within equity or within retained earnings. In our view, either approach would be allowed under FRSs. 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 our publication <i>Insights into IFRS</i> (4.5.1230.20 - 30).</p> |
|-----------|--|

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 non-controlling interests. This is because non-controlling interests in FRS 27 is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent." This issue is discussed in our publication *Insights into IFRS* (4.5.1230.40).

Reference Consolidated statement of changes in equity (continued)

FRS 1.38, 108-109

Year ended 31 December 2013

FRS 1.113

FRS 1.106(d)(iii)

Transactions with owners, recognised directly in equity

Contributions by and distributions to owners

FRS 32.33

Own shares acquired¹

Dividends declared

Share-based payment transactions²

Total transactions with owners

At 31 December 2012, as restated

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
15	-	-	-	-	-	(280)	-	(280)	-	(280)
15	-	-	-	-	-	-	(531)	(531)	(40)	(571)
18	-	-	-	-	-	-	250	250	-	250
Total transactions with owners	-	-	-	-	-	(280)	(281)	(561)	(40)	(601)
At 31 December 2012, as restated	18,050	171	478	80	-	(280)	14,046	32,545	802	33,347

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

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Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2013

FRS 1.113

Note	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	18,050	171	478	80	-	(280)	14,046	32,545	802	33,347
Total comprehensive income for the year										
FRS 1.106(d)(i)	Profit for the year									
	-	-	-	-	-	-	7,413	7,413	524	7,937
FRS 1.106(d)(ii)	Other comprehensive income									
FRS 21.52(b)	-	453	-	-	-	-	-	453	27	480
FRS 28.39	-	21	-	-	-	-	-	21	-	21
	-	(3)	-	-	-	-	-	(3)	-	(3)
FRS 107.23(c),	4	-	-	-	200	-	-	200	-	200
FRS 107.23(c),	-	-	(62)	-	-	-	-	(62)	-	(62)
FRS 107.20(a)(ii),	-	-	(31)	-	-	-	-	(31)	-	(31)
FRS 107.20(a)(iii),	-	-	-	199	-	-	-	199	-	199
FRS 19.93B	17	-	-	(64)	-	-	72	72	-	72
	10	-	31	(45)	(66)	-	(24)	(104)	-	(104)
	Total other comprehensive income									
	-	471	(62)	90	134	-	48	681	27	708
FRS 1.106(a)	Total comprehensive income for the year									
	-	471	(62)	90	134	-	7,461	8,094	551	8,645

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

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Reference Consolidated statement of changes in equity (continued)

FRS 1.10(c), 108-109 Year ended 31 December 2013

FRS 1.113

FRS 1.106(d)(iii)

FRS 1.106(d)(iii)

**Transactions with owners,
recognised directly in equity**

**Contributions by and distributions
to owners**

Issue of ordinary shares related to
business combination

Issue of ordinary shares

Issue of convertible notes, net of tax

Own shares sold

Dividends declared

Non-cash distribution to owners
of the Company

Share-based payment transactions

Share options exercised

**Total contributions by and
distributions to owners**

Note	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Capital reserves	Trans-lation reserve	Hedging reserve	Fair value reserve	Revalua-tion reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
32	87	-	-	-	-	-	-	-	87	-	87
15	1,550	-	-	-	-	-	-	-	1,550	-	1,550
16	-	109	-	-	-	-	-	-	109	-	109
15	-	10	-	-	-	-	20	-	30	-	30
15	-	-	-	-	-	-	-	(1,213)	(1,213)	(30)	(1,243)
15	-	-	-	-	-	(27)	-	(12,473)	(12,500)	-	(12,500)
18	-	-	-	-	-	-	-	755	755	-	755
15	50	-	-	-	-	-	-	-	50	-	50
	1,687	119	-	-	-	(27)	20	(12,931)	(11,132)	(30)	(11,162)

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

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Reference Consolidated statement of changes in equity (continued)

FRS 10(c), 1.108-109

Year ended 31 December 2013

FRS 1.113

FRS 1.106(d)(iii)

Changes in ownership interests in subsidiaries

Acquisition of non-controlling interests without a change in control

32

Acquisition of subsidiary with non-controlling interests

32

Total changes in ownership interests in subsidiaries**Total transactions with owners****At 31 December 2013**

Note	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Capital reserves	Translation reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Reserve for own shares	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-	-	8	-	-	-	-	(93)	(85)	(115)	(200)
	-	-	-	-	-	-	-	-	-	304	304
	-	-	8	-	-	-	-	(93)	(85)	189	104
	1,687	119	8	-	-	(27)	20	(13,024)	(11,217)	159	(11,058)
	19,737	119	650	416	170	107	(260)	8,483	29,422	1,512	30,934

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

Note Reference **Explanatory note**

- | | | |
|-----------|----------------------------|---|
| 1. | <i>FRS 7.50</i> | <p>An entity is encouraged, but not required, to disclose:</p> <ul style="list-style-type: none"> • 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 amounts of the cash flows from each of operating, investing and financing activities related to interests in jointly controlled entities reported using proportionate consolidation; • 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. | <i>FRS 7.22</i> | <p>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.</p> |
| 3. | <i>FRS 7.18-9</i> | <p>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.</p> <p>An example statement of cash flows presenting operating cash flows using the direct method is included in Appendix I-D.</p> |
| 4. | <i>FRS 7.18, 20, App A</i> | <p>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?</p> <p>FRS 7 refers to profit or loss, but the example provided in the appendix to the standard starts with a different figure (i.e. profit before taxation). Because the appendix is illustrative only and therefore does not have the same status as the standard, it would be more appropriate to follow the standard. This issue is discussed in our publication <i>Insights into IFRS</i> (2.3.30.20).</p> |
| 5. | <i>FRS 7.35</i> | <p>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 our publication <i>Insights into IFRS</i> (2.3.50.20 - 35).</p> |

Reference

Consolidated statement of cash flows^{1, 2}

FRS 1.10(d), 38
FRS 1.113

Year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000 Restated*
Cash flows from operating activities³			
Profit for the year ⁴		7,937	3,956
Adjustments for:			
Gain on distribution to owners of the Company		(2,556)	-
Depreciation		5,001	5,122
Amortisation of intangible assets		785	795
(Reversal of) impairment losses on property, plant and equipment		(393)	1,123
Impairment losses on intangible assets		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		(11)	(15)
Change in fair value of investment property		(20)	(60)
Impairment loss on trade receivables		150	30
Net finance costs		546	1,166
Share of profit of associates and jointly controlled entities, net of tax		(541)	(708)
Gain on sale of property, plant and equipment		(26)	(100)
Gain on sale of discontinued operation, net of tax		(516)	-
Gain on curtailment		(100)	-
Equity-settled share-based payment transactions		755	250
Tax expense		3,346	1,756
		13,822	13,671
Changes in:			
- inventories		(352)	765
- current biological assets due to sales		127	63
- intangible assets – service concession arrangement		(95)	-
- trade and other receivables		(9,790)	(1,696)
- prepayments		870	(505)
- trade and other payables		5,014	(2,865)
- provisions and employee benefits – excluding gain on curtailment		226	(461)
- deferred income, including government grant		(28)	1,544
Cash generated from operations		9,794	10,516
Tax paid ⁵		(428)	(1,527)
Net cash from operating activities		9,366	8,989

* See note 2.5.

FRS 7.35
FRS 7.10

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

Note Reference **Explanatory note**

- | | |
|-------------------------------|---|
| 1. <i>FRS 7.31</i> | FRSs 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 our publication <i>Insights into IFRS</i> (2.3.50.20). |
| 2. | In these illustrative financial statements, we have presented a consolidated statement of cash flows that includes an analysis of all cash flows, i.e. including both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in the notes (see note 29). However, in our view, there are numerous ways in which cash flows from discontinued operations may be presented. This issue is discussed in our publication <i>Insights into IFRS</i> (5.4.220.40). |
| 3. <i>FRS 7.16, 39</i> | 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 our publication <i>Insights into IFRS</i> (2.3.20.14–18). |
| 4. <i>FRS 7.43</i> | 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. <i>FRS 7.16</i> | <p>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.</p> <p>If hedge accounting is not applied to a derivative instrument that is entered into as an economic hedge, then in our view, derivative gains and losses may be shown in the statement of profit or loss as either operating or financing items depending on the nature of the item being economically hedged. In our view, the possibilities for the presentation in the statement of profit or loss also apply to the presentation in the consolidated statement of cash flow. These issues are discussed in our publication <i>Insights into IFRS</i> (7.8.220.80 and 7.8.225.70).</p> |
| 6. | In our view, to the extent that borrowing costs are capitalised in respect of qualifying assets, the cost of acquiring those assets, which would include borrowing costs, should be split in the statement of cash flows. This issue is discussed in our publication <i>Insights into IFRS</i> (2.3.50.40). |

Reference

Consolidated statement of cash flows (continued)

FRS 1.10(d), 38

Year ended 31 December 2013

FRS 1.113

Note
2013
\$'000
2012
\$'000
Restated*

Cash flows from investing activities

FRS 7.31	Interest received ¹		211	155
FRS 7.31	Dividends received ¹		369	330
FRS 24.18	Dividends from associates and jointly controlled entities	8	21	-
FRS 7.16(a)	Proceeds from sale of property, plant and equipment		1,177	481
FRS 7.21	Proceeds from sale of investments		891	2,034
FRS 7.39	Disposal of discontinued operation, net of cash disposed of ²	29	10,890	-
FRS 7.39	Acquisition of subsidiary, net of cash acquired ³	32	(1,799)	-
FRS 7.39	Formation of associates and jointly controlled entities	8	(3,600)	-
FRS 7.16(a)	Acquisition of property, plant and equipment		(15,657)	(2,228)
FRS 7.16(a)	Acquisition of investment property		(300)	(40)
FRS 7.21	Plantations and acquisitions of non-current biological assets		(305)	(437)
FRS 7.16(a)	Acquisition of other investments		(319)	(2,411)
FRS 7.21	Development expenditure		(1,235)	(503)
	Deposits pledged		35	(28)
FRS 7.10	Net cash used in investing activities⁴		(9,621)	(2,647)

Cash flows from financing activities

FRS 7.17(a)	Proceeds from issue of share capital		1,550	-
FRS 7.17(c)	Proceeds from issue of convertible notes		5,000	-
FRS 7.17(c)	Proceeds from issue of redeemable preference shares		2,000	-
FRS 7.21	Proceeds from sale of own shares		30	-
FRS 7.21	Proceeds from exercise of share options		50	-
FRS 7.16(h)	Proceeds from settlement of derivatives ⁵		5	11
FRS 7.21	Payment of transaction costs related to loans and borrowings		(343)	-
FRS 7.42A	Acquisition of non-controlling interests	32	(200)	-
FRS 7.17(b)	Repurchase of own shares		-	(280)
FRS 7.17(d)	Repayment of borrowings		(5,066)	(4,445)
FRS 7.17(e)	Payment of finance lease liabilities		(454)	(394)
FRS 7.31	Dividends paid to owners of the Company ¹		(1,213)	(531)
	Dividends paid to non-controlling interests		(30)	(40)
FRS 7.31, 32	Interest paid ^{1, 6}		(1,424)	(1,324)
FRS 7.10	Net cash used in financing activities		(95)	(7,003)

Net decrease in cash and cash equivalents

	Cash and cash equivalents at 1 January		1,312	1,998
FRS 7.28	Effect of exchange rate fluctuations on cash held		(12)	(25)
	Cash and cash equivalents at 31 December	14	950	1,312

* See note 2.5.

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

Note *Reference* **Explanatory note**

- | | |
|--------------------------|--|
| 1. <i>FRS 1.7</i> | The notes to the financial statements include narrative descriptions or break-downs of amounts disclosed in the primary statements. They also include information about items that do not qualify for recognition in the financial statements. |
|--------------------------|--|

Notes to the financial statements¹

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Note Reference **Explanatory note**

1. FRS 1.36	When the entity changes its end of reporting period 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.
2. FRS 10.17	An entity discloses the date that the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after their issue, then an entity discloses that fact.
3. FRS 1.138 (a)	An entity discloses the principal place of business instead of the address of its registered office, if different from the registered office.
4. FRS 1.19, 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 <i>Conceptual Framework for Financial Reporting</i> , 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. FRS 1.25, 10.16(b)	An entity discloses any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, regardless of whether they arise during the period or after the end of the reporting period. An entity may wish to explain other uncertainties, as illustrated. See Appendix I-G for example disclosures for entities that require going concern disclosures.
6. FRS 21.53	If the financial statements are presented in a currency different from the parent entity's functional currency, then an entity discloses that fact, its functional currency, and the reason for using a different presentation currency.
FRS 21.54	If there is a change in the functional currency of either the entity or a significant foreign operation, then the entity discloses that fact together with the reason for the change.
7. FRS 1.122-4	An entity discloses the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The examples that are provided in paragraphs 123 and 124 of FRS 1 indicate that such disclosure is based on qualitative information.
FRS 1.125-9	An entity discloses information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The examples that are provided in paragraph 129 of FRS 1 indicate that such disclosure is based on quantitative data (e.g. appropriate discount rates).

Reference	Notes to the financial statements ¹
FRS 1.10(e)	These notes form an integral part of the financial statements.
FRS 10.17	The financial statements were authorised for issue by the Board of Directors on [date]. ²
	1. Domicile and activities
FRS 1.138(a), (b) FRS 1.51(a)-(c)	[Name] (the “Company”) is a company incorporated in Singapore. The address of the Company’s registered office is [address]. ³
	The financial statements of the Group as at and for the year ended 31 December 2013 ¹ comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities.
	The Group is primarily involved in the manufacture of paper and paper-related products, the cultivation of trees and the sale of wood.
FRS 1.112(a)	2. Basis of preparation
	2.1 Statement of compliance
FRS 1.16	The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS). ⁴
	2.2 Basis of measurement
	The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.
FRS 107.19	As explained in note 16, management has been in a process of negotiation with a bank since the Group exceeded its maximum leverage threshold in the third quarter of 2013. This negotiation resulted in the waiver of the breach of covenant being issued by the bank in October 2013. Subsequent to the end of the reporting period, the bank revised the debt covenant ratio (debt to quarterly revenue from continuing operations) from 2.5 to 3.5 times. 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. ⁵
	2.3 Functional and presentation currency⁶
FRS 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 judgements⁷
	The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
	Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Note Reference **Explanatory note**

1.	When a change in accounting policy is the result of the adoption of a new, revised or amended FRS, an entity applies the specific transitional requirements in that FRS. However, in our view, an entity nonetheless should comply with the disclosure requirements of FRS 8 to the extent that the transitional requirements do not include disclosure requirements. This issue is discussed in our publication <i>Insights into IFRS</i> (2.8.20).
2.	<p><i>FRS 1.10(f)</i> <i>8.28, 29</i></p> <p>When a change in accounting policy, either voluntarily or as a result of the adoption of a new, revised or amended FRS, has an effect on the current period or any prior period, an entity discloses, among other things and to the extent practicable, the amount of the adjustment for each financial statement line item affected.</p> <p><i>FRS 8.49</i></p> <p>If any prior period errors are corrected in the current year's financial statements, then an entity discloses:</p> <ul style="list-style-type: none"> • the nature of the prior period error; • to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented; • the amount of the correction at the beginning of the earliest prior period presented; and • if retrospective restatement is impracticable for a particular prior period, then the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
3.	<p>The description of the nature and effect of the changes in accounting policies presented is only illustrative, and may not be representative of the nature and effect of the changes for individual entities. It should not be relied on for a complete understanding of amendments to FRS, completeness of new standards applicable for the period and effects on the financial statements, and should not be used as a substitute for referring to those standards and interpretations themselves.</p> <p>For a list of new standards that either are effective for the first time for annual periods beginning on 1 January 2013 or are available for early adoption for the period, see Appendix VI.</p> <p>In addition, we have illustrated the requirements of FRS 8 in a tabular format; however, other forms of presentation may be possible.</p>
4.	<p><i>FRS 19.156</i></p> <p>For the Group, the only changes as a result of FRS 19 (2011) are:</p> <ul style="list-style-type: none"> • the change in the measurement of expected return on plan assets; and • the change in the definition of employee benefits as short-term or other long-term employee benefits <p>The Group already recognises all actuarial gains and losses immediately in other comprehensive income under the previous FRS 19 and all other changes as a result of FRS 19 (2011) are assumed to be immaterial. It does not illustrate disclosures related to other types of employee benefits, such as termination benefits.</p> <p>Further guidance on IAS 19 (2011) is included in our publication <i>First Impressions: Employee Benefits</i> (July 2011).</p>

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

FRS 1.122, 125,
129, 130

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 16 – accounting for an arrangement containing a lease
- Note 23 – commission revenue: determination of whether the Group acts as an agent in the transaction rather than as a principal
- Note 34 – lease classification.

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

- Note 5 – key assumptions used in discounted cash flow projections
- Note 5 – recoverability of development costs
- Note 7 – fair value determination of investment property
- Note 10 – utilisation of tax losses
- Note 17 – measurement of defined benefit obligations
- Notes 20 and 36 – provisions and contingencies.

2.5 Changes in accounting policies^{1, 2, 3}

(i) Accounting for investment property

FRS 8.29

On 1 January 2013, the Group changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these types of assets.

This change in accounting policy was applied retrospectively. Further details of the effects of the changes are set out in note 2.5 (v).

(ii) Defined benefit plans and short-term or other long-term employee benefits definition⁴

FRS 19.172, 173,
FRS 8.28

From 1 January 2013, as a result of FRS 19 (2011), the Group changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit plans, the costs of managing plan assets and definition of employee benefits as short-term or other long-term employee benefits.

Defined benefit plans

FRS 19.8, 123, 124

Under FRS 19 (2011), the Group determines the net interest expense (income) for the period on the net defined benefit liability (asset) 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) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest on the effect on the asset ceiling.

Note *Reference* **Explanatory note**

- | | |
|-----------------------------|---|
| 1. <i>FRS 113.C2</i> | FRS 113 is applied prospectively as of the beginning of the annual period in which it is initially applied. Prospective application will mean that any changes from adjustments to valuation techniques from the date of adoption will be recognised in the period of adoption either in profit or loss or other comprehensive income, in accordance with the FRS that requires or permits fair value measurement. Further guidance on this standard is included in our publication <i>Insights into IFRS</i> (2.4A). |
|-----------------------------|---|

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

(ii) Defined benefit plans and short-term or other long-term employee benefits definition (continued)

Defined benefit plans (continued)

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

FRS 8.28

The amendment was applied retrospectively. It increased the defined benefit expense recognised in profit or loss and correspondingly reduced the defined benefit plan remeasurement loss recognised in other comprehensive income by \$17,000 in 2013 (2012: \$25,000).

Short-term or other long-term employee benefits

FRS 19.8

The Group currently has a bonus plan that was awarded in 2011 to certain of its employees for their services rendered in 2011. The bonus plan entitles the employees to draw on the bonus payable to them from the middle of 2012; however, the employees also have the option to draw the bonus payable only after the end of 2013 to benefit from a lower level of tax on the bonus under applicable tax rules. The Group's expectation is that the employees would only draw on the bonus payable to them in 2014. As at 31 December 2012, the employees have not drawn on their bonus.

Under FRS 19 (2011), the Group classifies the liability arising from the bonus plan as other long-term employee benefits. In addition, the Group measures the bonus payable recognised at the present value of the amount payable. There are no other adjustments required to be made to the liability such as estimation of the number of employees that might leave before they are entitled to the bonus because the plan contains no other vesting conditions. Notwithstanding the classification of the bonus plan as other long-term employee benefits, the liability for the bonus continues to be classified as a current liability in the statement of financial position as the employees are entitled to draw on the bonus payable to them from the middle of 2012.

Previously, the bonus payable recognised in the statement of financial position was accounted for as short-term employee benefits and thus was measured on an undiscounted basis.

FRS 8.28

These amendments were applied retrospectively. The effect of the change in the classification of the bonus plan is a reduction in the bonus payable amount recognised in 2011 by \$9,000, which was reversed as an unwinding of discount through profit or loss of the Group in 2012 and 2013 of \$4,000 and \$5,000 respectively.

Further details of the effects of the changes are set out in note 2.5 (v) below.

(iii) Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively¹, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosures necessary as a result of the adoption of this standard has been included in notes 22 and 33.

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Reference

Notes to the financial statements

2. Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

(iv) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

(v) Summary of quantitative impact

The following tables summarise the material impacts resulting from the above changes in accounting policies on the Group's financial position, profit or loss and other comprehensive income.

The changes in accounting policies had an immaterial impact on income taxes and earnings per share for the current and comparative periods.

Consolidated statement of financial position

1 January 2012

	As previously reported \$'000	Investment property (see note 2.5(i)) \$'000	Long-term bonus plan (see note 2.5(ii)) \$'000	As restated \$'000
Investment property	900	50	-	950
Others	88,951	-	-	88,951
Total assets	89,851	50	-	89,901
Deferred tax liabilities	(1,419)	(17)	-	(1,436)
Employee benefits	(813)	-	9	(804)
Others	(58,088)	-	-	(58,088)
Total liabilities	(60,320)	(17)	9	(60,328)
Retained earnings	(10,558)	(33)	(9)	(10,600)
Others	(18,973)	-	-	(18,973)
Total equity	(29,531)	(33)	(9)	(29,573)

31 December 2012

Investment property	930	120	-	1,050
Others	86,384	-	-	86,384
Total assets	87,314	120	-	87,434
Deferred tax liabilities	(1,527)	(40)	-	(1,567)
Employee benefits	(846)	-	5	(841)
Others	(51,679)	-	-	(51,679)
Total liabilities	(54,052)	(40)	5	(54,087)
Retained earnings	(13,961)	(80)	(5)	(14,046)
Others	(19,301)	-	-	(19,301)
Total equity	(33,262)	(80)	(5)	(33,347)

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Reference

Notes to the financial statements

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

Consolidated statement of profit or loss
Year ended 31 December 2012

	As previously reported \$'000	Investment property (see note 2.5(i)) \$'000	Defined benefit plans (see note 2.5(ii)) \$'000	Long-term bonus plan (see note 2.5(ii)) \$'000	As restated \$'000
Cost of sales	(56,171)	-	(15)	-	(56,186)
Other income	582	60	-	-	642
Distribution expenses	(18,452)	-	(8)	-	(18,460)
Administrative expenses	(15,277)	10	(2)	-	(15,269)
Finance costs	(1,642)	-	-	(4)	(1,646)
Tax expense	(1,777)	(23)	-	-	(1,800)
Others	96,675	-	-	-	96,675
Profit for the year	3,938	47	(25)	(4)	3,956

Year ended 31 December 2013

	Investment property (see note 2.5(i)) \$'000	Defined benefit plans (see note 2.5(ii)) \$'000	Long-term bonus plan (see note 2.5(ii)) \$'000	Total \$'000
Cost of sales	-	(9)	-	(9)
Other income	20	-	-	20
Distribution expenses	-	(4)	-	(4)
Administrative expenses	-	(4)	-	(4)
Finance costs	-	-	(5)	(5)
Tax expense	(7)	-	-	(7)
Profit for the year	13	(17)	(5)	(9)

Consolidated statement of comprehensive income
Year ended 31 December 2012

	As previously reported \$'000	Defined benefit plans (see note 2.5(ii)) \$'000	As restated \$'000
Defined benefit plan remeasurements	(40)	25	(15)
Others	434	-	434
Other comprehensive income for the year, net of tax	394	25	419

Year ended 31 December 2013

	Defined benefit plans (see note 2.5(ii)) \$'000
Defined benefit plan remeasurements	17
Others	-
Other comprehensive income for the year, net of tax	17

Note Reference **Explanatory note**

1.	FRS 8.16	Neither the application of an accounting policy for transactions or events that did not occur previously, nor the application of an accounting policy to previously immaterial items, is a change in accounting policy. In these illustrative financial statements, distributions of non-cash assets to owners is an example of a new transaction or event for which an accounting policy was not previously required. Consequently the application of the relevant FRS has not been disclosed as a change in accounting policy.
2.	FRS 1.117(b)	The accounting policies describe each specific accounting policy that is relevant to an understanding of the financial statements.
	FRS 8.5	Accounting policies are the specific principles, bases, conventions, rules and practices that an entity applies in preparing and presenting financial statements.
3.		The accounting policies disclosed in these illustrative financial statements reflect the facts and circumstances of the fictitious corporation on which these financial statements are based. They should not be relied upon for a complete understanding of FRSs 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 FRSs are discussed in our publication <i>Insights into IFRS</i> .
4.		An entity may also consider a <i>de facto</i> control model for the basis of consolidating a subsidiary, in which the ability in practice to control another entity exists and no other party has the power to govern. In our view, whether an entity includes or excludes <i>de facto</i> control aspects in its analysis of control is an accounting policy choice, to be applied consistently, that should be disclosed in its significant accounting policies. This issue is discussed in our publication <i>Insights into IFRS</i> (2.5.30).

Reference Notes to the financial statements

2. Basis of preparation (continued)

2.6 Accounting policies for new transactions and events¹

Distributions of non-cash assets to owners of the Company

From 1 January 2013, the Group has applied INT FRS 117 *Distributions of Non-cash Assets to Owners* in accounting for distributions of non-cash assets to owners of the Company. The new accounting policy (see note 3.3(iii)) has been applied prospectively.

FRS 1.112(a),
117(a)

3. Significant accounting policies^{2, 3}

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

FRS 1.41

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 41). In addition, the comparative statement of profit or loss and statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 29).

3.1 Basis of consolidation

(i) Business combinations

FRS 103.4

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.⁴

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
 - the recognised amount of any non-controlling interests 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.

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

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

FRS 103.58

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

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

Note *Reference* **Explanatory note**

- | | |
|-------------------------------|--|
| 1. <i>FRS 27.41(c)</i> | If the financial statements of a subsidiary used to prepare consolidated financial statements are of a date or for a period that is different from that of the parent's financial statements, then the entity discloses: <ul style="list-style-type: none">• the end of the reporting period 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 FRSs is discussed in our publication <i>Insights into IFRS</i> (5.13). These illustrative financial statements illustrate one possible method to account for common control transactions. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)

Non-controlling interests 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 non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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

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 non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries¹

FRS 27.26

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

FRS 27.24, 28

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Acquisitions from entities under common control²

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

(iv) Loss of control

FRS 27.34

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

Note *Reference* **Explanatory note**

- | | |
|-----------|---|
| 1. | An associate 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 an associate's financial statement items. If disclosure of the accounting policies of an associate is considered necessary for an understanding of income from associates, or the carrying amount of investments in associates in the statement of financial position, then in our view this information should be included in the accounting policy note regarding investments in associates. This issue is discussed in our publication <i>Insights into IFRS</i> (3.5.670.10). |
| 2. | FRSs do 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 our publication <i>Insights into IFRS</i> (3.5.430.80). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(v) Investments in associates and jointly controlled entities (equity-accounted investees)¹

FRS 28.6 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 between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

FRS 28.23, 31.57 Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

FRS 28.27 The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

FRS 28.29-30 When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Jointly controlled operations

FRS 31.13 A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) Transactions eliminated on consolidation

FRS 27.21 Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.² Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Subsidiaries, associates and jointly controlled entities in the separate financial statements

FRS 27.42 Investments in subsidiaries, associates and jointly controlled entities are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

FRS 21.21, 23(a) Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated 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.

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Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

FRS 21.23

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated 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 retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income 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; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

FRS 21.39

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

FRS 21.48

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. 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 non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

FRS 21.15

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

(iii) Hedge of a net investment in foreign operation

FRS 39.102

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

Note *Reference* **Explanatory note**

- | | |
|-----------|---|
| 1. | Subject to certain exceptions, an entity is not permitted to classify any investments as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount in relation to the total amount of held-to-maturity investments before maturity. This issue is discussed in our publication <i>Insights into IFRS</i> (7.4.80.50). |
|-----------|---|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.2 Foreign currency (continued)

(iii) Hedge of a net investment in foreign operation (continued)

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

3.3 Financial instruments

(i) Non-derivative financial assets

FRS 39.44

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

FRS 39.17

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

FRS 32.42

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

FRS 39.45

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

FRS 107.21

Financial assets at fair value through profit or loss

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

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

FRS 107.B5(a)

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

FRS 107.21,
FRS 39.46(b)

Held-to-maturity financial assets¹

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

Held-to-maturity financial assets comprise debt securities.

Note *Reference* **Explanatory note**

- | |
|---|
| <p>1. <i>INT FRS 112.24</i> A financial asset recognised in a service concession arrangement is accounted for in accordance with FRS 39 as a loan or receivable, an available-for-sale financial asset or, if so designated upon initial recognition (and conditions for that classification are met), a financial asset at fair value through profit or loss.</p> |
|---|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

FRS 107.21

FRS 39.46(a)

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including service concession receivables.¹

FRS 7.46

Cash and cash equivalents

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

FRS 7.8

Service concession arrangements

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

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

FRS 107.21, B5(b)

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

FRS 39.44,

FRS 103.58

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

FRS 39.39

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

Note *Reference* **Explanatory note**

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

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

FRS 103.58

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

FRS 107.21,
FRS 32.42

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

FRS 107.21

(iii) Share capital

Ordinary shares

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.

FRS 32.AG26

Preference share capital¹

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

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

FRS 32.33

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

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

Distribution of non-cash assets to owners of the Company

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.

Note *Reference* **Explanatory note**

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

Fair value hedges

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

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

FRS 32.28-32

(iv) Compound financial instruments

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

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(v) Derivative financial instruments, including hedge accounting¹

FRS 39.11

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

FRS 39.88

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

FRS 39.46

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

Cash flow hedges

FRS 39.95

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

Note *Reference* **Explanatory note**

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

This issue is discussed in our publication *Insights into IFRS* (7.7.80). In these illustrative financial statements, we have illustrated the second approach.

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.3 Financial instruments (continued)

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

Cash flow hedges (continued)

FRS 39.98, 101

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss.¹ In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

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

Other non-trading derivatives

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

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

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

FRS 39.43, 47(c)

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

3.4 Property, plant and equipment

(i) Recognition and measurement

FRS 16.73(a)

FRS 16.30

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

FRS 16.16

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

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

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

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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)

FRS 16.45 When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

FRS 16.41, 71 The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Reclassification to investment property

FRS 40.62 When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. 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 other comprehensive income 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.

(iii) Subsequent costs

FRS 16.13 The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

FRS 16.44 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.

FRS 16.73(b) Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

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

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

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

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

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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

FRS 28.23(a), 33

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and jointly controlled entities, 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 jointly controlled entities.

(ii) Research and development

FRS 38.55

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

FRS 38.57, 66

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

FRS 38.74

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

(iii) Service concession arrangements

INT FRS 112.17

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

(iv) Other intangible assets

FRS 38.74

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

(v) Subsequent expenditure

FRS 38.18

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

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------------------------|---|
| 1. | <i>FRS 41.54(a),
(b)</i> | If biological assets are measured at cost less any accumulated depreciation and accumulated impairment losses because their fair value cannot be estimated reliably, then an entity discloses a description of such biological assets and an explanation of why their fair value cannot be measured reliably. |
| 2. | <i>FRS 40.75(c)</i> | If the classification of property is difficult, then an entity discloses the criteria developed to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. |
| 3. | <i>FRS 40.56,
79(a), (b), (e)</i> | <p>If an entity accounts for investment property using the cost model, then it discloses:</p> <ul style="list-style-type: none"> • the depreciation method; • the useful lives or the depreciation rates used; and • the fair value of such investment property. |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.5 Intangible assets and goodwill (continued)

(vi) Amortisation

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

FRS 38.118(a), (b) Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

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

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

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

3.6 Biological assets

FRS 41.12, 13 Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.¹ Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Standing timber is transferred to inventory at its fair value less costs to sell at the date of harvest.

3.7 Investment property

FRS 40.75(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.

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

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

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

Note *Reference* **Explanatory note**

- | | |
|---|---|
| <p>1. <i>INT FRS 27.10</i>
(b)</p> | <p>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.</p> |
| <p>2.</p> | <p>Although these amounts are required to be disclosed separately, there is no guidance on the characterisation of the assets or liabilities related to construction contracts in progress. One approach is to present assets as an accounts receivable or, in the case of liabilities, as deferred revenue. This issue is discussed in our publication <i>Insights into IFRS</i> (4.2.260.40).</p> |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.8 Leased assets¹

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

FRS 40.75(b) Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.9 Inventories

FRS 2.36(a) Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

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

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

3.10 Construction contracts in progress²

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

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

3.11 Impairment

(i) Non-derivative financial assets

FRS 107.B5(f)
FRS 39.58, 59
FRS 28.31 A financial asset not carried at fair value through profit or loss, including an interest in an associate and jointly controlled entity, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

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”. FRSs do not contain any specific quantitative thresholds for significant or prolonged. In our view, for equity securities that are quoted in an active market, the general concepts of significance and materiality should apply. We believe a decline in excess of 20% generally should be regarded as significant and a decline in a quoted market price that persists for nine months generally should be considered to be prolonged. However, it may be appropriate to consider a shorter period. This issue is discussed in our publication *Insights into IFRS* (7.6.490.40 – 130).

In our view, apart from significant or prolonged thresholds, an entity can establish additional events triggering impairment. These can include, among other things, a combination of significant and prolonged thresholds based on the particular circumstances and nature of that entity’s portfolio. For example, a decline in the fair value in excess of 15% persisting for six months could be determined by an entity to be an impairment trigger. This issue is discussed in our publication *Insights into IFRS* (7.6.490.40 – 50).

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets (continued)

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

Loans and receivables and held-to-maturity investment securities

FRS 39.63-64

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

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

FRS 39.63, 65

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

FRS 39.67-70

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

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | FRSs do not specify the line item in the statement of profit or loss in which an impairment loss is presented. If an entity classifies expenses based on their function, then any impairment loss is allocated to the appropriate function. In our view, in the rare cases that an impairment loss cannot be allocated to a function, then it should be included in other expenses, with additional information provided in the notes. This issue is discussed in our publication <i>Insights into IFRS</i> (3.10.430.20). |
|-----------|--|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets (continued)

FRS 28.33

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

(ii) Non-financial assets

FRS 36.9

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

FRS 36.18, 80

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

FRS 36.102

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

FRS 36.104

Impairment losses are recognised in profit or loss.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.

FRS 36.124

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.

Note *Reference* **Explanatory note**

- | | |
|-----------|---|
| 1. | The obligation for estimated future payments is measured on a discounted basis. The obligation is discounted using a high quality corporate bond rate or a government bond rate when there is an insufficiently deep corporate bond market. The currency and maturity of the bond should match the currency and maturity of the pension obligation. This issue is discussed in our publication <i>Insights into IFRS</i> (4.4.300.10). |
| 2. | Because the approach taken by FRS 19 (2011) is to calculate and recognise the net interest on the net defined benefit liability (asset) in profit or loss, the net interest income or expense will be presented in one line item, as opposed to the previously available policy of including the gross amounts of interest cost and expected return on plan assets with interest and other financial income respectively. This issue is discussed in our publication <i>Insights into IFRS</i> (4.4.1133.10). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.12 Non-current assets held for sale or distribution

FRS 105.15, 15A,
19

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, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

FRS 105.25

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

FRS 28.13(a)

3.13 Employee benefits

(i) Defined contribution plans

FRS 19.44

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

(ii) Defined benefit plans

FRS 19.8, 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).

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

FRS 19.8, 67

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

FRS 19.122, 127-130

Remeasurements from defined benefit plans 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 other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.²

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------|---|
| 1. | <i>FRS 102.IG19</i> | FRSs do 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 our publication <i>Insights into IFRS</i> (4.5.1280.10, 1300.20). |
|-----------|---------------------|---|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.13 Employee benefits (continued)

(ii) Defined benefit plans (continued)

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

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

(iii) Other long-term employee benefits

FRS 19.156 The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, that have a credit rating of at least AA from rating agency [y], that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

FRS 19.133 Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(v) Short-term employee benefits

FRS 19.10 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

FRS 102.15, 19, 21A The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

FRS 102.32 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

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Reference Notes to the financial statements

3. Significant accounting policies (continued)

FRS 37.14

3.14 Provisions

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

(i) Warranties

FRS 37.39

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

(ii) Restructuring

FRS 37.72(a)

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

(iii) Site restoration

FRS 37.21

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

(iv) Onerous contracts

FRS 37.66

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.

3.15 Revenue

FRS 18.35(a)

(i) Sale of goods

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

FRS 18.15

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

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Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.15 Revenue (continued)

(ii) Loyalty programme

INT FRS 113.6

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

(iii) Rendering of services

FRS 18.20, 35(a)

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

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

(iv) Construction contracts

FRS 11.22, 32
39(b), (c)

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

FRS 11.39(c), 32

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

FRS 11.40, 42

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

(v) Commissions

FRS 18.8

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

Note *Reference* **Explanatory note**

- | | | |
|-----------|------------------|---|
| 1. | <i>FRS 20.24</i> | 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 our publication <i>Insights into IFRS</i> (4.3.50 and 5.7.70). |
| 2. | | FRSs do 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 our publication <i>Insights into IFRS</i> (5.1.390.30). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.15 Revenue (continued)

(vi) Rental income

FRS 17.50

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

(vii) Service concession arrangements

INT FRS 112.13

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

FRS 20.39

FRS 41.34

3.16 Government grants

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

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

3.17 Lease payments

FRS 17.33,

INT FRS 15.3

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

FRS 17.25

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

Contingent lease payments² are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

INT FRS 104.6, 10

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

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

INT FRS 104.12-15

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

Note *Reference* **Explanatory note**

- | | |
|---------------------------|---|
| 1. <i>FRS 1.35</i> | Gains and losses arising from a group of similar transactions are reported on a net basis, e.g. foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, such gains and losses are reported separately if they are material. |
| 2. | An entity may present foreign currency gains and losses on financial assets and liabilities that arise from operating activities (e.g. payables arising on the purchase of goods) as part of income and expenses before finance costs, and foreign currency gains and losses related to financing activities as part of finance income and finance costs. This issue is discussed in our publication <i>Insights into IFRS</i> (7.6.730.10-20). |

Reference Notes to the financial statements

3. Significant accounting policies (continued)

FRS 107.20, 24 3.18 Finance income and finance costs

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

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

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

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.^{1, 2}

3.19 Tax

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

FRS 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.

FRS 12.22(c), 39 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 jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

FRS 12.51, 51C The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, 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.

Note *Reference* **Explanatory note**

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|-----------|---|
| 1. | <p>It is not clear whether a business that will be disposed of by distribution to owners could be classified as a discontinued operation before its disposal. Although FRS 105 was amended to extend the requirements in respect of non-current assets or disposal groups held for sale to such items held for distribution to owners, the cross-referencing in the amendments does not extend to discontinued operations. In our view, although the definition of a discontinued operation has not been extended explicitly, classification of non-current assets or disposal groups held for distribution to owners as a discontinued operation is appropriate if the remaining criteria of FRS 105 are met. This issue is discussed in our publication <i>Insights into IFRS</i> (5.4.130.40).</p> |
|-----------|---|

Reference Notes to the financial statements

3. Significant accounting policies (continued)

3.19 Tax (continued)

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

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

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

3.20 Discontinued operations¹

FRS 105.32, 34 A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

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

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

3.21 Earnings per share

FRS 33.10, 31 The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.22 Segment reporting

FRS 108.5 An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

FRS 108.25 Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

FRS 108.24(b) Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Note *Reference* **Explanatory note**

<p>1. <i>FRS 8.30</i></p>	<p>When an entity has not applied a new FRS, amendments to FRS and interpretation that has been issued but is not yet effective, the entity shall disclose this fact and known or reasonable estimable information relevant to assessing the potential impact that the application of the new FRS, amendments to FRS and interpretation will have on the entity's financial statements in the period of initial application.</p>
<p><i>FRS 1.31</i></p>	<p>When new standards, amendments to standards and interpretations will have no, or no material, effect on the financial statements of the Group, in our view, it is not necessary to list them as such a disclosure would not be material.</p>

3. Significant accounting policies (continued)

FRS 8.30, 31

3.23 New standards and interpretations not adopted¹

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group that are expected to have a significant effect on the financial statements of the Group and the Company in future financial periods, and which the Group does not plan to early adopt except as otherwise indicated below, are set out below.

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances.

In accordance with the transitional provisions of FRS 110, the Group re-assessed the control conclusion for its investees. As a consequence, the Group would change its control conclusion in respect of its investment in Silver Fir Ltd, which was previously accounted for as an associate using the equity method. Although the Group owns less than half of the voting power of the investee, the management has determined that the Group has acquired *de facto* control over the investee since it acquired the investment on 1 January 2010. This is because the Group has held significantly more voting rights in the investee than any other vote holders or organised group of vote holders, and the other shareholdings in the investee are widely dispersed. Accordingly, when the Group adopts FRS 110 in 2014, it would apply acquisition accounting to the investment at 1 January 2010, as if the investee had been consolidated from that date.

These changes will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated. The effect of the application of FRS 110 is an increase in net assets as at 31 December 2013 of \$2,633,000 and an increase in non-controlling interests of \$2,633,000, as well as an increase in profit for 2013 of \$91,000.

- FRS 111 *Joint Arrangements* establishes the principles for classification and accounting of joint arrangements. The adoption of this standard would require the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its only joint arrangement and would reclassify the investment from jointly-controlled entity to joint venture. Notwithstanding the reclassification, the investment would continue to be recognised by applying the equity method and there will be no impact on the recognised assets, liabilities and comprehensive income of the Group when the Group adopts FRS 111 in 2014.

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Reference Notes to the financial statements

3. Significant accounting policies (continued)

FRS 8.30, 31

3.23 New standards and interpretations not adopted (continued)

Applicable for the Group's 2014 financial statements (continued)

- FRS 112 *Disclosure of Interests in Other Entities* brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. FRS 112 requires the disclosure of information about the nature, risks and financial effects of these interests.

FRS 110, FRS 111 and FRS 112 are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

- Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, which clarifies the existing criteria for net presentation on the face of the statement of financial position.

Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group currently offsets receivables and payables due from/to the same counterparty if the Group has the legal right to set off the amounts when it is due and payable based on the contractual terms of the arrangement with the counterparty, and the Group intends to settle the amounts on a net basis. Based on the local laws and regulations in certain jurisdictions in which the counterparties are located, the set-off rights are set aside in the event of bankruptcy of the counterparties. On adoption of the amendments, the Group will have to present the respective receivables and payables on a gross basis as the right to set-off is not enforceable in the event of bankruptcy of the counterparty.

The amendments will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated. As at 31 December 2013, if the amendments were effective, the Group's total assets and total liabilities would have increased by \$4,302,000 respectively.

Note Reference **Explanatory note**

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

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

- FRS 16.77* If an entity uses the revaluation model to account for property, plant and equipment, then it discloses:
 - the effective date of the revaluation;
 - whether an independent valuer was involved;
 - the methods and significant assumptions applied in estimating the items' fair values;
 - the extent to which the items' fair values were determined directly by reference to observable prices in an active market, or recent market transactions on arm's length terms, or were estimated using other valuation techniques;
 - for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e., not revalued); and
 - the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.

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

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

Reference Notes to the financial statements

4. Property, plant and equipment¹

FRS 16.73(d), (e)	Note	Freehold land and buildings \$'000	Plant, equipment and spares ² \$'000	Fixtures and fittings \$'000	Under construction \$'000	Total \$'000
Group Cost						
FRS 16.73(d)	At 1 January 2012	7,328	29,509	5,289	-	42,126
FRS 16.73(e)(i)	Additions	193	1,540	675	-	2,408
FRS 16.73(e)(iii)	Disposals	-	(1,081)	-	-	(1,081)
FRS 16.73(e)(viii)	Effect of movements in exchange rates	-	316	171	-	487
FRS 16.73(d)	At 31 December 2012	7,521	30,284	6,135	-	43,940
FRS 16.73(d)	At 1 January 2013	7,521	30,284	6,135	-	43,940
FRS 16.73(e)(iii)	Acquisitions through business combinations	32	185	1,580	190	1,955
FRS 16.73(e)(i), 74(b)	Other additions	1,750	9,544	657	4,100	16,051
FRS 16.73(e)(ix)	Offset of accumulated depreciation on building reclassified to investment property	(300)	-	-	-	(300)
FRS 16.73(e)(ix)	Revaluation of building reclassified to investment property	200	-	-	-	200
FRS 16.73(e)(ix)	Reclassification to investment property	7	(800)	-	-	(800)
FRS 16.73(e)(ix)	Distributed to owners of the Company	15	(3,900)	(7,243)	-	(11,143)
FRS 16.73(e)(ii)	Reclassification to assets held for sale	11	-	(9,222)	-	(9,222)
FRS 16.73(e)(ii)	Disposals	-	(11,972)	(2,100)	-	(14,072)
FRS 16.73(e)(viii)	Effect of movements in exchange rates	-	91	50	-	141
FRS 16.73(d)	At 31 December 2013	4,656	13,062	4,932	4,100	26,750
Accumulated depreciation and impairment losses						
FRS 16.73(d)	At 1 January 2012	693	5,557	939	-	7,189
FRS 16.73(e)(vii)	Depreciation for the year	73	4,290	759	-	5,122
FRS 16.73(e)(v)	Impairment loss	-	1,123	-	-	1,123
FRS 16.73(e)(ii)	Disposals	-	(700)	-	-	(700)
FRS 16.73(e)(viii)	Effect of movements in exchange rates	-	98	59	-	157
FRS 16.73(d)	At 31 December 2012	766	10,368	1,757	-	12,891
FRS 16.73(d)	At 1 January 2013	766	10,368	1,757	-	12,891
FRS 16.73(e)(vii)	Depreciation for the year	105	4,170	726	-	5,001
FRS 16.73(e)(vi)	Reversal of impairment loss	-	(393)	-	-	(393)
FRS 16.73(e)(ix)	Offset of accumulated depreciation on building reclassified to investment property	(300)	-	-	-	(300)
FRS 16.73(e)(ix)	Distributed to owners of the Company	15	-	(1,493)	-	(1,493)
FRS 16.73(e)(ii)	Reclassification to assets held for sale	11	-	(1,058)	-	(1,058)
FRS 16.73(e)(ii)	Disposals	-	(3,808)	(1,127)	-	(4,935)
FRS 16.73(e)(viii)	Effect of movements in exchange rates	-	63	38	-	101
FRS 16.73(d)	At 31 December 2013	571	7,849	1,394	-	9,814
FRS 1.78(a)	Carrying amounts					
	At 1 January 2012	6,635	23,952	4,350	-	34,937
	At 31 December 2012	6,755	19,916	4,378	-	31,049
	At 31 December 2013	4,085	5,213	3,538	4,100	16,936

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Reference Notes to the financial statements

4. Property, plant and equipment (continued)

		Freehold land and buildings \$'000	Plant, equipment and spares \$'000	Fixtures and fittings \$'000	Total \$'000
FRS 16.73(d), (e)	Company				
	Cost				
FRS 16.73(d)	At 1 January 2012	631	5,653	3,356	9,640
FRS 16.73(e)(i)	Additions	-	-	54	54
FRS 16.73(d)	At 31 December 2012	631	5,653	3,410	9,694
FRS 16.73(d)	At 1 January 2013	631	5,653	3,410	9,694
FRS 16.73(e)(i)	Additions	-	1,203	122	1,325
FRS 16.73(d)	At 31 December 2013	631	6,856	3,532	11,019
	Accumulated depreciation and impairment losses				
FRS 16.73(d)	At 1 January 2012	99	2,548	522	3,169
FRS 16.73(e)(vii)	Depreciation for the year	12	615	280	907
FRS 16.73(d)	At 31 December 2012	111	3,163	802	4,076
FRS 16.73(d)	At 1 January 2013	111	3,163	802	4,076
FRS 16.73(e)(vii)	Depreciation for the year	12	827	288	1,127
FRS 16.73(d)	At 31 December 2013	123	3,990	1,090	5,203
FRS 1.78(a)	Carrying amounts				
	At 1 January 2012	532	3,105	2,834	6,471
	At 31 December 2012	520	2,490	2,608	5,618
	At 31 December 2013	508	2,866	2,442	5,816

Note *Reference* **Explanatory note**

- | | |
|-----------------------------|--|
| 1. <i>FRS 36.131</i> | In respect of the aggregate amount of impairment losses or reversals that are not disclosed because they are not considered material, an entity discloses: <ul style="list-style-type: none">• the main classes of assets affected by impairment losses or reversals; and• the main events and circumstances that led to the losses or reversals. |
| 2. <i>FRS 8.40</i> | If the amount of the effect in subsequent periods is not disclosed because estimating it is impracticable, then the entity discloses that fact. |

Reference Notes to the financial statements

4. Property, plant and equipment (continued)
Impairment loss and subsequent reversal¹

During 2012, 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 2013, \$393,000 of the loss was reversed. See note 5 for further details of the impairment loss and subsequent reversal.

Leased plant and machinery

FRS 17.31(a), (e)

The Group leases production equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as such based on its terms and conditions. The leased equipment secures lease obligations. At 31 December 2013, the net carrying amount of leased plant and equipment was \$1,900,000 (2012: \$1,972,000). During the year, the Group acquired leased assets of \$200,000 (2012: \$180,000) (see note 16).

FRS 7.43

Security

FRS 16.74(a)

At 31 December 2013, properties of the Group with carrying amounts of \$1,440,000 (2012: \$2,010,000) are pledged as security to secure bank loans (see note 16).

Property, plant and equipment under construction

FRS 16.74(b)

During the year, the Group acquired land with the intention of constructing a new factory on the site. The cost of acquisition was \$3,100,000. The Group has commenced construction of the new factory, with costs capitalised up to the reporting date totalling \$1,000,000 (2012: nil).

FRS 23.26

Included in the costs capitalised above is capitalised borrowing costs related to the acquisition of the land and the construction of the new factory amounting to \$194,000 (2012: nil), with a capitalisation rate of 5.2% (2012: not applicable).

Change in estimates

During the year, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain items of property, plant and equipment. Certain dye equipment, which management previously intended to sell after five years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful lives of these assets increased and their estimated residual values decreased. The effect of these changes on actual and expected depreciation expense, included in cost of sales, in current and future years is as follows:²

FRS 16.76, 8.39

(Decrease) increase in depreciation expense

2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	Later \$'000
(256)	(113)	150	150	130	170

Note Reference **Explanatory note**

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

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

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

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

- the effective date of the revaluation for each class of the intangible assets;
- the carrying amount of each class of revalued intangible assets;
- the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model;
- 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; and
- the methods and significant assumptions applied in estimating the assets' fair values.

- 2.** *FRS 28.23* In our view, it is not necessary to provide the disclosures for goodwill arising in a business combination in respect of goodwill on equity-accounted investees. This issue is discussed in our publication *Insights into IFRS* (3.5.660.10).

Reference Notes to the financial statements

5. Intangible assets and goodwill¹

			Patents and trade- marks		Develop- ment costs	Other	Total
	Group Cost	Note	Goodwill ² \$'000	\$'000	\$'000	\$'000	\$'000
FRS 103.61 FRS 38.118(c), (e)	At 1 January 2012		3,545	1,264	4,111	-	8,920
FRS 38.118							
FRS 38.118(e)(i)	Acquisitions – internally developed		-	-	515	-	515
FRS 38.118(e)(vii)	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
FRS 103.B67(d)(viii) FRS 38.118	At 31 December 2012		3,545	1,093	4,551	-	9,189
FRS 103.B67(d)(i) FRS 38.118	At 1 January 2013		3,545	1,093	4,551	-	9,189
FRS 103.B67(d)(iii)	Acquisitions through business combinations	32	541	170	-	80	791
FRS 38.118(e)(i)	Service concession	39	-	-	-	95	95
FRS 38.118(e)(viii)	Distributed to owners of the Company	15	(400)	-	-	-	(400)
FRS 38.118(e)(i)	Other acquisitions – internally developed		-	-	1,272	-	1,272
FRS 38.118(e)(vii)	Effect of movements in exchange rates		-	186	100	-	286
FRS 103.B67(d)(viii) FRS 38.118	At 31 December 2013		3,686	1,449	5,923	175	11,233
Accumulated amortisation and impairment losses							
FRS 103.B67(d)(i) FRS 38.118	At 1 January 2012		138	552	2,801	-	3,491
FRS 38.118(e)(vi)	Amortisation for the year		-	118	677	-	795
FRS 38.118(e)(iv)	Impairment loss		-	-	285	-	285
FRS 38.118(e)(vii)	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
FRS 103.B67(d)(viii) FRS 38.118(c)	At 31 December 2012		138	639	3,751	-	4,528
FRS 103. B67(d)(i) FRS 38.118	At 1 January 2013		138	639	3,751	-	4,528
FRS 38.118(e)(iv)	Amortisation for the year		-	129	641	15	785
FRS 103. B67(d)(v)	Impairment loss		116	-	-	-	116
FRS 38.118(e)(v)	Reversal of impairment loss		-	-	(100)	-	(100)
FRS 38.118(e)(vii)	Effect of movements in exchange rates		-	61	17	-	78
FRS 103. B67(d)(viii) FRS 38.118	At 31 December 2013		254	829	4,309	15	5,407
Carrying amounts							
FRS 38.118(c)	At 1 January 2012		3,407	712	1,310	-	5,429
FRS 38.118(c)	At 31 December 2012		3,407	454	800	-	4,661
FRS 38.118(c)	At 31 December 2013		3,432	620	1,614	160	5,826

Amortisation and impairment charge

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

Note Reference **Explanatory note**

- | | | |
|-----------|-------------------|---|
| 1. | <i>FRS 36.132</i> | An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets and cash-generating units, and this publication illustrates the disclosure of the discount rate and terminal growth rate. Paragraph 134 of FRS 36 only requires these disclosures for cash-generating units containing goodwill or indefinite life intangibles, which this cash-generating unit does not have. |
|-----------|-------------------|---|
-
- | | | |
|-----------|----------------------------|--|
| 2. | <i>FRS 36.130(f)</i> | If the recoverable amount of an individual asset, including goodwill, or a cash-generating unit is determined based on its fair value less costs to sell, 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 basis used to determine fair value less costs to sell. |
| | <i>FRS 36.130(c)</i> | If a material impairment loss is recognised for an individual asset, then an entity discloses: <ul style="list-style-type: none"> • the nature of the asset; and • if the entity reports segment information in accordance with FRS 108, then the reportable segment to which the asset belongs. |
| | <i>FRS 36.130 (d)(iii)</i> | If a material impairment loss is recognised for a cash-generating unit, and the aggregation of assets for identifying the cash-generating unit 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 cash-generating unit is identified. |
| | <i>FRS 36.130(a)</i> | 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. |
| | <i>FRS 36.126(c), (d)</i> | If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in other comprehensive income during the period. |
-
- | | | |
|-----------|-------------------|--|
| 3. | <i>FRS 36.126</i> | If an entity classifies expenses based on their function, then any loss is allocated to the appropriate function. In our view, in the rare case that an impairment loss cannot be allocated to a function, then it should be included in other expenses as a separate line item if significant (e.g. impairment of goodwill), with additional information given in a note. This issue is discussed in our publication <i>Insights into IFRS</i> (3.10.430.20). |
|-----------|-------------------|--|

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)
Recoverability of development costs¹

FRS 36.132 The carrying amount of an intangible asset representing a development project for a new process in one of the Group's factories in the Standard Papers segment is \$400,000. An impairment test was triggered during the year because the regulation that would allow this new process to be implemented was delayed, such that the benefit of the new process will not be realised as soon as previously expected. The recoverable amount of the CGU (the factory using the process) was estimated based on its value in use, assuming that the regulation would be passed by July 2014 and using a pre-tax discount rate of 12% and a growth rate of 2% from 2017. The recoverable amount was estimated to be higher than the carrying amount of the CGU, and no impairment was required.

FRS 1.125, 129 Management considers it reasonably possible that the new regulation will be delayed a further year to July 2015. Revenue from the unmodified process continues to decline and the effect of the further delay of a year would be an impairment of approximately \$100,000 in the carrying amount of the factory.

Impairment loss and subsequent reversal

FRS 36.130(a), (d)(i) During 2012, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers segment, the Group assessed the recoverable amount of the related product line. The product line relates to a cutting edge new product that was expected to be available for sale in 2013. However, a regulatory inspection in 2012 revealed that the product did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. As a result, production was deferred and the expected launch date was delayed.

FRS 36.130(e) The recoverable amount of the CGU (the production line that will produce the product) was estimated based on its value in use,² assuming that the production line would go live in August 2015. Based on the assessment in 2012, the carrying amount of the product line was determined to be \$1,408,000 higher than its recoverable amount, and an impairment loss was recognised (see below). In 2013, following certain changes to the recovery plan, the Group reassessed its estimates and \$493,000 of the initially recognised impairment has been reversed.

FRS 36.130(g) The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2012: 9.8%).

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

	Original carrying amount \$'000	Loss in 2012 \$'000	Reversal in 2013 \$'000
Group			
Plant and equipment (see note 4)	1,987	1,123	(393)
Capitalised development costs	504	285	(100)
Total	2,491	1,408	(493)

FRS 36.126(a), (b) The impairment loss and subsequent reversal were included in cost of sales.³

Note Reference **Explanatory note**

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

 - there have been no significant changes in the assets and liabilities making up the unit since the calculation;
 - the calculation resulted in a recoverable amount that exceeded the carrying amount of the unit by a substantial margin; and
 - based on an analysis of the events and circumstances since the calculation, the likelihood that the current recoverable amount would be less than the current carrying amount of the unit is remote.
- 3.** *FRS 36.134* Estimates used to measure a recoverable amount are disclosed for each cash-generating unit containing goodwill or indefinite-lived intangible assets, if the allocated carrying amount is significant in comparison with the total carrying amount of goodwill or indefinite-lived intangible assets. It is common for the disclosures for relevant cash-generating units to be provided on a combined basis. However, in these illustrative financial statements, such disclosures are provided in separate subsections to clearly illustrate the disclosure requirements for value in use vs fair value less costs to sell.
- 4.** In our experience, the most common technique used in determining fair value less costs to sell is a discounted cash flow model. In that case, the assumptions used in determining fair value are consistent with those that a market participant would make; therefore, the special rules in FRS 36 for estimating the cash flows used in a value in use calculation are not applicable (e.g. cash flows related to a restructuring discussed in explanatory note 1 on page 100). This issue is discussed in our publication *Insights into IFRS* (3.10.190.40).

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)

Impairment testing for cash-generating units containing goodwill^{1, 2}

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

FRS 36.134(a)		2013 \$'000	2012 \$'000
	Group		
	Southeast Asia paper manufacturing and distribution	2,276	2,135
	Timber products	960	1,076
		3,236	3,211
FRS 36.135	Multiple units without significant goodwill	196	196
		3,432	3,407

Southeast Asia paper manufacturing and distribution³

FRS 36.134(c), (e) The Southeast Asia paper manufacturing and distribution CGU's impairment test was based on fair value less costs to sell in 2012. In the past year, there have been minimal transactions between competing businesses in the same sector and/or generally similar size companies in the industry due to current credit conditions. As a result, management has determined that using an Enterprise to EBITDA ratio to value the business is no longer appropriate, and fair value less costs to sell has been estimated using discounted cash flow projections.⁴

Key assumptions used in discounted cash flow projection calculations

FRS 36.134(e)(i) Key assumptions used in the calculation of recoverable amounts were discount rate, terminal value growth rate and the EBITDA growth rate. The values assigned to the key assumptions represented management's assessment of future trends in the forestry, pulp and paper industries and were based on both external and internal sources (historical data). The key assumptions were as follows, and reflect a weighted average of all CGUs comprising the respective operating divisions:

		2013 %	2012 %
	Group		
FRS 36.134(e)(vi), 134(f)(ii)	Discount rate	8.7	n/a
FRS 36.134(e)(iv)	Terminal value growth rate	1.0	n/a
FRS 36.134(e)(i), 134(f)(ii)	Budgeted EBITDA growth rate (average of next five years)	5.2	n/a

Discount rate

FRS 36.134(e)(iii) The discount rate is a post-tax measure estimated based on past experience, and industry average weighted average cost of capital, which is based on a possible range of debt leveraging of 40% at a market interest rate of 7%.

Terminal value growth rate

FRS 36.134(e)(iii)-(iii) Five years of cash flows were included in their discounted cash flow models. A long-term growth rate into perpetuity has been determined based on management's estimate of the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant would make.

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------|---|
| 1. | <i>FRS 36.46-47</i> | In determining fair value less costs to sell, a restructuring would be taken into account to the extent that a market participant acquiring the cash-generating unit 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)

Southeast Asia paper manufacturing and distribution (continued)

Key assumptions used in discounted cash flow projection calculations (continued)

FRS 36.134(e)(iii)

Budgeted EBITDA growth

Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing and has been based on past experience adjusted for the following:

- In the first year of the business plan, revenue was projected using the same rate of growth experienced in 2013. The anticipated annual revenue growth included in the cash flow projections for the years 2015 to 2018 has been based on average growth levels experienced over the last five years.
- Paper and pulp prices were assumed to increase in line with inflation for the next five years.
- Weighted probabilities of significant one-off environmental costs have been factored into the budgeted EBITDA growth reflecting various potential regulatory developments in a number of Southeast Asia countries in which the CGU operates. 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 2014 were reflected in the budgeted EBITDA.¹

Sensitivity to changes in assumptions

FRS 36.134(f)

The estimated recoverable amount of the Southeast Asia paper manufacturing and distribution division exceeds its carrying amount by approximately \$300,000 (2012: \$250,000). Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

**Change required for
carrying amount to equal
the recoverable amount**

FRS 36.134(f)(iii)
FRS 36.134(f)(iii)

Group

Pre-tax discount rate

Budgeted EBITDA growth

2013 %	2012 %
1.6	n/a
(4.4)	n/a

The values assigned to the key assumptions represent management's assessment of future trends in the forestry, pulp and paper industries and are based on both external sources and internal sources (historical data).

Timber products

FRS 36.134(c), (d)
FRS 1.125

The recoverable amount of the Timber products CGU was based on its value in use and was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU with the assistance of independent valuers. Value in use in 2013 was determined in a similar manner as in 2012. The carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of \$116,000 (2012: nil) was recognised. The impairment loss was allocated fully to goodwill, and is included in cost of sales.

Note Reference **Explanatory note**

1. *FRS 36.50(b), 55, A20* FRS 36 prima facie requires value in use to be determined using pre-tax cash flows and a pre-tax discount rate. However, in practice it is more common to use post-tax cash flows and a post-tax discount rate such as weighted average cost of capital. There are no such requirements for the calculation of fair value less costs to sell. This issue is discussed in our publication *Insights into IFRS* (3.10.310.10).
2. The risk-free rate generally is obtained from the yield on high-quality government bonds that have the same or a similar time to maturity as the asset or cash-generating unit, often leading to 10- or 20-year government bonds being considered as a proxy for the longest time horizon available. This issue is discussed in our publication *Insights into IFRS* (3.10.300.120).
3. *FRS 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 FRSs. 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 our publication *Insights into IFRS* (3.10.230.10).

Reference Notes to the financial statements

5. Intangible assets and goodwill (continued)
Timber products (continued)

Key assumptions used in discounted cash flow projection calculations

FRS 36.134(d)(i), (v) Key assumptions used in the calculation of value in use were discount rate, terminal value growth rate and the EBITDA growth rate. These assumptions were as follows, and reflect a weighted average of all CGUs comprising the respective operating divisions.

	2013 %	2012 %
Group		
FRS 36.134(d)(v) Discount rate	9.6	10.0
FRS 36.134(d)(iv) Terminal value growth rate	1.8	2.0
FRS 36.134(d)(i) Budgeted EBITDA growth rate (average of next five years)	8.0	9.0

Discount rate

FRS 36.134(d)(ii) The discount rate is a pre-tax measure¹ based on the risk-free rate obtained from the yield on 10-year bonds² 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 and the systemic risk of the specific Group division.

Terminal value growth rate

FRS 36.134(d)(ii)-(iii) Five years of cash flows are included in the discounted cash flow model³. 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 growth rate in EBITDA estimated by management.

Budgeted EBITDA growth

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the following.

- In the first year of the business plan revenue was projected using the same rate of growth experienced in 2013. The anticipated annual revenue growth included in the cash flow projections for the years 2015 to 2018 was based on average growth levels experienced over the last five years.
- Once these base revenue numbers were estimated, it was assumed that sales price growth would be a constant small margin above forecast inflation for the next five years in line with information obtained from external brokers who publish a statistical analysis of long-term market price trends.

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

Development costs

FRS 23.26 (a), (b) Included in capitalised development costs is an amount of \$37,000 (2012: \$12,000), that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2012: 5.4%).

Note Reference **Explanatory note**

1.	<i>FRS 41.43</i>	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.
	<i>FRS 41.54 (a)-(f)</i>	When fair value cannot be determined reliably, an entity discloses: <ul style="list-style-type: none"> • 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.
	<i>FRS 41.55</i>	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.
	<i>FRS 41.56</i>	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: <ul style="list-style-type: none"> • a description of the biological assets; • an explanation of why fair value has become reliably measurable; and • the effect of the change.
	<i>FRS 41.49(a)</i>	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.
	<i>FRS 41.49(b)</i>	An entity discloses the amount of commitments for the development or acquisition of biological assets.
	<i>FRS 41.50(e)</i>	An entity discloses increases in biological assets due to business combinations.
	<i>FRS 41.53</i>	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 assets¹

Group	Standing		
	timber \$'000	Livestock \$'000	Total \$'000
At 1 January 2012	5,713	800	6,513
FRS 41.50(b) Increases due to purchases	415	22	437
FRS 41.50(c) Decrease due to sales	-	(63)	(63)
FRS 41.50(g) Net increase due to births/deaths	-	15	15
FRS 41.40, 50(a) Change in fair value less estimated costs to sell:			
FRS 41.51 - Due to price changes	(101)	8	(93)
FRS 41.51 - Due to physical changes	15	7	22
FRS 41.50(d) Harvested timber transferred to inventories	(168)	-	(168)
FRS 41.50(f) Effect of movements in exchange rates	68	45	113
FRS 41.50 At 31 December 2012	5,942	834	6,776
Non-current	5,907	729	6,636
Current	35	105	140
	5,942	834	6,776
At 1 January 2013	5,942	834	6,776
FRS 41.50(b) Increases due to purchases	294	11	305
FRS 41.50(c) Decrease due to sales	-	(127)	(127)
FRS 41.50(g) Net increase due to births/deaths	-	11	11
FRS 41.40, 50(a) Change in fair value less estimated costs to sell:			
FRS 41.51 - Due to price changes	(8)	18	10
FRS 41.51 - Due to physical changes	415	151	566
FRS 41.50(d) Harvested timber transferred to inventories	(2,480)	-	(2,480)
FRS 41.50(f) Effect of movements in exchange rates	30	14	44
FRS 41.50 At 31 December 2013	4,193	912	5,105
Non-current	4,083	777	4,860
Current	110	135	245
	4,193	912	5,105

FRS 41.41, 46(b)(i), (ii) At 31 December 2013, standing timber comprised approximately 2,160 hectares of hardwood tree plantations (2012: 3,230 hectares), which range from newly established plantations to plantations that are 30 years old. \$601,000 (2012: \$776,000) of the standing timber is less than one year old and considered to be immature assets. During the year, the Group harvested approximately 74,242 tonnes of wood (2012: 5,295 tonnes).

FRS 41.41, 46(b)(i) At 31 December 2013, livestock comprised 3,765 goats (2012: 4,160 goats). \$587,000 (2012: \$491,000) of this livestock is less than one year old and considered to be immature assets. During the year, the Group sold 472 goats (2012: 235 goats).

FRS 41.49(c) The Group is exposed to a number of 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.

Note Reference **Explanatory note**

- 1.** *FRS 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.

- FRS 40.76.* In presenting a reconciliation of carrying amounts from the beginning to the end of the reporting period, an entity 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.

- FRS 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.** Under FRS 113, an entity provides the required disclosures for each class of assets and liabilities. A class is determined based on the nature, characteristics and risks of the asset or liability, and the level into which it is categorised within the fair value hierarchy. This issue is discussed in our publication *Insights into IFRS* (3.4.275.10).

Reference Notes to the financial statements

6. Biological assets (continued)

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 also insures itself against natural disasters such as floods and typhoons.

7. Investment property^{1, 2}

FRS 40.76(a)

At 1 January

FRS 40.76(f)

Acquisitions

FRS 40.76(c)

Reclassification from property, plant and equipment

FRS 40.76(d)

Distributed to owners of the Company

FRS 40.76

Change in fair value

At 31 December

* See note 2.5(i).

Note	Group	
	2013 \$'000	2012 \$'000 Restated*
	1,050	950
	300	40
4	800	-
15	(100)	-
24	20	60
	2,070	1,050

FRS 17.56(c)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average the renewal period is four years. No contingent rents are charged. See note 34 for further information. One property has been transferred from property, plant and equipment (see note 4) to investment property, since the building was no longer used by the Group and as such it was decided that the building would be leased to a third party.

FRS 1.122

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

Security

At 31 December 2013, investment properties of the Group with carrying amounts of \$1,715,000 (2012: \$1,000,000) are pledged as security to secure bank loans (see note 16).

Note Reference **Explanatory note**

- | | | |
|-----------|---------------------|--|
| 1. | <i>FRS 28.37(b)</i> | An entity discloses summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss, not adjusted for the percentage of ownership held by the entity. In these illustrative financial statements, we have presented financial information for <i>each</i> of the investees, as well as in total. |
| | <i>FRS 31.56</i> | A venturer discloses a listing and description of interests in significant jointly controlled entities and the proportion of ownership interest held. A venturer that uses equity accounting or the line-by-line reporting format for proportionate consolidation discloses the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, and income and expenses related to its interests in jointly controlled entity. In these illustrative financial statements, we have illustrated these disclosures together with the disclosures for associates, and have presented the financial information of jointly controlled entities unadjusted for the percentage of ownership held by the Group. Other methods of presentation may be used. |
| | <i>FRS 28.37(d)</i> | If an entity has an interest of 20% or more in an investment but does not account for it as an investment in an associate, then the reasons for this are disclosed. |
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|-----------|-------------------------|---|
| 2. | <i>FRS 28.37(e),(f)</i> | Further disclosures are required if the entity has used financial statements of an associate and jointly controlled entity with a different reporting period end date to its own in preparing the consolidated financial statements, and/or there are restrictions over the ability of the associate and jointly controlled entity to transfer funds to the entity. |
|-----------|-------------------------|---|
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- | | | |
|-----------|--------------------------------|--|
| 3. | <i>FRS 28.37(b),
31.56</i> | Paragraph 37(b) of FRS 28 does not require this information to be disclosed for associates. However paragraph 56 of FRS 31 requires it for jointly controlled entities for which the entity uses equity accounting or the line-by-line reporting format for proportionate consolidation. |
|-----------|--------------------------------|--|
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- | | | |
|-----------|--------------------------------|---|
| 4. | <i>FRS 28.37(b),
31.56</i> | Paragraph 56 of FRS 31 does not require this information to be disclosed for jointly controlled entities, but paragraph 37(b) of FRS 28 requires it to be disclosed for associates. |
|-----------|--------------------------------|---|

Reference Notes to the financial statements

8. Associates and jointly controlled entities¹

FRS 28.37(g) The Group's share of profit in its associates and jointly controlled entities for the year was \$541,000 (2012: \$708,000). The Group has not recognised losses relating to Cellulose Limited, totalling \$15,000 in 2013 and cumulatively, since the Group has no obligation in respect of these losses.

FRS 24.18(d) In 2013, the Group received dividends of \$21,000 from its investments in associates and jointly controlled entities (2012: nil).

FRS 28.37(c) Whilst the Group has 20% ownership of Cellulose Limited, it has less than 20% of the voting rights of Cellulose Limited. However, the Group is considered to have significant influence over this entity due to the fact that it has Board representation.

FRS 28.37(b), 31.56 Summary financial information for associates and jointly controlled entities, not adjusted for the percentage ownership held by the Group, are as follows:

Group	Country of incorporation	Reporting date ²	Owner-ship ³	Current assets ³	Non-current assets ³	Total assets ⁴	Current liabilities ³	Non-current liabilities ³	Total liabilities ⁴	Income	Expenses ³	Profit / (loss) ⁴
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012												
Papyrus Pty Limited (associate)	Australia	31 December	25%	1,470	1,810	3,280	670	720	1,390	27,400	(26,850)	550
Paletel Co. Ltd (jointly controlled entity)	People's Republic of China	31 December	40%	1,310	3,259	4,569	1,130	1,320	2,450	21,405	(20,725)	680
Cellulose Limited (associate)	Singapore	31 December	20%	4,220	7,030	11,250	3,250	6,810	10,060	16,600	(15,715)	885
Silver Fir Ltd (associate)	Singapore	31 December	45%	622	4,652	5,274	249	403	652	494	(225)	269
				7,622	16,751	24,373	5,299	9,253	14,552	65,899	(63,515)	2,384
2013												
Papyrus Pty Limited (associate)	Australia	31 December	25%	-	-	-	-	-	-	4,375	(3,949)	426
Paletel Co. Ltd (jointly controlled entity)	People's Republic of China	31 December	40%	1,348	5,953	7,301	543	1,716	2,259	25,796	(22,821)	2,975
Cellulose Limited (associate)	Singapore	31 December	20%	3,210	4,790	8,000	2,220	5,855	8,075	32,635	(33,900)	(1,265)
Paper Web Ltd (associate)	Singapore	31 December	49%	9,582	7,592	17,174	2,850	8,185	11,035	-	(1,207)	(1,207)
Silver Fir Ltd (associate)	Singapore	31 December	45%	572	4,998	5,570	259	524	783	346	(181)	165
				14,712	23,333	38,045	5,872	16,280	22,152	63,152	(62,058)	1,094

During the year, the Group established Paper Web Ltd, 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% equity interest in Paper Web Ltd. This contribution represented start-up costs and as a result there is no goodwill included in the \$3,600,000 investment. The Group provides administrative services to the associate (see note 37). Paper Web Ltd is listed on the Singapore Exchange (SGX). Based on its closing price at the reporting date, the fair value of the Group's investment is \$3,500,000.

FRS 28.37(a)

Note Reference **Explanatory note**

1. *FRS 107.30* 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. *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 the end of each reporting period 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.

FRS 107.42E, 42G When an entity derecognises transferred financial assets in their entirety but has continuing involvement in them, it discloses at the end of each reporting period 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. *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.

FRS 107.15 If an entity has accepted collateral that it is permitted to sell or repledge in the absence of a default by the owner of the collateral, then it discloses the fair value of collateral accepted (financial and non-financial assets); the fair value of any such collateral sold or repledged and whether the entity has an obligation to return it; and the terms and conditions associated with its use of this collateral.

FRS 107.12 If an entity has reclassified a financial asset as one measured at cost or amortised cost rather than at fair value, then it discloses the amount of the reclassification and the reason for that reclassification.

Reference Notes to the financial statements

8. Associates and jointly controlled entities (continued)

On 31 March 2013, the Group's equity interest in Papyrus Pty Limited increased from 25% to 90% and Papyrus Pty Limited became a subsidiary from that date (see note 32). Accordingly, the information relating to Papyrus Pty Limited presented in the above table is only for the period from 1 January 2013 to 31 March 2013.

FRS 31.55(b)

In respect of the Group's interest in the jointly controlled entity, the jointly controlled entity is committed to incur capital expenditure of \$230,000 (2012: \$110,000), of which the Group's share of commitment is \$92,000 (2012: \$44,000). The Group is itself committed to incur capital expenditure of \$150,000 (2012: \$45,000) in relation to its interest in the jointly controlled entity. These commitments are expected to be settled in 2014.

FRS 31.55(a)

SGX 717

SGX 718

KPMG LLP is the auditor of all significant Singapore-incorporated associates and jointly controlled entities. Other member firms of KPMG International are auditors of significant foreign-incorporated associates and jointly controlled entities. 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.

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current investments				
Held-to-maturity financial assets:				
- Debt securities	2,436	2,256	2,436	2,256
Available-for-sale financial assets:				
- Debt securities	118	373	118	373
- Equity securities	710	511	710	511
Financial assets designated at fair value through profit or loss				
- Equity securities	251	254	248	250
Interest rate swaps used for hedging ²	116	131	-	-
	3,631	3,525	3,512	3,390
Current investments				
Financial assets classified as held for trading				
- Equity securities	243	568	197	514
Forward exchange contracts used for hedging	297	375	-	-
Other forward exchange contracts ²	122	89	120	50
	662	1,032	317	564

FRS 107.7

Debt securities classified as available-for-sale investments of the Group and the Company with a carrying amount of \$118,000 at 31 December 2013 (2012: \$373,000) have stated interest rates of 5.2% to 7.0% (2012: 6.5% to 8.0%) and mature between 1 to 2 years. Debt securities classified as held-to-maturity investments of the Group and the Company with carrying amounts of \$2,436,000 at 31 December 2013 (2012: \$2,256,000) have stated interest rates of 6.3% to 7.8% (2012: 7.5% to 8.3%) and mature in 2 to 5 years.

FRS 107.B5(a)(i)

The financial assets designated at fair value through profit or loss are equity securities that otherwise would have been classified as available-for-sale. The performance of these equity securities at fair value through profit or loss is actively monitored and they are managed on a fair value basis.

Note Reference **Explanatory note**

1. *FRS 107.13B, 13F, B51-B53* This disclosure illustrates one possible format for how an entity might present the minimum quantitative disclosures required by FRS 107.13C(a)-(e) by type of financial instrument. However, other formats are possible.

Where appropriate, an entity will have to supplement the specific quantitative disclosures required with additional (qualitative) disclosures, depending on:

- the terms of the enforceable master netting arrangements and similar agreements, including the nature of the rights of set-off; and
- their actual and potential effect on the entity's financial position.

In addition, it may be helpful if an entity considers whether any related existing disclosures – e.g. disclosures related to collateral under FRS 107.14-15 – should be included in the note or cross-referred to it.

Further guidance on these Amendments is included in our publication *Insights into IFRS* (7.8.150) and *First Impressions Offsetting financial assets and financial liabilities* (February 2012).

2. *FRS 107.44R, BC24A1, FRS 1.10(f)* A statement of financial position as at the beginning of the earliest comparative period as required by FRS 1.10(f) is not applicable to the Amendments.

Reference

Notes to the financial statements

9. Other investments (continued)

The Group's exposure to credit and market risks and fair value information related to other investments are disclosed in note 22.

Offsetting financial assets and financial liabilities

FRS 107.13A

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's statements of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.^{1, 2}

FRS 107.B40-B41

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statements of financial position.

FRS 107.13E, B50

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example 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 due or 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.

FRS 107.13C

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

Group

31 December 2013

Types of financial assets	Gross amounts of recognised financial assets \$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Interest rate swaps used for hedging	116	-	116	(18)	98
Forward exchange contracts used for hedging	297	-	297	(6)	291
Trade receivables	6,032	(4,999)	1,033	-	1,033
Total	6,445	(4,999)	1,446	(24)	1,422
Types of financial liabilities	Gross amounts of recognised financial liabilities \$'000	Gross amounts of recognised financial assets offset in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Interest rate swaps used for hedging	20	-	20	(18)	2
Forward exchange contracts used for hedging	8	-	8	(6)	2
Trade payables	4,999	(4,999)	-	-	-
Total	5,027	(4,999)	28	(24)	4

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Reference

Notes to the financial statements

9. Other investments (continued)

Offsetting financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements (continued)

Group

31 December 2012

Types of financial assets	Gross amounts of recognised financial assets \$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Interest rate swaps used for hedging	131	-	131	(3)	128
Forward exchange contracts used for hedging	375	-	375	(4)	371
Trade receivables	5,312	(3,606)	1,706	-	1,706
Total	5,818	(3,606)	2,212	(7)	2,205

Types of financial liabilities	Gross amounts of recognised financial liabilities \$'000	Gross amounts of recognised financial assets offset in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Interest rate swaps used for hedging	5	-	5	(3)	2
Forward exchange contracts used for hedging	7	-	7	(4)	3
Trade payables	3,606	(3,606)	-	-	-
Total	3,618	(3,606)	12	(7)	5

Company

31 December 2013

Types of financial assets	Gross amounts of recognised financial assets \$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Trade receivables	1,850	(1,550)	300	-	300
Amounts due from subsidiaries, trade	3,580	(1,878)	1,702	-	1,702
Total	5,430	(3,428)	2,002	-	2,002

Types of financial liabilities	Gross amounts of recognised financial liabilities \$'000	Gross amounts of recognised financial assets offset in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position - Financial instruments \$'000	Net amount \$'000
Trade payables	1,550	(1,550)	-	-	-
Amounts due to subsidiaries, trade	1,878	(1,878)	-	-	-
Total	3,428	(3,428)	-	-	-

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Reference

Notes to the financial statements

9. Other investments (continued)

Offsetting financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements (continued)

Company

31 December 2012

Types of financial assets	Gross amounts of recognised financial assets \$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position Financial instruments \$'000	Net amount \$'000
Trade receivables	1,480	(1,250)	230	-	230
Amounts due from subsidiaries, trade	4,690	(2,580)	2,110	-	2,110
Total	6,170	(3,830)	2,340	-	2,340

Types of financial liabilities	Gross amounts of recognised financial liabilities \$'000	Gross amounts of recognised financial assets offset in the statement of financial position \$'000	Net amounts of financial liabilities presented in the statement of financial position \$'000	Related amounts not offset in the statement of financial position Financial instruments \$'000	Net amount \$'000
Trade payables	1,250	(1,250)	-	-	-
Amounts due to subsidiaries, trade	2,580	(2,580)	-	-	-
Total	3,830	(3,830)	-	-	-

FRS 107.B42

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- derivative assets and liabilities – fair value; and
- trade receivables and trade payables – amortised cost.

The amounts in the above tables that are offset in the statements of financial position are measured on the same basis.

The tables below reconcile the 'Net amounts of financial assets and financial liabilities presented in the statements of financial position', as set out above, to the line items presented in the statements of financial position.

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Reference

Notes to the financial statements

9. Other investments (continued) Offsetting financial assets and financial liabilities (continued)

Group

FRS 107.B46

31 December 2013

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Interest rate swaps used for hedging	116	Non-current other investments, including derivatives	3,631	3,515	9
Forward exchange contracts used for hedging	297	Current other investments, including derivatives	662	365	9
Trade receivables	1,033	Current trade and other receivables	16,561	15,528	13
Types of financial liabilities	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial liabilities not in scope of offsetting disclosures \$'000	Note
Interest rate swaps used for hedging	20	Non-current other payables, including derivatives	290	270	21
Forward exchange contracts used for hedging	8	Current trade and other payables, including derivatives	19,784	19,776	21
Trade payables	-				

Group

31 December 2012

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Interest rate swaps used for hedging	131	Non-current other investments, including derivatives	3,525	3,394	9
Forward exchange contracts used for hedging	375	Current other investments, including derivatives	1,032	657	9
Trade receivables	1,706	Current trade and other receivables	17,999	16,293	13
Types of financial liabilities	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial liabilities not in scope of offsetting disclosures \$'000	Note
Interest rate swaps used for hedging	5	Non-current other payables, including derivatives	5	-	21
Forward exchange contracts used for hedging	7	Current trade and other payables, including derivatives	24,370	24,363	21
Trade payables	-				

Note *Reference* **Explanatory note**

- | | |
|-----------------------------------|---|
| 1. <i>FRS 12.87, 81(f)</i> | FRS 12 requires an entity to disclose the aggregate amount of temporary differences for unrecognised deferred tax liabilities arising from investment in subsidiaries, branches and associates and interests in joint ventures as it is not often practicable to compute the deferred tax liability. Nevertheless, where practicable, entities are encouraged to disclose the amounts of unrecognised deferred tax liabilities. In these illustrative financial statements, both the unrecognised deferred tax liability and temporary differences have been disclosed. |
|-----------------------------------|---|

Reference

Notes to the financial statements

9. Other investments (continued)
Offsetting financial assets and financial liabilities (continued)

Company
31 December 2013

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Trade receivables	300	Current trade and other receivables	20,698	18,696	13
Amounts due from subsidiaries, trade	1,702				

Company
31 December 2012

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Trade receivables	230	Current trade and other receivables	13,219	10,879	13
Amounts due from subsidiaries, trade	2,110				

10. Deferred tax assets and liabilities
Unrecognised deferred tax liabilities¹

FRS 12.81(f), 87

At 31 December 2013, a deferred tax liability of \$50,000 (2012: \$29,000) for temporary differences of \$500,000 (2012: \$287,000) related to investments in a subsidiary and a jointly controlled entity were not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

FRS 12.82A

In some of the countries in which the Group operates, local tax laws provide that gains on the disposal of certain assets are tax exempt, provided that the gains are not distributed. At 31 December 2013, the total tax exempt reserves amounted to \$600,000 (2012: \$540,000) which would result in a tax liability of \$198,000 (2012: \$178,000) should the subsidiaries pay dividends from these reserves.

FRS 12.81(e)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deductible temporary differences	103	200	-	-
Tax losses	272	380	-	-
	375	580	-	-

Tax losses of \$100,000 (2012: \$200,000) expire in 2015. 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.

Note *Reference* **Explanatory note**

1. *FRS 12.81(g)* An entity is required to disclose, in respect of each *type* of temporary difference, the amount of deferred tax assets and liabilities recognised in the statement of financial position. FRSs are 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 gross deductible temporary differences with the related valuation allowance shown separately because, under FRSs, it is temporary differences for which deferred tax is recognised that are required to be disclosed.

These issues are discussed in our publication *Insights into IFRS* (3.13.1000.40 - 50).

2. *FRS 12.82* An entity discloses the nature of the evidence supporting the recognition of a deferred tax asset when:
 - utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
 - the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Reference

Notes to the financial statements

10. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets and liabilities¹

FRS 12.81(g)(i)

Deferred tax assets and liabilities are attributable to the following:

	Assets²		Liabilities	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
				Restated*
Group				
Property, plant and equipment	(235)	(373)	2,195	843
Intangible assets	(61)	(94)	824	495
Biological assets	-	-	345	127
Investment property	-	-	175	148
Held-to-maturity investments	(7)	-	-	-
Available-for-sale financial assets	-	-	160	115
Financial assets at fair value through profit or loss	-	-	167	73
Derivatives	(9)	(4)	177	197
Inventories	(83)	(41)	-	-
Loans and borrowings	-	-	136	-
Employee benefits	-	-	99	149
Share-based payment transactions	(583)	(317)	-	-
Provisions	(557)	(528)	-	-
Other items	(68)	(213)	-	-
Tax loss carry-forwards	(436)	(386)	-	-
Deferred tax (assets) liabilities	(2,039)	(1,956)	4,278	2,147
Set off of tax	2,039	580	(2,039)	(580)
Net deferred tax (assets) liabilities	-	(1,376)	2,239	1,567
Company				
Property, plant and equipment	-	-	1,272	1,067
Held-to-maturity investments	(7)	-	-	-
Available-for-sale financial assets	-	-	160	115
Financial assets at fair value through profit or loss	-	-	167	73
Derivatives	(5)	-	-	-
Inventories	(33)	(7)	-	-
Loans and borrowings	-	-	38	-
Provisions	(51)	(28)	-	-
Tax loss carry-forwards	(256)	(401)	-	-
Deferred tax (assets) liabilities	(352)	(436)	1,637	1,255
Set off of tax	352	436	(352)	(436)
Net deferred tax (assets) liabilities	-	-	1,285	819

* See note 2.5(i)

Note *Reference* **Explanatory note**

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

Reference Notes to the financial statements

10. Deferred tax assets and liabilities (continued)
Movement in temporary differences during the year¹

FRS 12.81(g)(iii)

Group

	Balance	Recognised	Recognised	Exchange	Balance	Recognised	Recognised	Recognised	Acquired in	Other	Exchange	Balance
	as at	in profit	in other	diffe-	as at	in profit	directly in	in other	business	(see note 11,	diffe-	as at
	1 Jan 2012	or loss	comprehen-	rences	31 Dec 2012	or loss	equity	comprehen-	com-	15 and 29)	rences	31 Dec 2013
	\$'000	\$'000	sive income	\$'000	\$'000	\$'000	\$'000	sive income	binations	(note 32)	\$'000	\$'000
Property, plant and equipment	(320)	663	-	127	470	1,811	-	66	35	(422)	-	1,960
Intangible assets	98	303	-	-	401	294	-	-	38	-	30	763
Biological assets	106	21	-	-	127	216	-	-	-	-	2	345
Investment property	115	33	-	-	148	37	-	-	-	(13)	3	175
Held-to-maturity investments	-	-	-	-	-	(7)	-	-	-	-	-	(7)
Available-for-sale financial assets	84	-	31	-	115	-	-	45	-	-	-	160
Financial assets at fair value through profit or loss	47	26	-	-	73	94	-	-	-	-	-	167
Derivatives	163	8	22	-	193	5	-	(31)	-	-	1	168
Inventories	-	(41)	-	-	(41)	(5)	-	-	3	(40)	-	(83)
Loans and borrowings	-	-	-	-	-	77	22	-	9	-	28	136
Employee benefits	194	(40)	(5)	-	149	(70)	-	24	-	-	(4)	99
Share-based payment transactions	(211)	(106)	-	-	(317)	(266)	-	-	-	-	-	(583)
Provisions	(438)	(90)	-	-	(528)	(23)	-	-	(6)	-	-	(557)
Other items	(158)	(55)	-	-	(213)	145	-	-	-	-	-	(68)
Tax loss carry-forwards	(146)	(240)	-	-	(386)	(50)	-	-	-	-	-	(436)
	(466)	482	48	127	191	2,258	22	104	79	(475)	60	2,239

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Reference Notes to the financial statements

10. Deferred tax assets and liabilities (continued)
Movement in temporary differences during the year (continued)

Company

	Balance as at 1 Jan 2012 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Balance as at 31 Dec 2012 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Recognised in other comprehen- sive income \$'000	Balance as at 31 Dec 2013 \$'000
Property, plant and equipment	702	365	-	1,067	205	-	-	1,272
Held-to-maturity investments	-	-	-	-	(7)	-	-	(7)
Available-for-sale financial assets	84	-	31	115	-	-	45	160
Financial assets at fair value through profit or loss	47	26	-	73	94	-	-	167
Derivatives	-	-	-	-	(5)	-	-	(5)
Inventories	-	(7)	-	(7)	(26)	-	-	(33)
Loans and borrowings	-	-	-	-	16	22	-	38
Provisions	(17)	(11)	-	(28)	(23)	-	-	(51)
Tax loss carry-forwards	(181)	(220)	-	(401)	145	-	-	(256)
	635	153	31	819	399	22	45	1,285

Note Reference **Explanatory note**

1.	FRS 105.31	In this illustrative financial statements, the part of the Group's manufacturing facility that has been presented as a disposal group held for sale does not meet the definition of a discontinued operation as per the requirements of Appendix A to FRS 105. This issue is discussed in our publication <i>Insights into IFRS</i> (5.4.120). If that part of the manufacturing facility had met the definition of a discontinued operation, then all disclosures as those set out in note 29 need to be made.
	FRS 105.42	<p>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:</p> <ul style="list-style-type: none"> • a description of the non-current asset or disposal group; • a description of the facts and circumstances leading to the decision; • the effect of the decision on the results of operations for the period and any prior periods presented; and • if applicable, the reportable segment in which the non-current asset or disposal group is presented.
2.	FRS 105.5A, 5B	The disclosure requirements of FRS 105 apply to non-current assets or disposal groups classified as held for sale or distribution, and to discontinued operations. Disclosures required by other FRSs apply when it refers specifically to non-current assets or disposal groups classified as held for sale or to discontinued operations; for example the disclosure of earnings per share for a discontinued operation. Disclosures required by other FRSs may also apply when they relate to assets and liabilities in a disposal group that are not within the measurement scope of FRS 105. Additional disclosures may be necessary to comply with the general requirements of FRS 1, in particular for a fair presentation and in respect of sources of estimation uncertainty.
3.	FRS 105.38-39	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.	FRS 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.
	FRS 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.
5.	FRS 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 our publication <i>Insights into IFRS</i> (3.8.440.10).
6.	FRS 16.8	Spare parts, stand-by equipment and servicing equipment are classified as inventory if such items do not meet the definition of property, plant and equipment.
7.		In our view, if an entity presents an analysis of expenses by function in the statement of profit or loss, then write-downs of inventory to net realisable value as well as any reversals of such write-downs should be 'cost of sales'. This issue is discussed in our publication <i>Insights into IFRS</i> (3.8.440.70).

Reference Notes to the financial statements

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

FRS 105.41(a), (b), (d) Part of a manufacturing facility within the Standard Papers segment is presented as a disposal group held for sale following the commitment of the Group's management, on 15 June 2013, to a plan to sell part of the facilities. Efforts to sell the disposal group have commenced, and a sale is expected by June 2014.

FRS 105.37, 41(c) An impairment loss of \$25,000 on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses (see note 25).

At 31 December 2013, the disposal group comprised the following assets and liabilities:

	Note	Group 2013 \$'000
FRS 105.38		
Assets of a disposal group classified as held for sale³		
Property, plant and equipment	4	8,164
Inventories		2,750
Trade and other receivables		3,496
		14,410
FRS 105.38		
Liabilities of a disposal group classified as held for sale³		
Trade and other payables		4,270
Deferred tax liabilities	10	140
		4,410

FRS 105.38 **Cumulative income or expense recognised in other comprehensive income**
There are no items recognised in other comprehensive income relating to the disposal group.

12. Inventories^{4, 5}

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
FRS 1.78(c), 2.36(b)				
Raw materials and consumables	3,878	4,320	1,588	2,110
FRS 1.78(c), 2.36(b)				
Spares	982	1,433	354	347
FRS 1.78(c), 2.36(b)				
Work in progress	2,543	1,661	1,345	586
FRS 1.78(c), 2.36(b)				
Finished goods	2,564	4,705	1,407	2,708
	9,967	12,119	4,694	5,751
FRS 2.36(h)				
Carrying amount of inventories subject to retention of title clauses	1,650	2,090	-	-

FRS 1.104, 2.36(e), (f) In 2013, raw materials, consumables, spares⁶ and changes in finished goods and work in progress included as cost of sales amounted to \$41,698,000 (2012: \$44,273,000). In 2013, the write-down of inventories to net realisable value by the Group amounted to \$345,000 (2012: \$125,000). The reversal of write-downs by the Group in 2013 amounting to \$17,000 is discussed below (2012: nil). The write-down and reversal are included in cost of sales.⁷

FRS 2.36(g) During 2012, 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 also wrote down the related inventories to their net realisable value, which resulted in a loss of \$42,000. In 2013, following a change in estimates, \$17,000 of the write-down was reversed. These amounts are included in the total amount of write-downs and reversals above.

Note Reference **Explanatory note**

1. *FRS 107.9(a)-(d)* When an entity has designated a loan or receivable (or group of loans or receivables) at fair value through profit or loss, it discloses:
 - the maximum exposure to credit risk of the loan or receivable (or group of loans or receivables) at the reporting date;
 - the amount by which any related credit derivative or similar instrument mitigates the maximum exposure to credit risk;
 - the amount of change during the period and cumulatively in the fair value of the loan or receivable, or group of loans or receivables, that is attributable to changes in credit risk, determined either as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk, or using an alternative method that more faithfully represents the amount of change in its fair value that is attributable to changes in credit risk; and
 - the amount of the change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated.
2. Although these amounts are required to be disclosed separately, there is no guidance on the characterisation of assets or liabilities related to construction contracts in progress. One approach is to present assets as an accounts receivable, or in the case of liabilities, as deferred revenue. This issue is discussed in our publication *Insights into IFRS* (4.2.260.40).
3. *FRS 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.
4. Since cash equivalents must be investments readily convertible to known amounts of cash, in our view, only debt securities and deposits can 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 acquisition date. In our view, three months should be used as an absolute cut-off and debt securities with a longer maturity should be regarded as part of investing activities. This issue is discussed in our publication *Insights into IFRS* (2.3.10.30).

Reference Notes to the financial statements

13. Trade and other receivables¹

Note		Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
FRS 1.78(b)	Amount due from related parties, trade	1,236	392	-	-
FRS 1.78(b)	Trade receivables	14,930	17,327	4,568	4,843
	Service concession receivables	260	-	-	-
FRS 24.18(b), 1.78(b)	Amounts due from subsidiaries				
	- Trade	-	-	4,057	2,646
	- Non-trade	-	-	12,073	5,730
FRS 107.8(c)	Trade and other receivables	16,426	17,719	20,698	13,219
FRS 1.78(b), 11.42(a)	Construction contract in progress ²	348	280	-	-
		16,774	17,999	20,698	13,219
	Non-current	213	-	-	-
	Current	16,561	17,999	20,698	13,219
		16,774	17,999	20,698	13,219

FRS 11.40(a) At 31 December 2013, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to \$570,000 (2012: \$470,000) for the Group.

FRS 11.40(c) At 31 December 2013, trade receivables of the Group include retentions of \$120,000 (2012: \$80,000) relating to construction contracts in progress.

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

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

FRS 7.45 **14. Cash and cash equivalents³**

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Bank balances	598	988	467	771
Short-term deposits ⁴	907	862	271	58
Cash and cash equivalents in the statements of financial position	1,505	1,850	738	829
Bank overdrafts used for cash management purposes	(334)	(282)	-	-
Deposits pledged	(221)	(256)	-	-
Cash and cash equivalents in the statement of cash flows	950	1,312	738	829

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

Note *Reference* **Explanatory note**

- | | | |
|-----------|-------------------------|--|
| 1. | <i>FRS 1.79(a)(iii)</i> | An entity shall disclose the par value per share, or that the shares have no par value, for each class of share capital. |
| 2. | <i>FRS 1.79(a)(iii)</i> | An entity discloses the number of shares issued but not fully paid. |
| | <i>FRS 1.79(a)(vii)</i> | An entity discloses details of shares reserved for issue under options and sales contracts, including the terms and amounts. |

Reference Notes to the financial statements

15. Capital and reserves
Share capital

	Ordinary shares		Non-redeemable preference shares	
	2013	2012	2013	2012
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Company				
In issue at 1 January	31,000	31,000	17,500	17,500
Issued in business combination	80	-	-	-
Issued for cash	1,300	-	-	-
Exercise of share options	50	-	-	-
In issue at 31 December	<u>32,430</u>	<u>31,000</u>	<u>17,500</u>	<u>17,500</u>

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

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

Ordinary shares

FRS 107.7,
FRS 1.79(a)(v) The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

Issue of ordinary shares

On 31 March 2013, 80,000 ordinary shares were issued as a result of the acquisition of Papyrus Pty Limited (see note 32) (2012: nil).

FRS 1.79(a) In October 2013, the general meeting of shareholders decided on the issuance of 1,300,000 ordinary shares at an exercise price of \$1.19 per share (2012: nil).

Additionally, 50,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2009 share option programme granted to key management. Options were exercised at an average price of \$1.00 per option (see note 18) (2012: nil).

Non-redeemable preference shares

Holders of non-redeemable preference shares receive a non-cumulative dividend of 2.50 cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. Non-redeemable preference shares do not carry the right to vote.

Note *Reference* **Explanatory note**

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

Reference Notes to the financial statements

15. Capital and reserves (continued)

Reserves

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

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Capital reserve	119	-	119	-
Translation reserve	650	171	-	-
Hedging reserve	416	478	-	-
Fair value reserve	170	80	170	80
Revaluation reserve	107	-	-	-
Reserve for own shares	(260)	(280)	(260)	(280)
	1,202	449	29	(200)

Capital reserves

FRS 1.79(b)

The capital reserves comprise the following items:

	Note	Group and Company	
		2013	2012
		\$'000	\$'000
Equity component of convertible notes, net of tax	16	109	-
Surplus of own shares sold		10	-
		119	-

Translation reserve

FRS 1.79(b)

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

Hedging reserve

FRS 1.79(b)

The hedging reserve comprises the effective portion of the cumulative change (net of taxes) in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Fair value reserve

FRS 1.79(b)

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

Revaluation reserve²

FRS 1.79(b)

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

Reserve for own shares

FRS 1.79(a)(vi), (b),
FRS 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 2013, the Group held 260,000 of the Company's shares (2012: 280,000) shares.^{3, 4}

Note *Reference* **Explanatory note**

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

Reference Notes to the financial statements

15. Capital and reserves (continued)

Dividends

FRS 1.107

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

For the year ended 31 December

Paid by the Company to owners of the Company

2.50 cents per qualifying ordinary share
(2012: 0.30 cents)
2.50 cents per non-redeemable preference share
(2012: 2.50 cents)

Group and Company	
2013	2012
\$'000	\$'000

775	93
438	438
1,213	531

Paid by a subsidiary to non-controlling interests

15 cents per qualifying ordinary share
(2012: 20 cents)

Group	
2013	2012
\$'000	\$'000

30	40
----	----

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

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

2.80 cents per qualifying ordinary share
(2012: 2.50 cents)
2.50 cents per non-redeemable preference share
(2012: 2.50 cents)

Group and Company	
2013	2012
\$'000	\$'000

908	775
438	438
1,346	1,213

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------|--|
| 1. | <i>INTFRS 17,14</i> | The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss. |
|-----------|---------------------|--|

Reference Notes to the financial statements

15. Capital and reserves (continued)

INT FRS 117.16(a)

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

On 15 May 2013, 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 in connection with the announced distribution.

On 3 June 2013, the Group distributed its investment in Papier Pte Ltd, comprising assets of \$17,408,000 less liabilities of \$7,464,000 detailed as follows:

	Note	Group and Company 2013 \$'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 FRS 117.16(b)

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

Note Reference **Explanatory note**

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

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

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

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

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

FRS 107.18 For loans payable recognised at the end of the reporting period, 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 end of the reporting period; and
- whether the default was remedied, or that the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

- 3.** *FRS 1.71-73* 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 our publication *Insights into IFRS* (3.1.45.10).

- 4.** *FRS 107.7, 31* An entity discloses information that enables users of its financial statements to evaluate
- the significance of financial instruments for its financial position and performance; and
 - the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

These illustrative financial statements illustrate one possible method of disclosing significant information related to loans and borrowings. An entity assesses the extent of information provided throughout the financial statements to determine if it has met the disclosure requirements of FRS 107.

Reference Notes to the financial statements

16. Loans and borrowings^{1, 2}

FRS 107.7

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 22.

FRS 1.77

Non-current liabilities³

Secured bank loans
Unsecured bond issues
Convertible notes
Redeemable preference shares
Finance lease liabilities
Loan from associate
Intra-group financial guarantee

Group		Company	
2013	2012	2013	2012
\$'000	\$'000	\$'000	\$'000
5,812	7,093	-	-
6,136	9,200	5,113	5,113
4,633	-	4,633	-
1,939	-	1,939	-
1,613	1,913	-	-
-	1,000	-	1,000
-	-	23	31
20,133	19,206	11,708	6,144
1,200	4,000	-	-
524	117	-	-
51	-	51	-
315	269	-	-
2,090	4,386	51	-

Current liabilities

Current portion of secured bank loans
Unsecured bank loans
Dividends on redeemable preference shares
Current portion of finance lease liabilities

FRS 107.7, 31

Terms and debt repayment schedule⁴

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

				2013		2012	
Group	Currency	Nominal interest rate %	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				\$'000	\$'000	\$'000	\$'000
Secured bank loan	IDR	3.90%	2017	1,260	1,260	1,257	1,257
Secured bank loan	USD	4.70%	2015	520	502	550	521
Secured bank loan	SGD	4.50%	2014-2019	4,500	4,500	4,500	4,500
Secured bank loan	EUR	EURIBOR+1%	2013-2014	765	750	4,850	4,815
Unsecured bank loan	AUD	3.80%	2014	554	524	-	-
Unsecured bank loan	SGD	5.50%	2013	-	-	117	117
Unsecured bond issues	SGD	SIBOR +1/2%	2017	1,023	1,023	1,023	1,023
Unsecured bond issues	SGD	SIBOR +1%	2018	5,113	5,113	5,113	5,113
Unsecured bond issues	SGD	SIBOR	2015	-	-	3,064	3,064
Loan from associate	SGD	4.80%	2014	-	-	1,000	1,000
Convertible notes	SGD	3.00%	2016	5,000	4,633	-	-
Redeemable preference shares	SGD	4.40%	2019	2,000	1,939	-	-
Dividends on redeemable preference shares	SGD	-	2014	51	51	-	-
Finance lease liabilities	SGD	6.5%-7.0%	2013-2028	2,663	1,928	3,186	2,182
Total interest-bearing liabilities				23,449	22,223	24,660	23,592

FRS 107.7,
FRS 16.74(a)

The secured bank loans of the Group are secured over land and buildings with carrying amounts of \$1,440,000 (2012: \$2,010,000) (see note 4), investment properties with carrying amounts of \$1,715,000 (2012: \$1,000,000) (see note 7) and deposits pledged of \$221,000 (2012: \$256,000) (see note 14).

Note *Reference* **Explanatory note**

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

Reference Notes to the financial statements

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

FRS 107.7, 31

	Currency	Nominal interest rate %	Year of maturity \$'000	2013		2012	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Company							
Unsecured bond issues	SGD	SIBOR +1%	2018	5,113	5,113	5,113	5,113
Loan from associate	SGD	4.80%	2014	-	-	1,000	1,000
Convertible notes	SGD	3.00%	2016	5,000	4,633	-	-
Redeemable preference shares	SGD	4.40%	2019	2,000	1,939	-	-
Dividends on redeemable preference shares	SGD	-	2014	51	51	-	-
Total interest-bearing liabilities				12,164	11,736	6,113	6,113

Breach of loan covenant

FRS 107.19

The Group has a secured bank loan with a carrying amount of \$4,500,000 at 31 December 2013. According to the terms of the agreement, this loan is repayable in tranches over the next 5 years. However, the loan contains a debt covenant stating that at the end of each quarter, the Group's debt (in the covenant defined 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.

The Group has experienced an increase in leverage, in part due to the distribution of assets to owners of the Company during the year, and as such the Group exceeded its maximum leverage threshold in the third quarter of 2013. Management has been in a process of negotiation with the bank and obtained waiver in October 2013, so that the bank loan is not payable upon demand at 31 December 2013.

FRS 107.17

Convertible notes¹

	Group and Company
	2013 \$'000
Proceeds from issue of convertible notes (1,250,000 notes at \$4 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 2013	4,633

The convertible notes were issued on 1 July 2012.

FRS 107.17

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.

FRS 12.81(a)

The notes are convertible into 3,750,000 ordinary shares in June 2016 at the option of the holder, at a rate of three shares for every convertible note. Unconverted notes become repayable on demand.

In addition, convertible notes will become repayable on demand if the Group exceeds a net debt to adjusted equity ratio of 1.95 (see note 22).

Note *Reference* **Explanatory note**

- | | | |
|-----------|--------------------------|--|
| 1. | <i>FRS 17.31(d)</i> | An entity discloses the total minimum lease payments expected to be received under non-cancellable subleases at the end of the reporting period. |
| | <i>FRS 17.31(e)(iii)</i> | An entity discloses any restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing. |

Reference Notes to the financial statements

16. Loans and borrowings (continued)
Redeemable preference shares

	Group and Company 2013 \$'000
Proceeds from issue of redeemable preference shares	2,000
Transaction costs	(61)
Carrying amount at 31 December 2013	<u>1,939</u>

During the year 1,000,000 redeemable preference shares were issued at \$2 per share (2012: nil). All issued shares are fully paid. Redeemable preference shares do not carry the right to vote and rank equally with other shares with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares.

The redeemable preference shares are mandatorily redeemable at initial subscription value on 31 May 2019 and the Company is obliged to pay holders of redeemable preference shares annual dividends of 4.4% of the subscription amount on 31 May each year until and including upon maturity.

Finance lease liabilities

FRS 17.31(b)

Finance lease liabilities are payable as follows:¹

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2013 \$'000	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Group						
Within one year	535	220	315	531	262	269
Between one and five years	1,128	343	785	924	385	539
More than five years	1,000	172	828	1,731	357	1,374
	<u>2,663</u>	<u>735</u>	<u>1,928</u>	<u>3,186</u>	<u>1,004</u>	<u>2,182</u>

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

Certain leases provide for additional payments that are contingent upon changes in the market rental rate. Contingent rents recognised in profit or loss under finance leases amounted to \$17,000 (2012: \$15,000).

FRS 1.122,
17.31(e)

During the year ended 31 December 2012, the Group entered into an arrangement whereby a supplier built a set of equipment, which the supplier will use to provide a specific chemical used in manufacturing a new product in the paper manufacturing and distribution division for a minimum period of 16 years. 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. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|---|
| 1. | <i>FRS 19.133</i> | Entities are not required to split post-employment benefit assets and liabilities into current and non-current classifications. |
| | <i>FRS 19.93</i> | For contributory plans, the accounting requirements are as follows:
Contributions from employees 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). |
| | <i>FRS 19.70, 93</i> | Employee 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: <ul style="list-style-type: none"> • 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. | <i>FRS 19.131</i> | An entity is able to offset an asset related to one plan against a liability related to another plan when, and only when, an entity: <ul style="list-style-type: none"> • 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. |
|-----------|-------------------|--|

Reference Notes to the financial statements

16. Loans and borrowings (continued)

Finance lease liabilities (continued)

Although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment, because fulfilment of the arrangement is economically dependent on the use of the equipment, and it is unlikely that any parties other than the Group will receive more than an insignificant part of the output. The lease was classified as a finance lease. The Group could not estimate reliably the relative fair values of the lease element and other elements of the required payments. Therefore, at inception of the lease, the Group recognised an asset and a liability at an amount equal to the estimated fair value of the equipment (see note 4). The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (4.85%).

Intra-group financial guarantee

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking facilities amounting to \$3,000,000 (2012: \$3,000,000) granted to a wholly-owned subsidiary which expire on 31 December 2016. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

17. Employee benefits¹

Group

	Note	Plan A ²		Plan B ²	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
FRS 19.140a(i)	Fair value of plan assets	(2,242)	(2,450)	-	-
FRS 19.140a(iii)	Present value of obligations	1,607	1,719	335	280
FRS 19.140(a)	(Surplus) deficit in the plan ²	(635)	(731)	335	280
	Liability for bonus plan (Restated*)			100	100
	Liability for long-service leave			107	81
FRS 102.51(b)(i)	Cash-settled share-based payment liability	18		440	380
	Total employee benefit liabilities			982	841

* See note 2.5(ii).

FRS 19.139(a) The Group makes contributions to a non-contributory defined benefit plan¹ that entitles a retired employee to receive an annual payment equal to 1/60 of final salary for each year of service that the employee provided (plan A). The Group has an unfunded plan (plan B) providing reimbursement of certain medical costs for employees after retirement.

In addition, the Group makes contributions to a separate defined benefit plan for its directors and executive officers. A description of this plan is given in note 37. Amounts in respect of this defined benefit plan have been combined with those of plan A in the disclosures above.

The defined benefit plans are administered by the same pension fund that is legally separated from the Group. The Board of the pension fund is composed of 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 interest of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund.

FRS 19.139(b) The pension plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

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Reference Notes to the financial statements

17. Employee benefits (continued)

FRS 19.139(c) In 2013, the pension arrangements for a number of employees in the United States of America have been adjusted to reflect new legal requirements in that country. As a consequence of the change in the retirement age, a past service cost (credit) was recognised immediately in the profit or loss.

INT FRS 114.10 The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (such as minimum funding requirements) 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 is made on a plan-by-plan basis. As such, no decrease in the defined benefit asset is necessary at 31 December 2013 (31 December 2012: no decrease in defined benefit asset).

Plan assets

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

		Group	
		2013 \$'000	2012 \$'000
<i>FRS 19.142(a)</i>	Cash and cash equivalents	-	-
<i>FRS 19.142(b)</i>	Equity securities:		
	- Consumer markets	502	600
	- Pharmaceuticals	175	181
	- Oil and Gas industry	63	78
	- Telecoms and ICT	100	85
	- Financial institutions	62	183
		902	1,127
<i>FRS 19.142(c)</i>	Government bonds	1,044	1,062
<i>FRS 19.142(e)</i>	Derivatives:		
	- Interest rate swaps	8	12
	- Forward foreign currency contracts	54	23
	- Longevity swaps	28	13
		90	48
<i>FRS 19.143</i>	Property occupied by the Group	153	162
<i>FRS 19.143</i>	Company's own ordinary shares	53	51
		2,242	2,450

FRS 19.142, 146 All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated.

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

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

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|---|
| 1. | <i>FRS 19.147(c)</i> | This disclosure may also include other information about the distribution of the timing of benefit payments, such as a maturity analysis of the benefit payments. |
| 2. | <i>FRS 19.130</i> | Administration expenses do not include the costs of managing the plan assets. These costs are deducted from the return on plan assets. |

Reference Notes to the financial statements

17. Employee benefits (continued)

Movement in the present value of the defined benefit obligations

		Group	
		2013	2012
		\$'000	\$'000
FRS 19.141(a)	Defined benefit obligations at 1 January	1,999	1,913
FRS 19.141(d)	Current service costs	494	502
FRS 19.141(b)	Past service cost (credit)	(100)	-
FRS 19.141(c)	Interest cost	162	134
	Remeasurements:		
	- Experience adjustments	(30)	6
	- Actuarial (gains) losses from changes in demographic assumptions	(31)	4
	- Actuarial (gains) losses from changes in financial assumptions	(21)	8
FRS 19.141(g)	Benefits paid by the plan	(505)	(568)
FRS 19.141(e)	Effect of movement in exchange rates	(26)	-
	Defined benefit obligations at 31 December	1,942	1,999

FRS 19.137 The defined benefit obligation can be allocated to plans' participants as follows:

- Active plan participants: 32.0% (2012: 32.7%)
- Deferred plan participants: 48.9% (2012: 48.3%)
- Retirees: 19.1% (2012: 19.0%)

All benefits are vested at the end of the reporting period.

FRS 19.147(c) The weighted average duration of the defined benefit obligation at the end of the reporting period is 17.1 years (2012: 17.5 years).¹

FRS 19.141 **Movement in the fair value of plan assets**

		Group	
		2013	2012
		\$'000	\$'000
FRS 19.141(f)	Fair value of plan assets at 1 January	2,450	2,500
FRS 19.141(b)	Contributions paid into the plan	318	405
FRS 19.141(c)	Interest income	114	111
FRS 19.141(g)	Return on plan assets, excluding interest income	(10)	3
FRS 19.141(e)	Benefits paid by the plan	(505)	(568)
	Effect of movement in exchange rates	(123)	-
	Administration expenses ²	(2)	(1)
	Fair value of plan assets at 31 December	2,242	2,450

FRS 19.141 **Expense recognised in profit or loss**

		Group	
		2013	2012
		\$'000	\$'000
FRS 19.141(a)	Current service costs	494	502
FRS 19.141(b)	Net interest on net defined benefit liability	48	23
FRS 19.141(d)	Past service cost (credit)	(100)	-
		442	525

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Reference Notes to the financial statements

17. Employee benefits (continued)

Expense recognised in profit or loss (continued)

The actual return on plan assets over 2013 was 123 (2012: 140).

As a result of the plan amendment regarding the pension arrangement for a number of employees in the United States of America, the Group's defined benefit pension obligation decreased by \$100,000 (31 December 2012: nil). A corresponding past service cost (credit) is included in the Group's statement of profit or loss at 31 December 2013.

The expense is recognised in the following line items in the statement of profit or loss:

	Group	
	2013	2012
	\$'000	\$'000
Cost of sales	225	312
Selling and distribution expenses	113	162
Administrative expenses	104	51
	442	525

FRS 1.125

Actuarial assumptions

FRS 19.144

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

	Group	
	2013	2012
Discount rate at 31 December	5.1%	4.8%
Future salary increases	2.5%	2.5%
Medical cost trend rate	4.5%	4.0%
Future pension increases	3.0%	2.0%

FRS 19.144

FRS 19.144

FRS 19.144

FRS 19.144

FRS 1.125, 19.144

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plans are as follows:

Group	2013		2012	
	Plan A	Plan B	Plan A	Plan B
Longevity at age 65 for current pensioners				
Males	18.5	18.2	18.3	18.0
Females	21.0	19.0	21.0	18.8
Longevity at age 65 for current members aged 45				
Males	19.2	19.0	19.0	18.7
Females	22.9	20.5	22.9	20.0

Note *Reference* **Explanatory note**

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

Reference

Notes to the financial statements

17. Employee benefits (continued) Actuarial assumptions (continued) Sensitivity analysis

FRS 1.125, 129, 19.145 The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

Group	Defined benefit obligation	
	1 percent increase	1 percent decrease
	\$'000	\$'000
Discount rate	(335)	350
Future salary growth	180	(172)
Future pension	175	(168)
Medical cost trend rate	380	(250)

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation of \$60,000.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 30 November 2013 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

FRS 19.147(a) Plan A is fully funded by the Group's subsidiaries, except for the separate defined benefit plan for directors and executive officers which is funded by the parent company. Plan B is an unfunded plan. 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.

FRS 19.147(b) The Group expects to pay \$350,000 in contributions to its defined benefit plans in 2014.

18. Share-based payment arrangements¹

FRS 102.44 Description of the share-based payment arrangements

At 31 December 2013, the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

FRS 102.45(a) On 1 January 2009 and 1 January 2012, the Group established a share option programme that entitles key management personnel to purchase shares in the Company. On 1 January 2013, a further grant on similar terms (except for exercise price) was offered to key management personnel and senior employees. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the date of grant.

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Reference

Notes to the financial statements

18. Share-based payment arrangements (continued)

Description of the share-based payment arrangements (continued)

Share option programme (equity-settled) (continued)

The terms and conditions related to the grants of the share option programme are as follows; all options are to be settled by physical delivery of shares.

FRS 102.45(a)	Grant date / employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
	Option grant to key management on 1 January 2009	4,000	3 years' service and 5% increase in operating income in each of the 3 years	7 years
	Option grant to key management on 1 January 2012	2,000	3 years' service and 5% increase in operating income in each of the 3 years	10 years
	Option grant to key management on 1 January 2013	2,250	3 years' service and 5% increase in operating income in each of the 3 years	10 years
	Option grant to senior employees on 1 January 2013	1,000	3 years' service	10 years
	Total share options	9,250		

Replacement awards (equity-settled)

In connection with the acquisition of Papyrus Pty Limited, the Group exchanged equity-settled share-based payment awards held by employees of Papyrus (the acquiree's awards) for 1,500,000 equity-settled share-based payment awards of the Group with a contractual life of nine years (the replacement awards) (see note 32).

Share purchase plan (equity-settled)

FRS 102.44, 45(a)

On 1 January 2013, the Group offered 26 of its employees the opportunity to participate in an employee share purchase plan. To participate in the plan, the employees must save an amount of 5% of their gross monthly salary, with a maximum of \$300 per month, for a period of 36 months. Under the terms of the plan, at the end of the three-year 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, or who 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.

Share appreciation rights (cash-settled)

FRS 102.45(a)

On 1 January 2010 and 1 January 2013, the Group granted 1,000,000 and 3,000,000 share appreciation rights (SARs), respectively, to employees that entitle them to a cash payment after three years of service. 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.

Note *Reference* **Explanatory note**

- | | |
|------------------------------------|--|
| <p>1. <i>FRS 102.52</i></p> | <p>Disclosures of the inputs for fair value measurement for cash-settled share based payments, e.g. share appreciation rights, are not required specifically in FRS 102. However, they should be provided in accordance with the general disclosure requirements in paragraphs 44 and 50 of FRS 102 if the cash-settled share-based payments are material to the entity either at grant date or at the reporting date. We believe that the following disclosures should be provided:</p> <ul style="list-style-type: none">• for awards granted during the period, disclosures on measurement of fair value at grant date and at the reporting date; and• for awards granted in previous periods but unexercised at the reporting date, disclosures on measurement of fair value at the reporting date. |
|------------------------------------|--|

This issue is discussed in our publication *Insights into IFRS* (4.5.1330.10).

Reference Notes to the financial statements

18. Share-based payment arrangements (continued)

Measurement of fair values

The fair value of the rights granted through the employee share purchase plan was measured based on Monte Carlo simulation. The fair value of all other share-based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

Equity-settled share-based payment plans

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

		Share option programme				
		Key manage- ment personnel	Key manage- ment personnel	Senior employees	Replace- ment awards	Share purchase plan
		2013	2012	2013	2013	2013
FRS 102.47(a)	Fair value at grant date	\$0.35	\$0.38	\$0.31	\$0.38	\$0.40
	Share price at grant date	\$1.01	\$1.05	\$1.01	\$1.09	\$1.01
	Exercise price	\$1.01	\$1.05	\$1.01	\$1.03	\$0.81
	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%

FRS 102.47(a) (iii) The requirement that the employee has to save in order to purchase shares under the share purchase plan is a non-vesting condition. This feature 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 historic behaviour.

At 31 December 2013, a total amount of \$223,000 was invested by the participants in the share purchase plan and is included in trade and other payables due to related parties (2012: nil).

Cash-settled share-based payment plans¹

The inputs used in the measurement of the fair values at grant date and measurement date of the share appreciation rights are as follows:

		SARS	
		Grant date 1 January 2013	Reporting date 31 December 2013
FRS 102.52	Fair value	\$0.28	\$0.44
	Share price	\$1.01	\$1.27
	Exercise price	\$1.01	\$1.01
	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%

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Reference Notes to the financial statements

18. Share-based payment arrangements (continued)
Expense recognised in profit or loss

		<i>Note</i>	2013 \$'000	2012 \$'000
	Equity-settled share-based payment transactions			
<i>FRS 102.51(a)</i>	Share options granted in 2012		250	250
<i>FRS 102.51(a)</i>	Share options granted in 2013		370	-
<i>FRS 102.51(a)</i>	Rights under employee share purchase plan granted in 2013		35	-
<i>FRS 102.51(a)</i>	Replacement awards granted in 2013		100	-
	Total expense recognised for equity-settled share-based payment		<u>755</u>	<u>250</u>
	Cash-settled share-based payment transactions			
<i>FRS 102.51(a), (b)</i>	Expense arising from SARs granted in 2010		-	280
<i>FRS 102.51(a), (b)</i>	Expense arising from SARs granted in 2013		282	-
<i>FRS 102.51(a), (b)</i>	Effect of changes in the fair value of SARs		158	70
	Total expense recognised for cash-settled share-based payment		<u>440</u>	<u>350</u>
<i>FRS 102.51(a)</i>	Total employee benefit expense recognised for share-based payment	27	<u>1,195</u>	<u>600</u>
<i>FRS 102.51(b)(i)</i>	Total carrying amount of liabilities for cash-settled arrangements	17	<u>440</u>	<u>380</u>
<i>FRS 102.51(b)(ii)</i>	Total intrinsic value of liability for vested benefits		<u>-</u>	<u>380</u>

The carrying amount of the liabilities at 31 December 2012 was settled during 2013.

Reconciliation of outstanding share options

FRS 102.45(b) The number and weighted average exercise prices of share options under share option programme, replacement awards and share purchase plan is as follows:

		Weighted average exercise price 2013	Number of options 2013 '000	Weighted average exercise price 2012	Number of options 2012 '000
<i>FRS 102.45(b)(i)</i>	Outstanding at 1 January	\$1.02	5,500	\$1.00	4,000
<i>FRS 102.45(b)(iii)</i>	Forfeited during the year	\$1.00	(500)	\$1.00	(500)
<i>FRS 102.45(b)(iv)</i>	Exercised during the year	\$1.00	(50)	-	-
<i>FRS 102.45(b)(ii)</i>	Granted during the year	\$1.00	<u>5,050</u>	\$1.05	<u>2,000</u>
<i>FRS 102.45(b)(vi)</i>	Outstanding at 31 December	\$1.01	<u>10,000</u>	\$1.02	<u>5,500</u>
<i>FRS 102.45(b)(vii)</i>	Exercisable at 31 December	\$1.00	<u>2,950</u>	\$1.00	<u>3,500</u>

FRS 102.45(d) The options outstanding at 31 December 2013 have an exercise price in the range of \$1.00 to \$1.05 (2012: \$1.00 to \$1.05) and a weighted average contractual life of 6.4 years (2012: 5.2 years).

FRS 102.45(c) The weighted average share price at the date of exercise for share options exercised in 2013 was \$1.20 (2012: no options exercised).

Note Reference **Explanatory note**

1.	There is no guidance on the presentation of assets or liabilities related to construction contracts in progress. One approach is to present assets as trade receivables, or in the case of liabilities, as deferred revenue. This issue is discussed in our publication <i>Insights into IFRS</i> (4.2.260.40).
2.	<p>Although it is not required by INT FRS 113 <i>Customer Loyalty Programmes</i>, we have illustrated disclosures that entities may wish to present because users may find them useful. Additional disclosure items may be necessary if a customer loyalty programme is significant.</p> <p>In these illustrative financial statements, it is assumed that there is no restriction on the ability to redeem points and as such deferred income in relation to this programme is presented as current. In practice, there may be customer loyalty programmes with restrictions on the ability to redeem points that could give rise to a non-current presentation of the related deferred income.</p>
3.	Deferred income related to a government grant generally is classified as a non-current liability. The portion that will be recognised in profit or loss in the next reporting period is shown as a current liability. This issue is discussed in our publication <i>Insights into IFRS</i> (4.3.130.60).
4. <i>FRS 20.39(c), 41.57(b), (c)</i>	An entity discloses any unfulfilled condition and other contingencies attaching to government grants. For government grants related to agricultural activity, an entity also discloses significant decreases expected in the level of the grants.
5. <i>FRS 37.92</i>	<p>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:</p> <ul style="list-style-type: none"> • the general nature of the dispute; • the fact that the required information has not been disclosed; and • the reason why.
6. <i>FRS 37.84</i>	There is no requirement to disclose comparative information in the reconciliation of provisions.
7.	<p>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 our publication <i>Insights into IFRS</i> (3.12.850.10).</p> <p><i>FRS 1.98(f),(g)</i> An entity discloses separately items of income and expense related to reversals of provisions and litigation settlements.</p>
8.	Provisions that will be utilised within one year are classified as current liabilities. This issue is discussed in our publication <i>Insights into IFRS</i> (3.12.770.10).
9. <i>FRS 105.31-36A</i> <i>FRS 37.9</i>	FRS 37 applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by FRS 105.

Reference Notes to the financial statements

19. Deferred income

	Note	Group	
		2013 \$'000	2012 \$'000
Government grants		1,462	1,500
FRS 11.40(b) Customer advances		72	79
FRS 11.42(b) Billing in advance of work completed ¹		18	13
Customer loyalty claims ²	23	50	38
		1,602	1,630
Non-current ³		1,424	1,462
Current		178	168
		1,602	1,630

FRS 20.39(b) Government grants⁴ received by the Group in 2012 amounting to \$1,500,000 was conditional upon the acquisition of a factory premises on a specified site. The factory has been in operation since early 2013 and the grant, recognised as deferred income, is being amortised over the useful life of the building.

20. Provisions^{5, 6}

	Warranties \$'000	Restruct- uring \$'000	Site re- storations \$'000	Onerous contracts \$'000	Legal \$'000	Total \$'000
Group						
FRS 37.84(a) At 1 January 2013	400	500	900	-	-	1,800
FRS 103.23 Assumed in a business combination	-	-	150	-	20	170
FRS 37.84(b) Provisions made during the year	280	400	600	160	-	1,440
FRS 37.84(c) Provisions used during the year	(200)	(500)	(800)	-	-	(1,500)
Provisions disposed off through distribution	(200)	-	-	-	-	(200)
FRS 37.84(d) Provisions reversed during the year ⁷	-	-	(100)	-	-	(100)
FRS 37.84(e) Unwind of discount	-	-	60	-	-	60
FRS 37.84(a) At 31 December 2013	280	400	810	160	20	1,670
Non-current	100	-	810	100	-	1,010
Current ⁸	180	400	-	60	20	660
	280	400	810	160	20	1,670

Restructuring costs expensed as incurred by the Group amounted to \$68,000 in 2013 and were recognised in administrative expenses (2012: nil).⁹

Note Reference **Explanatory note**

- | | |
|----|---|
| 1. | <i>FRS 37.9</i> FRS 37 applies to provisions for restructuring, including in the context of discontinued operations. When a restructuring meets the definition of a discontinued operation, additional disclosures may be required by FRS 105. |
| 2. | <i>INT FRS 105.11</i> An entity discloses its interest in and the nature of any decommissioning, restoration and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets.

<i>FRS 37.85(c),</i> If a right to receive reimbursement from the fund has been recognised as an asset, then an
<i>INT FRS 105.13</i> entity discloses the amounts of the asset and expected reimbursement.

<i>FRS 37.86,</i> If an obligation to make contributions to the fund has not been recognised as a liability, then an
<i>INT FRS 105.12</i> 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 \$'000
	Company	
FRS 37.84(a)	At 1 January 2013	154
FRS 37.84(b)	Provisions made during the year	164
FRS 37.84(c)	Provisions used during the year	(120)
FRS 37.84(a)	At 31 December 2013	198
	Non-current	70
	Current	128
		198

Warranties

FRS 37.85(a) - (c) The provision for warranties relates mainly to paper sold during the years ended 31 December 2012 and 2013. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group and the Company expects to incur the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of \$25,000 (2012: nil) has been recognised in trade receivables of the Group and the Company following a supplier accepting responsibility for the defective products.

Restructuring¹

FRS 1.98(b), 125, FRS 37.85(a), (b) During the previous year, 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 deteriorated economic circumstances. 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. An amount of \$500,000 was charged against the provision in 2013. The restructuring was completed in 2013.

During the year, 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 2014.

Site restoration²

FRS 37.85(a) A provision of \$900,000 was made during 2012 in respect of the Group's obligation to rectify environmental damage in Indonesia. The required work was completed during 2013 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.

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 our publication <i>Insights into IFRS</i> (7.8.120.40). |
|-----------|---|

Reference Notes to the financial statements

20. Provisions (continued)

Site restoration (continued)

FRS 1.129

FRS 37.85(a), (b)

In accordance with Romanian law, land contaminated by the Group's subsidiary in Romania must be restored to its original condition before the end of 2015. During the year, the Group provided \$600,000 for this purpose. Because of the long-term nature of the liability, the biggest 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 of 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 Pty Limited, the Group recognised environmental provisions of \$150,000, determined on a provisional basis (see note 32).

Onerous contracts

FRS 37.85(a), (b)

In 2012, the Group entered into a non-cancellable lease for office space which, due to changes in its activities, the Group had ceased to use by 31 December 2013. The lease expires in 2016. 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.

Legal

FRS 1.125,

37.85(a), (b)

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

FRS 107.8(f)

21. Trade and other payables, including derivatives

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade payables					
Current:					
Amount due to related parties, trade		280	151	223	12
Amount due to subsidiaries, trade		-	-	2,893	2,080
Trade payables		19,184	23,725	1,688	2,906
Accrued expenses		312	487	139	106
		19,776	24,363	4,943	5,104
Other payables					
Current:					
Forward exchange contracts used for hedging ¹	22	8	7	-	-
Non-current:					
Interest rate swaps used for hedging ¹	22	20	5	-	-
Contingent consideration	32	270	-	-	-
		298	12	-	-
Trade and other payables					
Non-current		290	5	-	-
Current		19,784	24,370	4,943	5,104
		20,074	24,375	4,943	5,104

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

Outstanding balances with related parties are unsecured.

Note Reference **Explanatory note**

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

2. *FRS 107.31, 32* An entity is required to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed to at the end of the reporting period. Those risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

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

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

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

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

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

FRS 107.35, IG20 If the quantitative data at the end of the reporting period 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 end of the reporting period would not be representative.

5. See explanatory note 1 on page 170.

6. See explanatory note 2 on page 170.

Reference Notes to the financial statements

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

Financial risk management

Overview

FRS 107.31 The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

FRS 107.33 This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

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

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

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

Credit risk⁴

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

FRS 107.36(a) The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held.⁵

FRS 107.36(b) The Group and the Company do not hold any collateral in respect of their financial assets.⁶

Guarantees

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

The maximum exposure of the Company in respect of the intra-group financial guarantee (see note 16) at the end of the reporting period is if the facility is drawn down by the subsidiary in the amount of \$3,000,000 (2012: \$3,000,000). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Note Reference **Explanatory note**

1.	<p><i>FRS 107.36(a)</i> 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.</p> <p><i>FRS 107.B9, B10</i> The maximum credit risk exposure typically is the gross carrying amount of the financial asset, net of any amounts offset in accordance with FRS 32 and any impairment losses recognised in accordance with FRS 39.</p> <p><i>FRS 107.36, B1-B3</i> The disclosures in respect of credit risk apply to each “class” of financial asset, which is not defined in FRS 107. Classes are distinct from the categories of financial instruments specified in FRS 39. In determining classes of financial instruments, an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treats as a separate class or classes those financial instruments outside the scope of FRS 107.</p> <p><i>FRS 107.IG 21-29</i> The FRS 107 implementation guidance provides additional guidance on the disclosures without specifying a minimum standard disclosure.</p>
2.	<p><i>FRS 107.36(b)</i> 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 end of the reporting period.</p> <p><i>FRS 107.38</i> For collateral repossessed during the period and held at the reporting date, an entity discloses:</p> <ul style="list-style-type: none"> • the nature and carrying amount of such collateral or other credit enhancements; and • its policy for disposing of those collateral that is not readily convertible into cash.
3.	<p><i>FRS 107.B8, IG18-19</i> 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.</p>

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables

Risk management policy

FRS 107.34(c)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During 2013, approximately 20% (2012: 18%) of the Group's revenue is attributable to sales transactions with a single multinational customer.

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, when available, and in some cases bank references. Purchase 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.

More than 85% of the Group's customers have been transacting with the Group for over four years, and no impairment loss has been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Risk Management Committee, and future sales are made on a prepayment basis.

FRS 107.33(c)

As a result of improving economic circumstances in 2013, certain purchase limits have been redefined, particularly for customers operating in the Standard and Recycled Papers segments, since the Group's experience is that the economic recovery has had a greater impact in these segments than in the Group's other segments.

FRS 107.36(b)

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

Exposure to credit risk

FRS 107.34(a)

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

	Group		Company	
	Carrying amount		Carrying amount	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Domestic	6,518	8,332	6,153	5,120
Indonesia	3,362	3,450	5,400	2,500
Netherlands	1,931	2,367	2,335	650
United States of America	1,739	2,138	3,525	2,650
Australia	1,329	590	770	198
Others	1,547	842	2,515	2,101
	16,426	17,719	20,698	13,219

Note *Reference* **Explanatory note**

1.	See explanatory note 3 on page 170.
2. <i>FRS 107.36(c)</i>	An entity discloses information about the credit quality of financial assets that are neither past due nor impaired.
3. <i>FRS 107.37(a)</i>	<p>An entity discloses an ageing analysis of financial assets that are past due at the end of the reporting period, 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 FRSs.</p> <p>This disclosure is required for all classes of financial assets. However, for the purpose of these illustrative financial statements, only trade and receivables include amounts that are past due but not impaired. Therefore, this is the only class of financial asset in respect of which this disclosure requirement is relevant.</p>

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

Exposure to credit risk (continued)

FRS 107.34(a)

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

	Group		Company	
	Carrying amount		Carrying amount	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Wholesale customers	10,371	11,231	16,600	8,640
Retail customers	5,478	5,600	3,500	3,110
End-user customers	239	856	400	1,380
Others	338	32	198	89
	16,426	17,719	20,698	13,219

FRS 107.34(a)

The Group's most significant customer, an Indonesian wholesaler, accounts for \$4,712,000 of the trade and other receivables carrying amount at 31 December 2013 (2012: \$3,367,000). There is no concentration of customer risk at the Company level.

FRS 107.36(c)

The credit quality of trade and other receivables is assessed based on a credit policy established by the Risk Management Committee. The Group monitors customer credit risk by grouping trade and other receivables based on their characteristics. An analysis of the credit quality of trade and other receivables that were not past due or impaired at the reporting date is as follows:²

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Acceptable risk	10,934	10,138	16,931	10,751
High risk	2,285	3,919	960	773
	13,219	14,057	17,891	11,524

FRS 107.37(a)

The ageing of trade and other receivables that were not impaired at the reporting date was:³

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired	13,219	14,057	17,891	11,524
Past due 0 - 30 days	1,637	1,912	1,476	903
Past due 31 - 90 days	220	100	170	50
Past due 91 - 180 days	80	-	80	-
	15,156	16,069	19,617	12,477

Impairment losses

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

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Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

Impairment losses (continued)

FRS 107.16

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

	Group		Company	
	Individual impairments \$'000	Collective impairments \$'000	Individual impairments \$'000	Collective impairments \$'000
At 1 January 2012	10	14	3	5
Impairment loss recognised	6	24	-	2
At 31 December 2012	16	38	3	7
Impairment loss recognised	138	12	32	3
Amounts written off	(4)	-	-	-
At 31 December 2013	150	50	35	10

FRS 107.37(b)

At 31 December 2013, an impairment loss of the Group of \$60,000 relates to a customer that was declared bankrupt during the year (2012: nil). In addition, impairment losses of \$52,000 relate to trade receivables acquired as part of the acquisition of Papyrus Pty Limited. The remainder of the impairment loss as at 31 December 2013 for the Group and the Company relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to financial difficulties.

The Group and the Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

Investments

Risk management policy

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least A1 from Standard & Poor's and A from Moody's. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for the impaired held-to-maturity investments described below.

Impairment losses

FRS 107.16

The movement in the allowance for impairment in respect of held-to-maturity investments during the year was as follows:

	Group and Company	
	2013 \$'000	2012 \$'000
At 1 January	20	20
Impairment loss recognised	60	-
At 31 December	80	20

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------|---|
| 1. | <i>FRS 107.38</i> | When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling in on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other FRSs, an entity discloses for such assets held at the reporting date: <ul style="list-style-type: none">• the nature and carrying amount of such collateral or other credit enhancements; and• its policy for disposing of those collateral that is not readily convertible into cash. |
| 2. | <i>FRS 107.B11F</i> | The FRS 107 application guidance provides guidance on an entity's disclosure of how it manages the liquidity risk inherent in the maturity analysis of financial liabilities. In particular, it lists factors that an entity might consider when providing this disclosure. |

Reference Notes to the financial statements

22. Financial instruments (continued)

Credit risk (continued)

Investments (continued)

Impairment losses (continued)

FRS 107.37(b)

An impairment loss of \$60,000 in respect of held-to-maturity investments was recognised during the current year owing to significant financial difficulties being experienced by the issuer of some of these securities. The Group and the Company has no collateral in respect of these investments.¹

The Group and the Company did not have any held-to-maturity investments that were past due but not impaired at 31 December 2013 (2012: nil).

FRS 107.B5(d), 16

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency [X] ratings.

Cash and cash equivalents

FRS 107.34(a),

107.36(a),(c)

The Group and the Company held cash and cash equivalents of \$1,505,000 and \$738,000 respectively at 31 December 2013 (2012: \$1,850,000 and \$829,000 respectively), which represent their maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated AA- to AA+, based on rating agency [X] ratings.

Liquidity risk²

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

FRS 107.39(c)

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

FRS 7.50(a)

- \$5 million overdraft facility that is unsecured. Interest would be payable at the rate of SIBOR plus 160 basis points (2012: SIBOR plus 150 basis points).
- \$10 million that 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 (2012: 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 35) and to incur capital expenditure with regard to its investment in a jointly controlled entity (see note 8).

Note Reference **Explanatory note**

- 1.** *FRS 107.34(a)* 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.

B10A

FRS 107.B11 In preparing the maturity analyses for financial liabilities, an entity uses its judgement to determine an appropriate number of time bands. This issue is further discussed in our publication *Insights into IFRS* (7.8.390.80).

FRS 107.B11B As a minimum, FRS 107 requires the disclosure of a contractual maturity analysis for financial liabilities. This maturity analysis should show the remaining contractual maturities for non-derivative financial liabilities and for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows. The latter would, for example, be the case for all loan commitments and for an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or financial liability.

FRS 107.B11D Contractual cash flows are undiscounted and therefore may not agree with the carrying amounts in the statement of financial position.

FRS 107.B11E An entity discloses how it manages liquidity risk inherent in its maturity analyses for derivative and non-derivative financial liabilities. An entity also discloses a maturity analysis of financial assets that it holds for managing liquidity risk, if such information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.
- 2.** FRS 107 does not define contractual maturities. It therefore leaves open to interpretation the amounts that need to be included in the analysis for certain types of financial liabilities, such as derivatives and perpetual instruments. In our view, both the interest and principal cash flows should be included in the analysis, as this best represents the liquidity risk being faced by the entity. This issue is discussed in our publication *Insights into IFRS* (7.8.390.70).
- 3.** In these illustrative financial statements, it is assumed that disclosure of contractual maturities for derivative financial liabilities held for risk management purposes are essential for an understanding of the timing of the cash flows.

FRS 107.B11D 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.

(d)
- 4.** *FRS 107.B11E* In these illustrative financial statements, net-settled derivative contracts in an asset position as at the reporting date are included in the maturity analysis as the Group uses these contracts to hedge the variability of its floating rate liabilities. This is consistent with the requirement to disclose a maturity analysis of financial assets held for managing liquidity risk, if such information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Reference

Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:^{1, 2}

Group

31 December 2013

FRS 107.39(a),
B11A-B11D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Secured bank loans	7,012	(7,955)	(151)	(1,360)	(1,647)	(4,332)	(465)
Unsecured bond issues	6,136	(7,295)	(120)	(120)	(240)	(6,815)	-
Unsecured bank loan	524	(564)	(564)	-	-	-	-
Convertible notes	4,633	(5,375)	(75)	(75)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,477)	(44)	(44)	(88)	(264)	(2,037)
Dividend on redeemable preference shares	51	(51)	(51)	-	-	-	-
Finance lease liabilities	1,928	(2,663)	(267)	(268)	(450)	(678)	(1,000)
Trade and other payables*	20,046	(20,376)	(19,776)	-	-	(600)	-
Bank overdraft	334	(334)	(334)	-	-	-	-
	42,603	(47,090)	(21,382)	(1,867)	(2,575)	(17,764)	(3,502)

FRS 107.39(b),
B11A-B11D

Derivative financial instruments³

Interest rate swaps used for hedging (net-settled)	20	(21)	-	(21)	-	-	-
Forward exchange contracts used for hedging (gross-settled):	8						
- Outflow		(20)	(8)	(12)	-	-	-
- Inflow		10	5	5	-	-	-
Forward exchange contracts used for hedging (gross-settled):	(297)						
- Outflow		(1,978)	(1,078)	(900)	-	-	-
- Inflow		2,304	1,228	1,076	-	-	-
Other forward exchange contracts (gross-settled):	(122)						
- Outflow		(989)	-	(670)	(319)	-	-
- Inflow		1,110	-	752	358	-	-
	(391)	416	147	230	39	-	-

FRS 107.B11E

Interest rate swaps used for hedging (net-settled) ⁴	(116)	140	12	36	27	54	11
	(507)	556	159	266	66	54	11
	42,096	(46,534)	(21,223)	(1,601)	(2,509)	(17,710)	(3,491)

* Excludes derivatives (shown separately).

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Reference Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

Group

31 December 2012

FRS 107.39(a),
B11A-B11D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Secured bank loans	11,093	(12,494)	(230)	(4,192)	(1,601)	(5,055)	(1,416)
Unsecured bond issues	9,200	(10,620)	(143)	(143)	(286)	(4,756)	(5,292)
Unsecured bank loan	117	(120)	(120)	-	-	-	-
Finance lease liabilities	2,182	(3,186)	(265)	(266)	(358)	(566)	(1,731)
Loan from associate	1,000	(1,096)	(24)	(24)	(1,048)	-	-
Trade and other payables*	24,363	(24,363)	(24,363)	-	-	-	-
Bank overdraft	282	(282)	(282)	-	-	-	-
	48,237	(52,161)	(25,427)	(4,625)	(3,293)	(10,377)	(8,439)

FRS 107.39(b),
B11A-B11D

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	-	-
Interest rate swaps used for hedging (net-settled)	(131)	145	15	14	33	59	24
	(583)	625	195	281	66	59	24
	47,654	(51,536)	(25,232)	(4,344)	(3,227)	(10,318)	(8,415)

FRS 107.B11E

* Excludes derivatives (shown separately).

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Reference Notes to the financial statements

22. Financial instruments (continued)
Liquidity risk (continued)

Company
31 December 2013

FRS 107.39(a),
B11A-B11D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Unsecured bond issues	5,113	(6,137)	(102)	(103)	(205)	(5,727)	-
Convertible notes	4,633	(5,375)	(75)	(75)	(150)	(5,075)	-
Redeemable preference shares	1,939	(2,477)	(44)	(44)	(88)	(264)	(2,037)
Dividend on redeemable preference shares	51	(51)	(51)	-	-	-	-
Trade and other payables	4,943	(4,943)	(4,943)	-	-	-	-
Recognised financial liabilities	16,679	(18,983)	(5,215)	(222)	(443)	(11,066)	(2,037)
Intra-group financial guarantee	23	(3,000)	(3,000)	-	-	-	-
	16,702	(21,983)	(8,215)	(222)	(443)	(11,066)	(2,037)

FRS 107.39(b),
B11A-B11D

Derivative financial instruments

Other forward exchange contracts (gross-settled):	(120)						
- Outflow		(969)	-	(656)	(313)	-	-
- Inflow	1,092	-	739	353	-	-	-
	(120)	123	-	83	40	-	-
	16,582	(21,860)	(8,215)	(139)	(403)	(11,066)	(2,037)

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Reference Notes to the financial statements

22. Financial instruments (continued)
Liquidity risk (continued)

Company
31 December 2012

FRS 107.39(a)
B11A-B11D

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Unsecured bond issues	5,113	(6,187)	(89)	(90)	(179)	(537)	(5,292)
Loan from associate	1,000	(1,096)	(24)	(24)	(1,048)	-	-
Trade and other payables	5,104	(5,104)	(5,104)	-	-	-	-
Recognised financial liabilities	11,217	(12,387)	(5,217)	(114)	(1,227)	(537)	(5,292)
Intra-group financial guarantee	31	(3,000)	(3,000)	-	-	-	-
	11,248	(15,387)	(8,217)	(114)	(1,227)	(537)	(5,292)

FRS 107.39(b)
B11A-B11D

Derivative financial instruments

Other forward exchange contracts (gross-settled):	(50)						
- Outflow		(482)	-	(303)	(179)	-	-
- Inflow		532	-	335	197	-	-
	(50)	50	-	32	18	-	-
	11,198	(15,337)	(8,217)	(82)	(1,209)	(537)	(5,292)

FRS 107.B11B - B11D 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 for derivative financial instruments relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate loans.

FRS 107.B10A

As disclosed in note 16, the Group has a secured bank loan which contains a debt covenant. A breach of this covenant may require the Group to repay the loan earlier than indicated in the table above. As disclosed in note 16, convertible notes become repayable on demand if the Group's net debt to adjusted equity ratio exceeds 1.95. 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.

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|--|
| 1. | <i>FRS 107.23(b)</i> | An entity also describes any forecast transaction for which hedge accounting has been used previously, but which is no longer expected to occur. |
|-----------|----------------------|--|

Reference Notes to the financial statements

22. Financial instruments (continued)

Derivative assets and liabilities designated as cash flow hedges

FRS 107.23(a)

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments.¹

Group	2013							2012						
	Carrying	Expected	6 months	6-12	More than			Carrying	Expected	6 months	6-12	More than		
	amount	cash flows	or less	months	1-2 years	2-5 years	5 years	amount	cash flows	or less	months	1-2 years	2-5 years	5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	145	15	14	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	150	176	-	-	-	375	405	185	220	-	-	-
Liabilities	(8)	(10)	(3)	(7)	-	-	-	(7)	(9)	(5)	(4)	-	-	-
	385	435	159	184	27	54	11	494	536	195	225	33	59	24

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments.

Group	2013							2012						
	Carrying	Expected	6 months	6-12	More than			Carrying	Expected	6 months	6-12	More than		
	amount	cash flows	or less	months	1-2 years	2-5 years	5 years	amount	cash flows	or less	months	1-2 years	2-5 years	5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest rate swaps														
Assets	116	140	12	36	27	54	11	131	145	15	14	33	59	24
Liabilities	(20)	(21)	-	(21)	-	-	-	(5)	(5)	-	(5)	-	-	-
Forward exchange contracts														
Assets	297	326	105	123	98	-	-	375	405	175	178	52	-	-
Liabilities	(8)	(10)	(3)	(3)	(4)	-	-	(7)	(9)	(5)	(3)	(1)	-	-
	385	435	114	135	121	54	11	494	536	185	184	84	59	24

Note *Reference* **Explanatory note**

1. *FRS 107.34* FRS 107 requires the disclosure of summary quantitative risk information to be based on the information provided internally to the entity's key management personnel, as defined in FRS 24, e.g., the entity's board of directors or chief executive.

FRS 107.35, IG20 If the quantitative data at the end of the reporting period are not representative of an entity's risk exposure during the year, then an entity provides further information that is representative, e.g., the entity's average exposure to risk during the year. For example, the FRS 107 implementation guidance indicates that if an entity typically has a large exposure to a particular currency but unwinds that position at the end of the reporting period, then it might present a graph that shows the currency exposure at various times during the period, or disclose the highest, lowest and average exposures.

FRS 107 deals only with risks arising from financial instruments. Consequently, purchase and sale contracts for non-financial items that are to be settled in a foreign currency, and some highly probable forecasted transactions etc. are excluded from the scope of FRS 107, even though they may give rise to financial risk for the entity. If an entity manages its financial risk based on its total exposure, i.e., including risk arising from those items not included within the scope of FRS 107, and such exposures are included in reports to key management personnel, then in our view FRS 107 does not prohibit an entity from providing additional disclosures about its total financial risk exposure rather than just the risk arising from financial instruments. However, all such additional disclosures are clearly separated from those required by FRS 107. This issue is discussed in our publication *Insights into IFRS* (7.8.320.30 - 40).

Reference Notes to the financial statements

22. Financial instruments (continued)

FRS 107.33

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk¹

Risk management policy

The Group is exposed to currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD), US dollar (USD), Euro (EUR) and Australian dollar (AUD).

FRS 107.22

At any point in time, the Group hedges 75% to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following six months. The Group also hedges at least 80% of all trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts generally are designated as cash flow hedges.

FRS 107.22

Foreign exchange risks related to the principal amounts of the Group's USD and EUR bank loans, taken out by SGD functional currency Group entities, have been fully hedged using forward contracts that mature on the same dates that the loans are due for repayment. These contracts are designated as cash flows hedges.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily SGD, but also USD and EUR. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

FRS 107.22

The Group's investment in its Indonesian subsidiary is hedged by a IDR-denominated secured bank loan (carrying amount \$1,260,000 (2012: \$1,257,000)), which mitigates the currency risk arising from the subsidiary's net assets. The fair value of the borrowing at 31 December 2013 was \$1,290,000 (2012: \$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. | <p>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.</p> <p>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.</p> |
| 2. | <p>This disclosure is not required by FRS 107, since estimated forecast sales and purchases are not financial instruments. However, in these illustrative financial statements, it is assumed that such information is relevant to an understanding of the Group's exposure to currency risk and that such information is provided internally to the Group's key management personnel.</p> |

Reference

Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

FRS 107.34(a)

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign 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 provided to the management of the Group based on its risk management policy was as follows:¹

	2013				2012			
	SGD \$'000	USD \$'000	EUR \$'000	AUD \$'000	SGD \$'000	USD \$'000	EUR \$'000	AUD \$'000
Group								
Trade receivables	1,977	2,365	1,867	645	3,099	1,250	1,780	590
Secured bank loans	-	(520)	(765)	-	-	(550)	(4,850)	-
Unsecured bank loan	-	-	-	(554)	-	-	-	-
Trade payables	(876)	(2,956)	(2,347)	-	(4,411)	(3,245)	(3,280)	-
Net statement of financial position exposure	1,101	(1,111)	(1,245)	91	(1,312)	(2,545)	(6,350)	590
Next six months' forecast sales ²	1,000	4,500	4,000	-	3,200	5,000	4,000	-
Next six months' forecast purchases ²	(2,000)	(2,000)	(2,500)	-	(1,500)	(2,000)	(2,000)	-
Net forecast transaction exposure	(1,000)	2,500	1,500	-	1,700	3,000	2,000	-
Forward exchange contracts	-	(950)	(450)	-	-	(250)	4,450	-
Net exposure	101	439	(195)	91	388	205	100	590

	2013			2012		
	USD \$'000	EUR \$'000	AUD \$'000	USD \$'000	EUR \$'000	AUD \$'000
Company						
Trade receivables	2,589	1,723	645	1,847	873	198
Trade payables	(2,391)	(2,267)	-	(3,155)	(2,038)	-
Net statement of financial position exposure	198	(544)	645	(1,308)	(1,165)	198
Next six months' forecast sales ²	1,260	2,120	-	3,200	3,800	-
Next six months' forecast purchases ²	(560)	(1,450)	-	(2,800)	(2,320)	-
Net forecast transaction exposure	700	670	-	400	1,480	-
Forward exchange contracts	(800)	(150)	-	800	(300)	-
Net exposure	98	(24)	645	(108)	15	198

Note *Reference* **Explanatory note**

1. *FRS 107.40(a)* An entity discloses how profit or loss and equity would have been affected by changes in a relevant risk variable that were reasonably possible at the end of the reporting period. Such a sensitivity analysis is disclosed for each type of market risk to which the entity is exposed at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances.

FRS 107.40(b), The entity also discloses:

(c)

- the methods and assumptions used in preparing the sensitivity analysis; and
- changes from the previous period in the methods and assumptions used, and the reasons for such changes.

2. In these illustrative financial statements, the SGD-denominated trade receivables and trade payables included in the table on page 191 are held by subsidiaries whose functional currencies are USD and EUR. For the purposes of the sensitivity analysis disclosures, the effects on profit or loss and equity of a reasonably possible strengthening (weakening) of the SGD against the respective functional currencies of the subsidiaries holding the SGD balances have been included in the respective currencies' line items presented. Other formats of presentation are possible.

Reference Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Currency risk (continued)

FRS 107.40

Sensitivity analysis¹

A strengthening (weakening) of the Singapore dollar, as indicated below, against the USD, EUR and AUD at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below.² This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2012, as indicated below:

	Group		Company	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
31 December 2013				
USD (10% strengthening)	233	95	60	-
EUR (10% strengthening)	125	45	69	-
AUD (10% strengthening)	(9)	-	(65)	-
USD (10% weakening)	(211)	(95)	(60)	-
EUR (10% weakening)	(125)	(45)	(69)	-
AUD (10% weakening)	9	-	65	-
31 December 2012				
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

Risk management policy

FRS 107.22

The Group adopts a policy of ensuring that between 45% and 75% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into interest rate swaps. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|---|
| 1. | <i>FRS 107.40(a)</i> | 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 end of the reporting period. Such a sensitivity analysis is disclosed for each type of market risk to which the entity is exposed at the end of the reporting period. The estimation of a reasonably possible change in a relevant risk variable depends on an entity's circumstances. |
| 2. | | In these illustrative financial statements, this sensitivity analysis relates to fixed rate instruments classified as available-for-sale (see note 9). |
| 3. | <i>FRS 107.40(c)</i> | An entity discloses changes from the previous period in the methods and assumptions used, and the reasons for such changes. |

Reference Notes to the financial statements

22. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

FRS 107.34(a)

Exposure to interest rate risk

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

	Group		Company	
	Nominal amount		Nominal amount	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	3,507	3,512	2,871	2,708
Financial liabilities	(15,762)	(9,606)	(7,000)	(1,000)
Interest rate swaps	(1,750)	(8,900)	-	-
	(14,005)	(14,994)	(4,129)	1,708
Variable rate instruments				
Financial assets	598	988	467	771
Financial liabilities	(7,235)	(14,332)	(5,113)	(5,113)
Interest rate swaps	1,750	8,900	-	-
	(4,887)	(4,444)	(4,646)	(4,342)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points¹ in interest rates would have increased or decreased equity by approximately \$15,000 (2012: \$6,000)² for the Group and the Company respectively.

FRS 107.40(a)

Cash flow sensitivity analysis for variable rate instruments³

A change of 100 basis points¹ 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 rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Equity	
	100 bp	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Group				
31 December 2013				
Variable rate instruments	(66)	66	-	-
Interest rate swap	4	(4)	14	(14)
Cash flow sensitivity (net)	(62)	62	14	(14)
31 December 2012				
Variable rate instruments	(133)	133	-	-
Interest rate swap	32	(32)	57	(57)
Cash flow sensitivity (net)	(131)	131	57	(57)

Note *Reference* **Explanatory note**

1.	<p><i>FRS 107.40(a)</i> The sensitivity analysis is based on changes in the risk variable that were reasonably possible at the end of the reporting period.</p> <p><i>FRS 107.40(b), (c)</i> An entity discloses the methods and assumptions used in preparing the sensitivity analysis, changes therein, and the reasons therefor compared to the comparative period.</p> <p><i>FRS 107.41</i> If an entity prepares a sensitivity analysis that reflects inter-dependencies between different risk variables, e.g., a value-at-risk model, then the disclosure may be based on that model instead of the type of disclosure illustrated in these illustrative financial statements. In that case, an entity discloses:</p> <ul style="list-style-type: none"> • an explanation of the method used, including the main parameters and assumptions; and • an explanation of the objective of the method used, and of its limitations. <p><i>FRS 107.42</i> When the sensitivity analysis required by FRS 107 is not representative of the underlying risks, e.g. the end of the reporting period 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 end of the reporting period is materially different from its usual mix of investments, then a sensitivity analysis based on the position at the end of the reporting period would not be representative.</p> <p><i>FRS 107, B17-B21, IG32-IG36</i> Guidance in respect of the sensitivity analysis is provided in appendix B to FRS 107 and in the related implementation guidance.</p>
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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	100 bp	100 bp	100 bp
	increase	decrease	increase	decrease
	\$'000	\$'000	\$'000	\$'000
Company				
31 December 2013				
Variable rate instruments	(46)	46	-	-
Cash flow sensitivity (net)	(46)	46	-	-
31 December 2012				
Variable rate instruments	(43)	43	-	-
Cash flow sensitivity (net)	(43)	43	-	-

Other market price risk

Risk management policy

Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations as well as investments at fair value through profit or loss. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

FRS 107.B5(a)(iii)

The primary goal of the Group's investment strategy is to maximise investment returns in order to meet partially the Group's unfunded defined benefit obligations; management is assisted by external advisors in this regard. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

FRS 107.40

Sensitivity analysis – equity price risk¹

All of the Group and the Company's equity investments other than the shares of ePaperTech Co are listed on the Singapore Exchange and/or the New York Stock Exchange. For such investments classified as available-for-sale, a 2% increase in the STI plus a 3% increase in the Dow Jones Industrial Average at the reporting date would have increased the Group and the Company's equity by \$10,000 after tax (2012: an increase of \$11,000); an equal change in the opposite direction would have decreased the Group and the Company's equity by \$10,000 after tax (2012: a decrease of \$11,000). For such investments classified at fair value through profit or loss, the impact on profit or loss of the Group and the Company would have been an increase or decrease of \$11,000 and \$10,000 respectively after tax (2012: \$15,000 respectively). The analysis is performed on the same basis for 2012 and assumes that all other variables remain the same.

Note *Reference* **Explanatory note**

1. *FRS 1.134-136* An entity discloses the following information, based on the information provided internally to the key management personnel of the entity, e.g., the entity's board of directors or CEO, that enables users of its financial statements to evaluate its objectives, policies and processes for managing capital.

- Summary quantitative information about what it manages as capital.
- Qualitative information about its objectives, policies and processes for managing capital.
- Changes in quantitative and qualitative information as compared to the prior period.

When an entity is subject to externally imposed capital requirements, it discloses the nature of those requirements, a statement of whether it has complied with externally imposed capital requirements, any instances of non-compliance and how those requirements are incorporated into the disclosures on the management of capital.

When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity discloses separate information for each capital requirement to which the entity is subject.

Reference Notes to the financial statements

22. Financial instruments (continued)

Capital management¹

FRS 1.134,
1.135(a), (b)

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 of capital as well as the level of dividends to ordinary shareholders.

FRS 1.135(a)

The Board's target is for employees of the Group to hold 5% of the Company's ordinary shares by 2015. At present, employees hold 1% of ordinary shares, or 2% assuming that all outstanding share options vest and/or are exercised. Currently, management is discussing alternatives for extending the Group's share option programme beyond key management and other senior employees; at present, other employees are awarded share appreciation rights and participate in an employee share purchase programme. The Group is in discussions with employee representatives, but no decisions have been made.

FRS 1.135(a)

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings 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 2013, the return was 26.7% (2012: 12.0%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 5.4% (2012: 5.4%).

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. For this purpose, adjusted net debt is defined as total liabilities (which includes interest-bearing loans and borrowings and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

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

FRS 1.135(b)

	2013 \$'000	2012 \$'000
Total liabilities	54,296	54,087
Less: cash and cash equivalents	1,505	1,850
Net debt	52,791	52,237
Total equity	30,934	33,347
Less: amounts accumulated in equity related to cash flow hedges	416	478
Adjusted equity	30,518	32,869
Net debt to adjusted equity ratio at 31 December	1.73	1.59

FRS 1.135(a)

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Risk Management Committee; the Group does not have a defined share buy-back plan.

FRS 1.135(c)

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

FRS 1.135(a)(iii)

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

Note *Reference* **Explanatory note**

- | | |
|--|--|
| <p>1. <i>FRS 107.25,
B1-B3</i></p> | <p>The disclosures in respect of fair values apply to each “class” of financial asset, which is not defined in FRS 107. Classes are distinct from the categories of financial instruments specified in FRS 39. In determining classes of financial instruments, an entity at a minimum distinguishes instruments measured at amortised cost from those measured at fair value, and treat as a separate class or classes those financial instruments outside the scope of FRS 107.</p> |
| <p>2. <i>FRS 107.8(f)
B2(a)</i></p> | <p>An entity discloses the carrying amounts of financial liabilities measured at amortised cost either in the statement of financial position or in the notes. In this table, assets and liabilities carried at amortised cost have been presented separately from those carried at fair value, in order to meet the disclosure requirements of FRS 107. Different presentation methods are possible, depending on the circumstances and also the information that is provided internally to key management personnel.</p> |

Reference Notes to the financial statements

22. Financial assets and liabilities (continued)

FRS 107.6, 8, 25

Accounting classifications and fair values^{1, 2}

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to- maturity \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities within scope of FRS 39 \$'000	Other liabilities outside scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
31 December 2013											
Cash and cash equivalents	14	-	-	-	-	1,505	-	-	-	1,505	1,505
Trade and other receivables	13	-	-	-	-	16,426	-	-	-	16,426	16,561
Interest rate swaps used for hedging	9	-	-	116	-	-	-	-	-	116	116
Forward exchange contracts used for hedging	9	-	-	297	-	-	-	-	-	297	297
Other forward exchange contracts	9	122	-	-	-	-	-	-	-	122	122
Held-to-maturity debt securities	9	-	-	-	2,436	-	-	-	-	2,436	2,450
Available-for-sale securities:											
- Debt securities	9	-	-	-	-	-	118	-	-	118	118
- Equity securities	9	-	-	-	-	-	710	-	-	710	710
Designated at fair value through profit or loss											
equity securities	9	-	251	-	-	-	-	-	-	251	251
Held for trading equity securities	9	243	-	-	-	-	-	-	-	243	243
		365	251	413	2,436	17,931	828	-	-	22,224	22,373
Interest rate swaps used for hedging		-	-	(20)	-	-	-	-	-	(20)	(20)
Forward exchange contracts used for hedging	21	-	-	(8)	-	-	-	-	-	(8)	(8)
Secured bank loans	16	-	-	-	-	-	-	(7,012)	-	(7,012)	(7,239)
Unsecured bank loan	16	-	-	-	-	-	-	(524)	-	(524)	(524)
Unsecured bond issues	16	-	-	-	-	-	-	(6,136)	-	(6,136)	(5,675)
Convertible notes – liability component	16	-	-	-	-	-	-	(4,633)	-	(4,633)	(5,216)
Redeemable preference shares	16	-	-	-	-	-	-	(1,939)	-	(1,939)	(1,936)
Finance lease liabilities	16	-	-	-	-	-	-	-	(1,928)	(1,928)	(1,856)
Dividends on redeemable preference shares	16	-	-	-	-	-	-	(51)	-	(51)	(51)
Trade payables	21	-	-	-	-	-	-	(19,776)	-	(19,776)	(19,776)
Contingent consideration	21	-	(270)	-	-	-	-	-	-	(270)	(270)
Bank overdraft	14	-	-	-	-	-	-	(334)	-	(334)	(334)
		-	(270)	(28)	-	-	-	(40,405)	(1,928)	(42,631)	(42,905)

FRS 17.31

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Reference Notes to the financial statements

22. Financial assets and liabilities (continued)

FRS 107.6, 8, 25

Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

Group	Note	Trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to- maturity \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities within scope of FRS 39 \$'000	Other liabilities outside scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
31 December 2012											
Cash and cash equivalents	14	-	-	-	-	1,850	-	-	-	1,850	1,850
Trade and other receivables	13	-	-	-	-	17,719	-	-	-	17,719	17,719
Interest rate swaps used for hedging	9	-	-	131	-	-	-	-	-	131	131
Forward exchange contracts used for hedging	9	-	-	375	-	-	-	-	-	375	375
Other forward exchange contracts	9	89	-	-	-	-	-	-	-	89	89
Held-to-maturity debt securities	9	-	-	-	2,256	-	-	-	-	2,256	2,265
Available-for-sale securities:											
- Debt securities	9	-	-	-	-	-	373	-	-	373	373
- Equity securities	9	-	-	-	-	-	511	-	-	511	511
Designated at fair value through profit or loss equity securities	9	-	254	-	-	-	-	-	-	254	254
Held for trading equity securities	9	568	-	-	-	-	-	-	-	568	568
		657	254	506	2,256	19,569	884	-	-	24,126	24,135
Interest rate swaps used for hedging		-	-	(5)	-	-	-	-	-	(5)	(5)
Forward exchange contracts used for hedging	21	-	-	(7)	-	-	-	-	-	(7)	(7)
Secured bank loans	16	-	-	-	-	-	-	(11,093)	-	(11,093)	(10,984)
Unsecured bank loan	16	-	-	-	-	-	-	(117)	-	(117)	(117)
Unsecured bond issues	16	-	-	-	-	-	-	(9,200)	-	(9,200)	(9,346)
Loan from associate	16	-	-	-	-	-	-	(1,000)	-	(1,000)	(1,040)
Finance lease liabilities	16	-	-	-	-	-	-	-	(2,182)	(2,182)	(2,078)
Trade and other payables	21	-	-	-	-	-	-	(24,363)	-	(24,363)	(24,363)
Bank overdraft	14	-	-	-	-	-	-	(282)	-	(282)	(282)
		-	-	(12)	-	-	-	(46,055)	(2,182)	(48,249)	(48,222)

FRS 17.31

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Reference

Notes to the financial statements

22. Financial assets and liabilities (continued)

FRS 107.6, 8, 25

Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

Company	Note	Trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to- maturity \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities within scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
31 December 2013										
Cash and cash equivalents	14	-	-	-	-	738	-	-	738	738
Trade and other receivables	13	-	-	-	-	20,698	-	-	20,698	20,698
Other forward exchange contracts	9	120	-	-	-	-	-	-	120	120
Held-to-maturity debts securities	9	-	-	-	2,436	-	-	-	2,436	2,450
Available-for-sale securities:										
- Debt securities	9	-	-	-	-	-	118	-	118	118
- Equity securities	9	-	-	-	-	-	710	-	710	710
Designated at fair value through profit or loss equity securities	9	-	248	-	-	-	-	-	248	248
Held for trading equity securities	9	197	-	-	-	-	-	-	197	197
		317	248	-	2,436	21,436	828	-	25,265	25,279
Unsecured bond issues	16	-	-	-	-	-	-	(5,113)	(5,113)	(4,806)
Convertible notes – liability component	16	-	-	-	-	-	-	(4,633)	(4,633)	(5,216)
Redeemable preference shares	16	-	-	-	-	-	-	(1,939)	(1,939)	(1,936)
Dividends on redeemable shares	16	-	-	-	-	-	-	(51)	(51)	(51)
Intra-group financial guarantee contract	16	-	-	-	-	-	-	(23)	(23)	(23)
Trade payables	21	-	-	-	-	-	-	(4,943)	(4,943)	(4,943)
		-	-	-	-	-	-	(16,702)	(16,702)	(16,975)

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Reference

Notes to the financial statements

22. Financial assets and liabilities (continued)

FRS 107.6, 8, 25

Accounting classifications and fair values (continued)

Fair values versus carrying amounts (continued)

Company	Note	Trading \$'000	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Held-to- maturity \$'000	Loans and receivables \$'000	Available- for-sale \$'000	Other financial liabilities within scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
31 December 2012										
Cash and cash equivalents	14	-	-	-	-	829	-	-	829	829
Trade and other receivables	13	-	-	-	-	13,219	-	-	13,219	13,219
Other forward exchange contracts	9	50	-	-	-	-	-	-	50	50
Held-to-maturity debt securities	9	-	-	-	2,256	-	-	-	2,256	2,265
Available-for sale securities:										
- Debt securities	9	-	-	-	-	-	373	-	373	373
- Equity securities	9	-	-	-	-	-	511	-	511	511
Designated at fair value through profit or loss equity securities	9	-	250	-	-	-	-	-	250	250
Held for trading equity securities	9	514	-	-	-	-	-	-	514	514
		564	250	-	2,256	14,048	884	-	18,002	18,011
Unsecured bond issues	16	-	-	-	-	-	-	(5,113)	(5,113)	(5,164)
Loan from associate	16	-	-	-	-	-	-	(1,000)	(1,000)	(1,040)
Intra-group financial guarantee contract	16	-	-	-	-	-	-	(31)	(31)	(31)
Trade payables	21	-	-	-	-	-	-	(5,104)	(5,104)	(5,104)
		-	-	-	-	-	-	(11,248)	(11,248)	(11,339)

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|--|
| 1. | <i>FRS 113.93(b)</i> | For fair value measurements recognised in the statement of financial position and fair values disclosed, an entity discloses the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. |
| | 97 | |

Reference Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

FRS 113.93(g)

Valuation processes applied by the Group

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

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 value, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

Significant valuation issues are reported to the Group Audit Committee.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an appropriate credit spread, and were as follows:

	2013	2012
Derivatives	2.5% - 4.5%	3.0% - 4.5%
Loans and borrowings	4.0% - 7.5%	4.0% - 7.0%
Leases	6.0% - 10.0%	5.5% - 9.0%
Service concession receivables	5.2%	-

FRS 113.93(a)-(b),
94, 97

Fair value hierarchy¹

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3:** unobservable inputs for the asset or liability.

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

FRS 113.93(a)-(b),
94

Financial assets and financial liabilities carried at fair value

Group

31 December 2013

Available-for-sale securities:

Debt securities

Equity securities

Designated at fair value through profit or loss

equity securities

Held for trading equity securities

Interest rate swaps used for hedging

Forward exchange contracts used for hedging

Other forward exchange contracts

Total assets

Interest rate swaps used for hedging

Forward exchange contracts used for hedging

Contingent consideration

Total liabilities

Level 1	Level 2	Level 3	Total
\$'000	\$'000	\$'000	\$'000

78	40	-	118
467	-	243	710
251	-	-	251
243	-	-	243
-	116	-	116
-	297	-	297
-	122	-	122
1,039	575	243	1,857
-	(20)	-	(20)
-	(8)	-	(8)
-	-	(270)	(270)
-	(28)	(270)	(298)

31 December 2012

Available-for-sale securities:

Debt securities

Equity securities

Designated at fair value through profit or loss

equity securities

Held for trading equity securities

Interest rate swaps used for hedging

Forward exchange contracts used for hedging

Other forward exchange contracts

Total assets

Interest rate swaps used for hedging

Forward exchange contracts used for hedging

Total liabilities

373	-	-	373
511	-	-	511
254	-	-	254
568	-	-	568
-	131	-	131
-	375	-	375
-	89	-	89
1,706	595	-	2,301
-	(5)	-	(5)
-	(7)	-	(7)
-	(12)	-	(12)

Company

31 December 2013

Available-for-sale securities:

Debt securities

Equity securities

Designated at fair value through profit or loss

equity securities

Held for trading equity securities

Other forward exchange contracts

Total assets

78	40	-	118
467	-	243	710
248	-	-	248
197	-	-	197
-	120	-	120
990	160	243	1,393

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Reference

Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

FRS 113.93(a)-(b),
94

Financial assets and financial liabilities carried at fair value (continued)

Company

31 December 2012

Available-for-sale securities:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Debt securities	373	-	-	373
Equity securities	511	-	-	511
Designated at fair value through profit or loss equity securities	250	-	-	250
Held for trading equity securities	514	-	-	514
Other forward exchange contracts	-	50	-	50
Total assets	1,648	50	-	1,698

FRS 113.97

*Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed**

Group

31 December 2013

Trade and other receivables	-	395	-	395
Held-to-maturity debt securities	2,450	-	-	2,450
Total assets	2,450	395	-	2,845
Secured bank loans	-	(7,239)	-	(7,239)
Unsecured bond issues	-	(5,675)	-	(5,675)
Convertible notes – liability component	-	(5,216)	-	(5,216)
Redeemable preference shares	-	(1,936)	-	(1,936)
Total liabilities	-	(20,066)	-	(20,066)

Company

31 December 2013

Held-to-maturity debt securities	2,450	-	-	2,450
Total assets	2,450	-	-	2,450
Unsecured bond issues	-	(4,806)	-	(4,806)
Convertible notes – liability component	-	(5,216)	-	(5,216)
Redeemable preference shares	-	(1,936)	-	(1,936)
Intra-group financial guarantee contract	-	-	(23)	(23)
Total liabilities	-	(11,958)	(23)	(11,981)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

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Reference Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

FRS 113.93(d) The valuation techniques and the inputs used in the fair value measurements of the financial assets and financial liabilities for measurement and/or disclosure purposes are set out in note 33.

FRS 113.93(c), 95, The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. For the quarter ended September 2013, available-for-sale financial assets with a carrying amount of \$40,000 were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available (2012: nil). There have been no transfers from Level 2 to Level 1 in 2013 (2012: no transfers in either direction).

Level 3 fair values

FRS 113.93(e) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

		Group	Company	
		Available-for sale equity securities \$'000	Contingent considera- tion \$'000	Available-for sale equity securities \$'000
	At 1 January 2013	-	-	-
FRS 113.93(e)(iii)	Purchases	218	-	218
FRS 113.93(e)(i), (f)	Total unrealised gains and losses recognised in profit or loss			
	- finance costs	-	(20)	-
FRS 113.93(e)(ii)	Total gains and losses for the period included in other comprehensive income			
	- net change in fair value of available-for-sale financial assets	25	-	25
FRS 113.93(e)(iii)	Arising from business combination	-	(250)	-
	At 31 December 2013	243	(270)	243

Equity securities – available-for-sale

During the year, the Group and the Company acquired 2.5% of the common shares of ePaperTech Co, a newly incorporated 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)

Level 3 fair values (continued)

Equity securities – available-for-sale (continued)

FRS 113.93(d), h(i)

The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of the available-for-sale equity securities.

31 December 2013

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is calculated using expected cash flows, discounted to present value using a risk-adjusted discount rate. The expected cash flows is determined by considering the possible scenarios of 5-year budgeted EBITDA, price-earnings ratio and the probability of each scenario.	<ul style="list-style-type: none"> Forecast EBITDA growth rate (6% to 8%) Forecast price-earnings ratio (7 times to 10 times) Risk-adjusted discount rate (9%) 	<p>The estimated fair value would increase if:</p> <ul style="list-style-type: none"> the EBITDA growth rate was higher; the price-earnings ratio was higher; or the risk-adjusted discount rate was lower.

Management considers that changing one or more of the significant unobservable inputs used to other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

Contingent consideration

The contingent consideration liability arose from the acquisition of Papyrus Pty Limited, which includes a clause that entitles the seller to an amount of \$600,000 if the acquiree's cumulative EBITDA over the next three years exceeds a threshold. See note 32 for information in relation to the contingent consideration liability arising from the business combination.

FRS 113.93(d), h(i)

The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of the contingent consideration liability.

31 December 2013

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario, and the probability of each scenario.	<ul style="list-style-type: none"> Forecast annual revenue growth rate (3% to 8%) Forecast EBITDA margin (5% to 10%) Risk-adjusted discount rate (10.5%) 	<p>The estimated fair value would increase if:</p> <ul style="list-style-type: none"> the annual revenue growth rate was higher; the EBITDA margin was higher; or the risk-adjusted discount rate was lower.

Note *Reference* **Explanatory note**

- | | | |
|-----------|---------------------|--|
| 1. | <i>FRS 18.35(c)</i> | In these illustrative financial statements, it is assumed that there are no barter transactions. If an entity does enter into material barter transactions, then an entity discloses the amount of revenue arising from exchanges of goods or services included in each significant category of revenue. |
| 2. | <i>FRS 18.35(b)</i> | In FRS 18, interest and dividends are also referred to as revenue. In practice, entities other than financial institutions generally present interest and dividends received within finance income. This issue is discussed in our publication <i>Insights into IFRS</i> (4.2.720.20 and 7.8.80.20). |

Reference Notes to the financial statements

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

Level 3 fair values (continued)

Contingent consideration (continued)

FRS 113.93(h)(ii)

For the fair value of contingent consideration, changing one or more of the significant unobservable inputs used to reasonably possible alternative assumptions would have the following effects. These effects have been calculated by recalibrating the values from the valuation technique using alternative estimates of unobservable inputs that might reasonably have been considered by a market participant to price the contingent consideration at the end of the reporting period. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

31 December 2013

	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss
Annual revenue growth rate	0.5% (0.5%)	(80) 78
EBITDA margin	0.3% (0.3%)	(60) 59
Risk-adjusted discount rate	1% (1%)	90 (85)

Key unobservable inputs

Key unobservable inputs correspond to:

- Scenarios on revenue and EBITDA growth were developed by management considering the conditions in the global capital and credit markets, and the economy generally, particularly in the Asia Pacific; the impact of any exchange rate fluctuations.
- Estimated EBITDA margin and price-earnings ratio is determined based on weighted average of comparable listed companies in the pertinent locations.
- Discount rate, based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the equities, the systematic risk of ePaperTech Co and entity specific risk to the extent not already reflected in the cash flows.

23. Revenue^{1, 2}

Group	Note	Continuing operations		Discontinued operation (see note 29)		Consolidated	
		2013	2012	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FRS 18.35(b)(i)	Sales of goods	84,770	80,690	7,543	23,193	92,313	103,883
FRS 18.35(b)(ii)	Rendering of services	13,120	14,786	-	-	13,120	14,786
FRS 18.35(b)(iv)	Commissions	451	307	-	-	451	307
FRS 40.75(f)(i)	Investment property rentals	810	212	-	-	810	212
FRS 11.39(a)	Construction contract revenue	659	641	-	-	659	641
INT FRS 29.6A	Service concession revenue	350	-	-	-	350	-
		100,160	96,636	7,543	23,193	107,703	119,829

Note Reference **Explanatory note**

1.	Although not required by INT FRS 113, we have illustrated disclosures that entities may wish to present as users may find them useful. Additional disclosure items may be necessary if a customer loyalty programme is significant.
2. <i>FRS 1.87</i>	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 our publication <i>Insights into IFRS</i> (4.1.86).
3.	In our view, whether changes in the fair value of biological assets should be presented as revenue in a separate line item in the statement of profit or loss, or as part of other income, depends on the relative significance of agricultural activities. This issue is discussed in our publication <i>Insights into IFRS</i> (3.9.110).
4. <i>FRS 20.27</i>	Government grants related to assets that have been deducted from the cost of the assets are recognised in profit or loss as a reduced depreciation expense.
<i>FRS 20.27, 29</i>	Government grants may be presented either as “other income”, or a reduction against depreciation expense (for asset-related grants) or deducted against related expense (for income-related grants).
<i>FRS 20.39(c)</i>	An entity discloses any unfulfilled conditions and other contingencies with respect to government assistance that has been recognised.
5.	FRSs are silent about how impairment losses on trade receivables are presented. In these illustrative financial statements, impairment losses on trade receivables are presented as part of other expenses, which is one possible choice of presentation. Other presentations, e.g. as finance costs, are also possible as long as the disclosure requirements of FRS 107 are met.

Reference Notes to the financial statements

23. Revenue (continued)

In September 2012, the Group introduced a customer loyalty programme to stimulate the sale of certain paper products used in the printing industry. The Group grants P-points when customers buy certain designated paper products. These P-points can be redeemed for discounts on paper products and on their redemption, an appropriate amount of deferred revenue is released and included in sales of goods.

At 31 December 2013, the Group has deferred revenue of \$50,000 (2012: \$38,000), which represents the fair value of that portion of the consideration received or receivable in respect of initial sales of paper products for which P-points have been granted, but not yet redeemed or lapsed.¹

FRS 1.122

Commission relates to the sale of products in which the Group acts as an agent in the transaction rather than as the principal. Management considered the following factors in distinguishing between an agent and a principal:

- The Group does not take title of the goods and has no responsibility in respect of the goods sold.
- Although the Group collects the revenue from the final customer, all credit risk is borne by the supplier of the goods.
- The Group cannot vary the selling prices set by the supplier by more than 1%.

Construction contract revenue has been determined based on the percentage of completion method. The amount of revenue recognised results from the development of a number of storage units and warehouses for some of the Group's customers in the Timber Products segment. These storage units and warehouses are constructed based on a specifically negotiated contract with customers.

FRS 1.97

24. Other income²

FRS 41.40

Change in fair value of biological assets³

6

Group
2013 **2012**
\$'000 **\$'000**

576 (71)

Net increase in value of biological assets due to births/deaths

6

11 15

FRS 40.76(d)

Change in fair value of investment property

7

20 60

Government grants⁴

238 448

FRS 1.98(c)

Net gain on sale of property, plant and equipment

26 100

Rental income from property subleases

34

150 90

1,021 642

FRS 1.97

25. Other expenses²

FRS 105.41(c)

Impairment loss on remeasurement of disposal group

11

25 -

FRS 107.20(e)

Impairment loss on trade receivables⁵

22

150 30

Settlement of pre-existing relationship with acquiree

32

326 -

Earthquake related expenses

359 -

860 30

A wholly-owned subsidiary incurred expenses amounting to \$359,000 (2012: nil) due to an earthquake. The expenses relate to the survey of facilities and the removal of damaged items.

Note Reference **Explanatory note**

1.	<i>FRS 107.20</i>	There is no guidance in FRSs as to what is included in finance income and finance costs. An entity discloses as part of its accounting policies which items constitute finance income and finance costs; see accounting policy in note 3.18 of these illustrative financial statements. This issue is discussed in our publication <i>Insights into IFRS</i> (7.8.80.20).
2.	<i>FRS 107.20(b)</i>	An entity discloses total interest income for financial assets not at fair value through profit or loss. In these illustrative financial statements, we illustrate interest income disaggregated by category of financial asset. While this level of disaggregation is optional, an entity is required to disclose separately any material items of income, expense and gains and losses resulting from financial assets and liabilities.
3.		The accounting for interest on available-for-sale debt securities is discussed in our publication <i>Insights into IFRS</i> (7.6.170.40).
4.	<i>FRS 107.20</i> <i>(a)(iii)-(v)</i> <i>FRS 107.20(c)</i> <i>FRS 107.24(a)</i> <i>FRS 107.24(c)</i>	<p>If applicable, an entity also discloses:</p> <ul style="list-style-type: none"> • net gains or losses on held-to-maturity investments, loans and receivables, and financial liabilities measured at amortised cost; • fee income and expense, other than amounts included in determining the effective Interest rate; • for fair value hedges, gains or losses on the hedging instrument and on the hedged item attributable to the hedged risk; and • the ineffective portion of the change in fair value of a net investment hedge.
5.	<i>FRS 107.28</i>	<p>An entity discloses the following in respect of any “day one” gain or loss:</p> <ul style="list-style-type: none"> • an accounting policy; and • the aggregate difference still to be recognised in profit or loss, and a reconciliation between the opening and closing balance thereof.
6.	<i>FRS 32.40</i>	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.
7.	<i>FRS 1.93</i>	The reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss.

Reference Notes to the financial statements

FRS 1.97 **26. Finance income and finance costs¹**

Recognised in profit or loss

			Group	
		Note	2013	2012
			\$'000	\$'000
FRS 107.20(b)	Interest income on unimpaired held-to-maturity investments ²		131	89
FRS 107.20(d)	Interest income on impaired held-to-maturity investments ²		7	6
FRS 107.20(b)	Interest income on available-for-sale financial assets ^{2, 3}		34	27
FRS 107.20(b)	Interest income on loans and receivables ²		36	29
FRS 103.42, B64(p)	Remeasurement to fair value of pre-existing interest in acquiree	32	70	-
FRS 18.35(b)(v)	Dividend income on available-for-sale financial assets		26	32
FRS 107.20(a)(iii)	Net gain on disposal of available-for-sale financial assets reclassified from equity		64	-
FRS 107.23(d)	Net change in fair value of cash flow hedges reclassified from equity		31	11
FRS 107.20(a)(i)	Net change in fair value of financial assets:			
	- Held for trading		74	-
	- Designated at fair value through profit or loss		508	286
	Finance income ^{4, 5}		981	480
FRS 107.20(b)	Interest expense on financial liabilities measured at amortised cost ⁶		(1,233)	(1,299)
FRS 21.52(a)	Net foreign exchange loss		(138)	(293)
FRS 107.20(a)(i)	Net change in fair value of financial assets:			
	- Held for trading		-	(19)
	- Designated at fair value through profit or loss		-	(22)
FRS 107.20(a)(v)	Change in fair value of contingent consideration	32	(20)	-
FRS 37.84(e)	Unwind of discount on site restoration provision	20	(60)	-
FRS 107.20(e)	Impairment loss on held-to-maturity investments	22	(60)	-
FRS 107.24(b)	Ineffective portion of changes in fair value of cash flow hedges		(16)	(13)
	Finance costs ^{4, 5}		(1,527)	(1,646)
	Net finance costs recognised in profit or loss		(546)	(1,166)
	The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:			
FRS 107.20(b)	- Total interest income on financial assets ²		208	151
FRS 107.20(b)	- Total interest expense on financial liabilities		(1,233)	(1,299)

FRS 1.7 **Recognised in other comprehensive income**

			Group	
			2013	2012
			\$'000	\$'000
	Net loss on hedge of net investment in foreign operation		(3)	(8)
FRS 107.23(c)	Effective portion of changes in fair value of cash flow hedges		(62)	77
FRS 107.23(d)	Net change in fair value of cash flow hedges reclassified to profit or loss ⁷		(31)	(11)
FRS 107.20(a)(iii)	Net change in fair value of available-for-sale financial assets		199	94
FRS 107.20(a)(iii)	Net change in fair value of available-for-sale financial assets reclassified to profit or loss ⁷		(64)	-
FRS 1.90	Tax on finance income and finance costs recognised in other comprehensive income		(14)	(53)
	Finance income recognised in other comprehensive income, net of tax		25	99

Note *Reference* **Explanatory note**

- 1.** *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 Advisory LLP and KPMG Corporate Finance Pte Ltd should be included.

- 2.** *FRS 1.104* An entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

- 3.** *FRS 12.80(h)* An entity discloses the amount of tax expense (income) related to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with FRS 8 because they cannot be accounted for retrospectively.

- 4.** The disclosure of share of tax of associates and jointly controlled entities is not specifically required.

Reference Notes to the financial statements

27. Profit for the year²

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

	Note	Group	
		2013 \$'000	2012 \$'000
SGX 1207(6)(a)	Audit fees ¹ paid to:		
	- auditors of the Company	870	820
	- other auditors	570	530
SGX 1207(6)(a)	Non-audit fees ¹ paid to:		
	- auditors of the Company	390	350
	- other auditors	80	56
FRS 17.35(c)	Operating lease expense	34	435
S201(8), FRS 24.18	Professional fee paid to a firm in which a director is a member	51	50
FRS 2.36(d)	Raw materials, consumables and changes in finished goods and work in progress	12	41,698
FRS 1.104	Depreciation and amortisation expense ²	4, 5	5,786
FRS 1.104	Employee benefits expense (see below) ²	22,204	19,457
FRS 40.75(f)(ii)	Operating expenses arising from rental of investment properties	245	85
	Employee benefits expense²		
	Salaries, bonuses and other costs	18,661	16,671
FRS 19.46	Contributions to defined contribution plans	1,923	1,686
	Expenses related to defined benefits plan	17	425
FRS 102.51(a)	Equity-settled share-based payment transactions	18	755
FRS 102.51(a)	Cash-settled share-based payment transactions	18	440
		22,204	19,457

28. Tax expense

	Note	Group	
		2013 \$'000	2012 \$'000
	Tax recognised in profit or loss		
	Current tax expense³		
FRS 12.80(a)	Current year	1,016	1,352
FRS 12.80(b)	Adjustment for prior years	97	(34)
		1,113	1,318
	Deferred tax expense³		
FRS 12.80(c)	Origination and reversal of temporary differences	2,321	717
FRS 12.80(f)	Change in unrecognised deductible temporary differences	(13)	5
FRS 12.80(f)	Recognition of tax effect of previously unrecognised tax losses	(50)	(240)
		2,258	482
	Tax expense from continuing operations	3,371	1,800

FRS 12.81(h) (i)-(ii) Tax expense from continuing operations excludes the Group's share of tax expense of the Group's associates and jointly controlled entities⁴ of \$251,000 (2012: \$316,000), which is included in 'share of profit of associates and jointly controlled entities, net of tax' in the statement of profit or loss. The amount also excludes the tax income from discontinued operation of \$25,000 (2012: \$44,000) and the tax expense on the gain on sale of discontinued operation of \$330,000 (2012: nil); both of these are 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. | <i>FRS 1.90</i> | An entity discloses the amount of tax related to each component in other comprehensive income, either in the statement of comprehensive income, or in the notes. In these illustrative financial statements, tax related to each component in other comprehensive income is presented in the notes. |
| 2. | <i>FRS 12.85</i> | 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. |
| | <i>FRS 12.81(c)</i> | An entity explains the relationship between tax expense (income) and accounting profits in either or both a numerical reconciliation between total tax expense and the product of accounting profit multiplied by the applicable tax rates, or a numerical reconciliation between the average effective tax rate and the applicable tax rate. In these illustrative financial statements, only a numerical reconciliation has been disclosed. |
| 3. | | In these illustrative financial statements, total tax expense for the purpose of reconciliation of the effective tax rate excludes tax in respect of discontinued operations but includes tax expense of associates and jointly controlled entities. A different presentation of the reconciliation that includes tax expense of associates and jointly controlled entities and of discontinued operations is also possible. |

Reference Notes to the financial statements

28. Tax expense (continued)

FRS 12.81(ab) Tax recognised in other comprehensive income¹

		Group					
For the year ended 31 December		2013			2012		
		Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FRS 1.90	Translation differences for foreign operations	480	-	480	330	-	330
FRS 1.90	Share of foreign currency translation differences of associates and jointly controlled entities	21	-	21	-	-	-
FRS 1.90	Hedge of net investment in foreign operation	(3)	-	(3)	(8)	-	(8)
FRS 1.90	Revaluation of property, plant and equipment	200	(66)	134	-	-	-
FRS 1.90	Cash flow hedges	(93)	31	(62)	66	(22)	44
FRS 1.90	Available-for-sale financial assets	135	(45)	90	94	(31)	63
FRS 1.90	Defined benefit plan remeasurements	72	(24)	48	(15)	5	(10)
		812	(104)	708	467	(48)	419

FRS 12.81(c) Reconciliation of effective tax rate²

		Group	
		2013 \$'000	2012 \$'000
Profit before tax from continuing operations		10,929	6,178
Tax using the Singapore tax rate of 17% (2012: 17%)		1,858	1,050
Effect of tax rates in foreign jurisdictions		1,604	1,007
Effects of results of associates and jointly controlled entities presented net of tax		(92)	(120)
Non-deductible expenses		175	106
Tax exempt income		(79)	(70)
Tax incentives		(144)	(31)
Recognition of tax effect of previously unrecognised tax losses		(50)	(240)
Current year losses for which no deferred tax asset was recognised		15	127
Change in unrecognised temporary differences		(13)	5
Under (over) provided in prior years		97	(34)
		3,371	1,800

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|--|
| 1. | <i>FRS 105.35</i> | The nature and amount of any adjustments related to the disposal of discontinued operations in prior periods are classified and disclosed separately. |
| 2. | | In some cases, there may be transactions between the continuing and discontinued operations, for example intra-segment sales and purchases. If the transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, then in our view the presentation of the discontinued operation should reflect the continuance of the relationship as such information enables users of the financial statements to evaluate the financial effects of the discontinued operations. This issue is discussed in our publication <i>Insights into IFRS</i> (5.4.220.12-17). |
| 3. | <i>FRS 105.33(b)</i> | 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. |
| 4. | <i>FRS 33.68</i> | Basic and diluted earnings per share for discontinued operations may alternatively be disclosed in the statement of profit or loss. |
| 5. | <i>FRS 105.33(c)</i> | The net cash flow attributable to the operating, investing and financing activities of discontinued operations may alternatively be disclosed separately in the statement of cash flows. This information need not be presented for a newly acquired subsidiary that is classified on acquisition as a disposal group held for sale. |

Reference Notes to the financial statements

29. Discontinued operation¹

FRS 105.41(a), (b), (d) In May 2013, the Group sold its entire Packaging segment. The segment was not previously presented as a discontinued operation or classified as held for sale as at 31 December 2012 and thus the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this segment early in 2013 following a strategic decision to place greater focus on the Group's core operations, being the manufacture of paper used in the printing industry, forestry and manufacture of timber products.

	<i>Note</i>	Group	
		2013 \$'000	2012 \$'000
<i>FRS 1.98(e)</i> Results of discontinued operation ^{2, 3}			
<i>FRS 105.33(b)(i)</i> Revenue		7,543	23,193
<i>FRS 105.33(b)(i)</i> Expenses		(7,705)	(23,659)
<i>FRS 105.33(b)(i)</i> Results from operating activities		(162)	(466)
<i>FRS 12.81(h)(iii)</i> Tax	28	25	44
<i>FRS 105.33(a)(i)</i> Results from operating activities, net of tax		(137)	(422)
<i>FRS 105.33(b)(iii)</i> Gain on sale of discontinued operation		846	-
<i>FRS 105.33(b)(iv), FRS 12.81(h)(i)</i> Tax on gain on sale of discontinued operation	28	(330)	-
Profit (loss) for the year		379	(422)
<i>FRS 33.68</i> Basic earnings (loss) per share (cents) ⁴	30	1.22	(1.37)
<i>FRS 33.68</i> Diluted earnings (loss) per share (cents) ⁴	30	1.13	(1.36)

FRS 105.33(d) The profit from discontinued operation of \$379,000 (2012: loss of \$422,000) is attributable entirely to the owners of the Company. Of the profit from continuing operations of \$7,558,000 (2012: \$4,378,000), an amount of \$7,034,000 is attributable to the owners of the Company (2012: \$4,159,000).

		Group	
		2013 \$'000	2012 \$'000
<i>FRS 105.33(c), 34</i> Cash flows from discontinued operation ⁵			
Net cash used in operating activities		(225)	(910)
Net cash from investing activities		10,890	852
Net cash from financing activities		-	-
Net cash flows for the year		10,665	(58)

FRS 7.40(d) Effect of disposal on the financial position of the Group

	<i>Note</i>	Group	
		2013 \$'000	2012 \$'000
Property, plant and equipment		(7,986)	
Inventories		(134)	
Trade and other receivables		(3,955)	
<i>FRS 7.40(c)</i> Cash and cash equivalents		(110)	
Deferred tax liabilities	10	110	
Trade and other payables		1,921	
Net assets and liabilities		(10,154)	
<i>FRS 7.40(a), (b)</i> Consideration received, satisfied in cash		11,000	
Cash and cash equivalents disposed of		(110)	
Net cash inflow		10,890	

Note *Reference* **Explanatory note**

- | | | |
|----|------------------|--|
| 1. | <i>FRS 33.64</i> | When earnings per share calculations reflect changes in the number of shares due to events that happened after the end of the reporting period, an entity discloses that fact. |
| 2. | <i>FRS 33.73</i> | If an entity discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of profit other than profit or loss for the period attributable to ordinary shareholders, such amounts are calculated using the weighted average number of ordinary shares determined in accordance with FRS 33. |
| | <i>FRS 33.73</i> | If a component of profit is used that is not reported as a line item in the statement of profit or loss, then an entity presents a reconciliation between the component used and a line item that is reported in the statement of profit or loss. |

Reference Notes to the financial statements

30. Earnings per share¹

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of \$6,975,000 (2012: \$3,299,000), and a weighted average number of ordinary shares outstanding of 31,050,000 (2012: 30,790,000), calculated as follows:

FRS 33.70(a)

Profit attributable to ordinary shareholders

	Group					
	Continuing operations \$'000	2013 Discon- tinued operation \$'000	Total \$'000	Continuing operations \$'000	2012 Discon- tinued operation \$'000	Total \$'000
Profit (loss) for the year	7,034	379	7,413	4,159	(422)	3,737
Dividends on non-redeemable preference shares	(438)	-	(438)	(438)	-	(438)
Profit (loss) attributable to ordinary shareholders	6,596	379	6,975	3,721	(422)	3,299

FRS 33.70(b)

Weighted average number of ordinary shares

	Note	Group	
		2013 '000	2012 '000
Issued ordinary shares at 1 January	15	31,000	31,000
Effect of own shares held		(270)	(210)
Effect of shares issued related to a business combination		60	-
Effect of shares issued in October 2013		230	-
Effect of share options exercised		30	-
Weighted average number of ordinary shares during the year		31,050	30,790

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2013 was based on profit attributable to ordinary shareholders of \$7,037,000 (2012: \$3,299,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 33,395,000 (2012: 30,970,000), calculated as follows:

FRS 33.70(a)

Profit attributable to ordinary shareholders (diluted)²

	Group					
	Continuing operations \$'000	2013 Discon- tinued operation \$'000	Total \$'000	Continuing operations \$'000	2012 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

Note Reference **Explanatory note**

1.	In our view, this reconciliation is not required if basic and diluted earnings per share are equal. This issue is discussed in our publication <i>Insights into IFRS</i> (5.3.370.50).
2.	In our view, the method used to determine the average market value of the entity's shares for purposes of calculating the dilutive effect of outstanding share options should be disclosed, particularly with respect to unquoted equity instruments. This issue is discussed in our publication <i>Insights into IFRS</i> (5.3.170.62 - 70).
3. <i>FRS 108.2</i>	<p>FRS 108 <i>Operating Segments</i> applies to entities:</p> <ul style="list-style-type: none"> • 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.
4. <i>FRS 108.IN13, 27, 28</i>	<p>Underlying FRS 108 is a 'management approach' to reporting the financial performance of operating segments, in which an entity presents segment information that is consistent with that reviewed by an entity's chief operating decision maker (CODM). This means that segment information disclosed in the financial statements will not be in accordance with FRS if this is how the information reported to the CODM is prepared.</p> <p>To help users understand the segment information presented, FRS 108 requires an entity to disclose:</p> <ul style="list-style-type: none"> • information about the measurement basis adopted, such as the nature of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, and the nature and effect of any asymmetrical allocations to reportable segments; and • reconciliations of segment information to the corresponding amounts in the entity's FRS financial statements. <p>In these illustrative financial statements, because the Group's segment information on the basis of internal measures is consistent with the amounts according to FRS, the reconciling items are generally limited to items that are not allocated to reportable segments, as opposed to a difference in the basis of preparation of the information.</p>
5. <i>FRS 108.23</i>	<p>An entity discloses:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – revenues from external customers; – revenues from transactions with other operating segments of the same entity; – interest revenue; – interest expense; – depreciation and amortisation; – material items of income and expense disclosed in accordance with paragraph 97 of FRS 1; – the entity's interest in the profit or loss of associates and jointly controlled entities accounted for by the equity method; – tax expense or income; and – material non-cash items other than depreciation and amortisation.
6.	In these illustrative financial statements, the packaging segment, which is also a discontinued operation, is presented as an operating segment.

Reference Notes to the financial statements

30. Earnings per share (continued)

FRS 33.70(b) **Weighted average number of ordinary shares (diluted)¹**

	Note	Group	
		2013 '000	2012 '000
Weighted average number of ordinary shares (basic)		31,050	30,790
Effect of conversion of convertible notes	16	1,875	-
Effect of share options on issue		470	180
Weighted average number of ordinary shares (diluted) during the year		33,395	30,970

FRS 33.70(c) At 31 December 2013, 350,000 options (2012: 440,000) 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.²

31. Operating segments^{3, 4, 5, 6}

FRS 108.20-22, A The Group has six reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. 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 2013 (see note 15).
- *Packaging*. Includes designing and manufacturing packaging materials; this segment was sold in May 2013 (see note 29).
- *Forestry*. Includes cultivating and managing forest resources as well as related services.
- *Timber Products*. Includes manufacturing and distributing softwood lumber, plywood, veneer, composite panels, engineered lumber, raw materials and building materials.
- *Research and Development*. Includes research and development activities.

FRS 41.46(a)

FRS 108.16 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 2013 or 2012.

FRS 41.46(a)

FRS 108.27(a) There are varying levels of integration between the Forestry and Timber Products reportable segments, and the Standard Papers and Recycled Papers reportable segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

FRS 108.20 Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit 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**

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|------------------------------------|--|
| <p>1. <i>FRS 108.32</i></p> | <p>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.</p> |
| <p><i>FRS 108.IG5</i></p> | <p>In these illustrative financial statements, because the Group's reportable segments are based on different products and services, and the segment information has been prepared in accordance with FRS, no additional disclosures of revenue information about products and services are required as they are provided already in the overall table of information about reportable segments.</p> |
-
- | | |
|------------------------------------|--|
| <p>2. <i>FRS 108.23</i></p> | <p>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.</p> |
|------------------------------------|--|
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|------------------------------------|---|
| <p>3. <i>FRS 108.23</i></p> | <p>FRS 108 requires a measure of segment assets and segment liabilities to be disclosed only if the amounts are regularly provided to the CODM.</p> |
|------------------------------------|---|

Reference Notes to the financial statements

31. Operating segments (continued)
Information about reportable segments

	Group	Standard Papers		Recycled Papers		Packaging (Discontinued)		Forestry		Timber Products		Research and Development		Others		Total	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
FRS 108.23(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
FRS 108.23(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
FRS 108.23(c)	Interest revenue ²	116	103	46	29	-	-	48	32	10	7	-	-	28	7	248	178
FRS 108.23(d)	Interest expense ²	(534)	(586)	(322)	(362)	-	-	(313)	(308)	(76)	(63)	-	-	(28)	(7)	(1,273)	(1,326)
FRS 108.23(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)
FRS 108.21(b)	Reportable segment profit/(loss) before tax	6,627	4,106	3,039	1,664	(162)	(466)	1,138	858	(263)	1,280	101	67	771	195	11,251	7,704
FRS 108.23(g)	Share of profit of associates and jointly controlled entities	541	708	-	-	-	-	-	-	-	-	-	-	-	-	541	708
FRS 108.23(i)	Other material non-cash items:																
FRS 36.129(a)	- Impairment losses on property, plant and equipment and intangible assets	-	(1,408)	-	-	-	-	-	-	(116)	-	-	-	-	-	(116)	(1,408)
FRS 36.129(b)	- Reversal of impairment losses on property, plant and equipment and intangible assets	493	-	-	-	-	-	-	-	-	-	-	-	-	-	493	-
FRS 108.21(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
FRS 108.24(a)	Associates and joint ventures	7,179	3,638	-	-	-	-	-	-	-	-	-	-	-	-	7,179	3,638
FRS 108.24(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
FRS 108.21(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**

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|-----------|----------------------|--|
| 1. | <i>FRS 108.28</i> | An entity can also meet the reconciliation requirements of FRS 108 by inserting two extra columns in the table illustrated on page 235, 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. | <i>FRS 108.28(e)</i> | 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 items¹

		2013	2012
		\$'000	\$'000
<i>FRS 108.28(a)</i>	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
<i>FRS 108.28(b)</i>	Profit or loss		
	Total profit or loss for reportable segments	10,480	7,509
	Profit or loss 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 associates and jointly controlled entities	541	708
	Consolidated profit before continuing operations before tax	10,929	6,178
<i>FRS 108.28(c)</i>	Assets		
	Total assets for reportable segments	67,076	74,992
	Assets for other segments	7,398	3,683
	Investments in associates and jointly controlled entities	7,179	3,638
	Other unallocated amounts	3,577	5,121
	Consolidated total assets	85,230	87,434
<i>FRS 108.28(d)</i>	Liabilities		
	Total liabilities for reportable segments	51,514	49,893
	Liabilities for other segments	237	454
	Other unallocated amounts	2,545	3,740
	Consolidated total liabilities	54,296	54,087
<i>FRS 108.28(e)</i>	Other material items 2013		
		Reportable segment totals \$'000	Adjust- ments² \$'000
			Consolid- ated totals \$'000
	Interest revenue	248	(40)
	Interest expense	1,273	(40)
	Capital expenditure	17,323	-
	Depreciation and amortisation	5,786	-
	Impairment losses on intangible assets	116	-
	Reversal of impairment losses on property, plant and equipment and intangible assets	493	-

Note *Reference* **Explanatory note**

- 1.** *FRS 108.31 - 33* An entity presents entity-wide disclosures related to the following items regardless of whether the information is used by the CODM in assessing segment performance:
- revenue from external customers for products and services;
 - revenue from external customer by geographical area; and
 - non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising from insurance contracts, by geographical area.

The above information is based on the financial information used to produce the entity's financial statements, rather than on the basis as provided regularly to the entity's CODM.

The disclosure of revenue from external customer and non-current assets by geographical areas is provided by both the entity's country of domicile, and by an individual foreign country, if it is material. In our view, disclosing such information by region, e.g. Asia or Europe, does not meet the requirement to disclose information by individual foreign country, if material. Such information should be disclosed by the individual foreign country, e.g. Indonesia, Germany, the United States of America, when material.

These disclosures apply to all entities subject to FRS 108, including entities that have only one reportable segment. However, information required by the entity-wide disclosures need not be repeated if it is already included in the segment disclosures. This issue is discussed in our publication *Insights into IFRS* (5.2.230.10 – 13).

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 (continued)

FRS 108.28(e)

Other material items 2012

	Reportable segment totals \$'000	Adjust- ments \$'000	Consoli- dated totals \$'000
Interest revenue	178	(27)	151
Interest expense	1,326	(27)	1,299
Capital expenditure	2,923	-	2,923
Depreciation and amortisation	5,917	-	5,917
Impairment losses on property, plant and equipment and intangible assets	1,408	-	1,408

Geographical information¹

FRS 108.33(a), (b)

The Standard Papers, Recycled Papers and Forestry segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Singapore, Indonesia, Netherlands, the United States of America and Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue

	2013 \$'000	2012 \$'000
Singapore	27,140	35,298
Indonesia	19,654	25,641
Netherlands	20,556	27,877
United States of America	18,643	22,268
Australia	16,001	3,300
Other countries	5,709	5,445
Packaging (discontinued)	(7,543)	(23,193)
Consolidated revenue	100,160	96,636

Non-current assets⁽ⁱ⁾

	2013 \$'000	2012 \$'000
Singapore	11,371	15,229
Indonesia	4,983	8,986
Netherlands	6,104	7,879
United States of America	7,691	7,807
Australia	2,002	2,470
Other countries	4,720	4,663
	36,871	47,034

(i) Non-current assets presented consist of property, plant and equipment, intangible assets, biological assets, investment properties and associates and jointly controlled entities.

Major customer

FRS 108.34

Revenues from one customer of the Group's Standard Papers and Recycled Papers segments represents approximately \$20,000,000 (2012: \$17,500,000) of the Group's total revenues.

Note *Reference* **Explanatory note**

- | | | |
|-----------|-------------------------------|---|
| 1. | <i>FRS 103.61,
B67(e)</i> | <p>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:</p> <ul style="list-style-type: none"> • relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or the previous reporting period; and • is of such size, nature or incidence that disclosure is relevant to an understanding of the combined entity's financial performance. |
| 2. | <i>FRS 103.63</i> | <p>If the specific disclosures pursuant to the requirements of FRS 103 and other FRSs are not sufficient to enable users of the financial statements to evaluate the nature and financial effects of business combinations effected in the current period, or any adjustments recognised in the current period related to business combinations effected in prior periods, then an entity discloses additional information.</p> |
| 3. | <i>FRS 103.45,
B67</i> | <p>If the initial accounting for an acquisition was based on provisional values, and those provisional values are adjusted within 12 months of the acquisition date, 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.</p> |

Reference Notes to the financial statements

32. Acquisitions of subsidiary and non-controlling interests^{1, 2}

FRS 103.59 - 60

Acquisition of subsidiary³

FRS 103.B64(a)-(d)

On 31 March 2013, the Group obtained control of Papyrus Pty Limited, a manufacturer and distributor of standard pulp and paper, by acquiring 65% of the shares and voting interests in the company. As a result, the Group's equity interest in Papyrus increased from 25% to 90%.

FRS 103.B64(d)

Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus' patented technology. The acquisition is expected to provide the Group with an increased share of the standard paper market through access to the acquiree's customer base. The Group also expects to reduce costs through economies of scale.

FRS 103.B64(q)

In the nine months to 31 December 2013, 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 2013, management estimates that consolidated revenue would have been \$104,535,000, and consolidated profit for the year would have been \$8,256,000. 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 2013.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

FRS 103.B64(f),

Consideration transferred

FRS 7.40(a)

	Note	\$'000
Cash		2,500
Equity instruments issued (80,000 ordinary shares)	15	87
Replacement share-based payment awards – value of past service		120
Contingent consideration		250
Settlement of pre-existing relationship		(326)
		2,631

Equity instruments issued

FRS 103.B64(f)(iv)

The fair value of the ordinary shares issued was based on the listed share price of the Company at 31 March 2013 of \$1.09 per share.

Replacement share-based payment awards

FRS 103.B64(ii)

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 are as follows:

	Acquiree's awards	Replacement awards
Terms and conditions	<ul style="list-style-type: none"> • Grant date 1 April 2012 • Vesting date 31 March 2016 • Service condition 	<ul style="list-style-type: none"> • Vesting date 31 March 2016 • Service condition
Market-based measure at acquisition date	\$527,000	\$571,000

Note *Reference* **Explanatory note**

- | | |
|--------------------------------------|--|
| 1. <i>FRS 103.
B64(g)</i> | <p>For contingent consideration arrangements and indemnification assets, an entity discloses:</p> <ul style="list-style-type: none">• the amount recognised at the acquisition date;• 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)

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. An amount of \$400,000 will be recognised as post-acquisition compensation cost. The determination of these amounts includes an estimated forfeiture rate of 9%. For further details on the replacement awards, see note 18.

Contingent consideration

FRS 103.B64(g),
B67(b)

The Group has agreed to pay the selling shareholders in three years' time additional consideration of \$600,000 if the acquiree's cumulative EBITDA over the next three fiscal 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 acquisition date, based on a discount rate of 11%. At 31 December 2013, the contingent consideration had increased to \$270,000, reflecting the unwind of the discount since acquisition.¹

Settlement of pre-existing relationship

FRS 103.B64(l)

The Group and Papyrus are parties to a supply contract under which Papyrus supplies the Group with timber at a fixed price under a long-term contractual agreement. The agreement contains a clause allowing the Group to terminate the agreement by paying Papyrus \$326,000. At the acquisition date, this pre-existing relationship effectively was terminated as part of the acquisition. The fair value of the agreement at the acquisition date was \$600,000, of which \$400,000 related to the unfavourable aspect of the contract to the Group relative to market prices. The Group has attributed \$326,000 of the consideration transferred, being the lower of the termination amount and the value of the off-market element of the contract, to the extinguishment of the supply contract with Papyrus. This amount has been recognised in other expenses (see note 25).

Identifiable assets acquired and liabilities assumed

FRS 103.B64(i),
FRS 7.40(d)

FRS 7.40(c)

	Note	\$'000
Property, plant and equipment	4	1,955
Intangible assets	5	250
Inventories		825
Trade receivables		848
Cash and cash equivalents		375
Loans and borrowings		(500)
Deferred tax liabilities	10	(79)
Contingent liabilities	20	(20)
Site restoration provision	20	(150)
Trade and other payables		(460)
Total identifiable net assets		3,044

Note *Reference* **Explanatory note**

1. *FRS 103.B64(h)* An entity discloses the fair value, gross contractual amounts receivable and the best estimate at the acquisition date of the contractual cash flows not expected to be collected for each major class of receivables acquired (e.g. loans, direct finance leases).
2. *FRS 103.B64(o) (ii)* If an entity chooses to value non-controlling interests at fair value, then valuation techniques and key model inputs used for determining that value are disclosed.
3. *FRS 103.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.

Reference Notes to the financial statements

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

Acquisition of subsidiary (continued)

Identifiable assets acquired and liabilities assumed (continued)

FRS 103.B67(a)(i)-(ii)

The following fair values have been determined on a provisional basis:

FRS 103.B64(j),
B67(c), FRS 37.86

- The fair value of intangible assets (Papyrus' patented technology and customer relationships) has been determined provisionally pending completion of an independent valuation.
- The contingent liability of \$20,000 represents a present obligation in respect of a claim for contractual penalties made by one of Papyrus' customers. While the Group acknowledges responsibility, it disputes the amount claimed by the customer of \$100,000. The claim is expected to go to arbitration in April 2014. The recognised fair value of \$20,000 is based on the Group's interpretation of the underlying contract, taking the range of possible outcomes of the arbitration process into account, and supported by independent legal advice. There are no reimbursement rights related to the obligation.
- Papyrus' operations are subject to specific environmental regulations. The Group has conducted a preliminary assessment of site restoration provisions arising from these regulations, and has recognised a provisional amount in its initial accounting. However, the Group is continuing its review of these matters during the measurement period.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amount for provisions, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

FRS 103.B64(h)

The trade receivables comprise gross contractual amounts due of \$900,000, of which \$52,000 was expected to be uncollectible at the acquisition date.¹

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	\$'000
Total consideration transferred	2,631
FRS 103.B64(o), Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree ²	304
FRS 103.B64(p)(i) Fair value of pre-existing interest in the acquiree	650
Fair value of identifiable net assets	(3,044)
Goodwill ³	541

FRS 103.B64(p)(iii)

The remeasurement to fair value of the Group's existing 25% interest in the acquiree resulted in a gain of \$70,000 (\$650,000 less \$600,000 carrying value of equity-accounted investee at acquisition date plus \$20,000 of translation reserve reclassified to profit or loss), which has been recognised in finance income in the statement of profit or loss (see note 26).

FRS 103.B64(e), (k)

The goodwill is attributable mainly to the skills and technical talent of Papyrus' work force, and the synergies expected to be achieved from integrating the company into the Group's existing standard paper business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

FRS 103.B64(l), (m)

The Group incurred acquisition-related costs of \$50,000 related to external legal fees and due diligence costs. These costs have been included in administrative expenses in the Group's statement of profit or loss.

Note *Reference* **Explanatory note**

- 1.** *FRS 113.6-7* These illustrative financial statements illustrate one possible format for the disclosures required; other formats are possible.

FRS 113 disclosure requirements relate to assets and liabilities measured at fair value or for which fair value disclosures are made, with limited explicit exceptions. These disclosure requirements are in addition to, or in some cases overlap with, the disclosure requirements set out in other FRSs for such assets and liabilities e.g. FRS 107 requires extensive disclosures on financial instruments, FRS 41 requires disclosures on biological assets stated at fair value, and FRS 40 requires disclosures on investment properties stated at fair value and disclosure of the fair value of properties stated at cost.

- 2.** *FRS 113.93(d), 97* For each class of assets and liabilities:
 - measured at fair value in the statement of financial position; or
 - not measured at fair value in the statement of financial position but for which the fair value is disclosed,in respect of fair values that are categorised within Levels 2 and 3 of the fair value hierarchy, the entity discloses a description of the valuation technique(s) and the inputs used in the fair value measurements. If there has been a change in the valuation techniques used to measure fair values of assets and liabilities in Levels 2 or 3, then the entity discloses the reasons for the change.

- 3.** *FRS 113.93(i)* If the highest and best use of a non-financial asset differs from its current use in a recurring or non-recurring measurement, then the entity discloses that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.

Reference Notes to the financial statements

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

Acquisition of non-controlling interests

In June 2013, the Group acquired an additional 15% interest in Windmill N.V. for \$200,000 in cash, increasing its ownership from 60% to 75%. The carrying amount of Windmill's net assets in the Group's financial statements on the date of the acquisition was \$767,000. The Group recognised a decrease in non-controlling interests of \$115,000, a decrease in retained earnings of \$93,000 and an increase in the translation reserve of \$8,000.

FRS 27.41(e)

The following summarises the effect of changes in the Group's ownership interest in Windmill N.V.:

	\$'000
Group's ownership interest at the beginning of the year	391
Effect of increase in Group's ownership interest	115
Share of comprehensive income	289
Group's ownership interest at the end of the year	<u>795</u>

FRS 113.91(a)

33. Determination of fair values^{1, 2, 3}

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that are expected to be avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of intangible assets received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value of the construction services provided is calculated as the estimated total construction cost plus a profit margin of 5%, which the Group considers a reasonable margin. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received (see (vii)).

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Note *Reference* **Explanatory note**

- | | |
|--|---|
| <p>1. <i>FRS 40.32, 75(e)</i></p> | <p>An entity is encouraged, but not required, to determine fair value by reference to a valuation by an independent valuer who holds a recognised and relevant professional qualification, and who has recent experience in the location and category of the investment property being valued. An entity discloses the extent to which the fair value is based on a valuation by an appropriate independent valuer. If there has been no such valuation, then that fact is disclosed.</p> |
| <p><i>FRS 40.77</i></p> | <p>When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, an entity discloses a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back and any other significant adjustments.</p> |
| <p>2. <i>FRS 113.70-71</i></p> | <p>If an asset or liability measured at fair value has a bid price and an ask price, an entity uses the price within the bid-ask spread that is most representative of fair value in the circumstances to measure fair value. In these illustrative financial statements, the bid prices for asset positions (and similarly, the ask prices for liability positions) are used, which are permitted but not required by FRS 113. FRS 113 also permits the use of mid-market pricing or other pricing conventions as a practical expedient for fair value measurements within a bid-ask spread.</p> |

Reference Notes to the financial statements

33. Determination of fair values (continued)

FRS 41.15 **(iii) Biological assets**

The fair value of standing timber older than 25 years, being the age at which it becomes marketable, is based on the market price of the estimated recoverable wood volumes, net of harvesting and transportation costs (i.e. market comparison approach).

The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantation at maturity, in its most relevant market, and includes the expected additional biological transformation and the related risks associated with the asset (i.e. the discounted cash flow approach).

The fair value of livestock held for sale is based on the market price of livestock of similar age, weight, breed and genetic make-up (i.e. the market comparison approach).

FRS 40.75(e) **(iv) Investment property**

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every six months¹. The fair values are based on market values (i.e. market comparison approach), being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Such valuation is based on price per square metre for the buildings derived from observable market data from an active and transparent market.

In the absence of a price per square metre for similar buildings with comparable lease terms in an active market, the valuations are prepared by considering the estimated rental value of the property (i.e. the income approach). A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin on construction and development. The estimated cost to complete is determined based on the construction cost per square metre in the pertinent area.

(v) Inventories

The fair value of inventories acquired in a business combination 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.

(vi) Equity and debt securities

The fair values of investments in equity and debt securities are determined by reference to their quoted closing bid price² in an active market at the measurement date, or where such information is unavailable, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using contractual or expected future cash flows as applicable, and a market-related discount rate. Subsequent to initial recognition, the fair value of held-to-maturity investments is determined for disclosure purposes only.

Note *Reference* **Explanatory note**

1. *FRS 107.29(a)* For financial instruments such as short-term trade receivables and payables, no disclosure of fair value is required when the carrying amount is a reasonable approximation of fair value.

2. *FRS 102.47(b)* In share-based payment transactions where the fair value of goods and services received was determined based on the fair value of equity instruments other than share options, an entity discloses how it determined the fair value of such equity instruments. Such disclosure includes:

- if fair value was not measured on the basis of an observable market price, then how it was determined;
- whether and how expected dividends were incorporated into the measurement of fair value; and
- whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.

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

Notes to the financial statements

33. Determination of fair values (continued)

(vii) Trade and other receivables¹

The fair values of trade and other receivables, excluding construction work in progress, but including service concession receivables, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(viii) Derivatives

The fair values of interest rate swaps and forward exchange contracts (Level 2 fair values) are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

(ix) Other non-derivative financial liabilities¹

Other non-derivative financial liabilities, excluding contingent consideration, are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

(x) Deferred revenue

The amount allocated to the P-points, granted through a customer loyalty programme, is estimated by reference to the fair value of the discounted paper products for which they could be redeemed, since the fair value of the P-points themselves is not directly observable. The fair value of the right to purchase paper products at a discount for which the P-points can be redeemed takes into account the amount of the discount available to customers that have not earned P-points and the expected forfeiture rate.

(xi) Share-based payment transactions

FRS 102.46

The fair value of the employee share purchase plan is measured using Monte Carlo Simulation. The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula.² Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(xii) Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). When appropriate, it is discounted to present value.

Note Reference **Explanatory note**

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

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

In these illustrative financial statements, it is assumed that the impairment loss of \$25,000 on the remeasurement of the disposal group (note 11) relates to trade and other receivables that are not within the measurement scope of FRS 105. As the disposal group as a whole is measured at its carrying amount (being lower than its fair value less costs to sell), the disclosure requirements of FRS 113 do not apply in this particular example.

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

2. *FRS 113.93(c), 93(e)(iv)* Where there has been a transfer between different levels of the fair value hierarchy for recurring fair value measurements, the entity discloses the amounts of the transfers, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

In these illustrative financial statements, the recurring non-financial assets carried at fair value are all categorised within Level 3 of the fair value hierarchy and there are no transfers during the year.

Reference Notes to the financial statements

33. Determination of fair values (continued)

FRS 113.93(a), (b) **Fair value hierarchy**^{1,2}

Fair value and fair value hierarchy information on financial instruments are disclosed in note 22.

The table below analyses recurring non-financial assets carried at fair value. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Standing timber	-	-	4,193	4,193
Livestock	-	-	912	912
Total biological assets	-	-	5,105	5,105
Commercial properties for leasing	-	-	2,070	2,070
Total investment property	-	-	2,070	2,070

FRS 113.95

The entity's policy is to recognise transfers out of Level 3 as of the end of the reporting period during which the transfer has occurred.

Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements.

	Standing Timber \$'000	Livestock \$'000	Investment property \$'000
FRS 113.93(e) Balance at 1 January 2013	5,942	834	1,050
FRS 113.93(e)(iii) Acquisitions	294	11	300
FRS 113.93(e)(iii) Harvested timber transferred to inventories/sales	(2,480)	(127)	-
FRS 113.93(e)(iii) Reclassification from property, plant and equipment	-	-	800
Distributed to owners of the Company	-	-	(100)
Gains and losses for the period			
FRS 113.93(e)(i) Changes in fair value – Other income – Realised	160	100	-
FRS 113.93(f) Changes in fair value – Other income – Unrealised	247	69	20
FRS 113.93(e)(i) Net increase due to births and death – Other Income – Unrealised	-	11	-
Change in fair value recognised in other comprehensive income			
FRS 113.93(e)(ii) Effect of movements in exchange rate	30	14	-
FRS 113.93(e) Balance at 31 December 2013	4,193	912	2,070

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|---|
| 1. | <i>FRS 113.93(d)</i> | Required for fair value measurements in Levels 2 and 3. |
| 2. | <i>FRS 113.93(h)</i> | Required for fair value measurements in Level 3. |
| 3. | <i>FRS 113.93(d)</i> | 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

33. Determination of fair values (continued)

Level 3 fair values (continued)

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

The following table shows the key unobservable inputs used in the valuation models:

Type	Key unobservable inputs ^{1,3}	Inter-relationship between key unobservable inputs and fair value measurement ²
Biological assets		
Standing timber		
Standing timber older than 25 years (the age at which it becomes marketable)	Estimated harvest and transportation costs (6.4% to 8.3%, weighted average 7.5%)	The estimated fair value increases the lower are the estimated harvest and transportation costs.
Younger standing timber	<ul style="list-style-type: none"> Estimated future timber market price per ton (\$12.8 to \$17.9, weighted average of \$16.25). Yield per hectare (6 to 10, weighted average of 8). Discount rate (7.9% to 9.0%, weighted average 8.6%). 	The estimated fair value increases the higher is the estimated timber price and the yield per hectare and the lower is the discount rate.
Livestock		
Livestock comprises goats characterised as commercial and breeders	<ul style="list-style-type: none"> Bonus on the classification on breeders (180% to 250%). Premiums on weight over the average of the category (7% to 25% depending on the category). Premiums on quality (up to 35% depending on the category). 	The estimated fair value increases when the livestock is classified as breeders. The estimated fair value of commercial livestock increases as a result of weight and quality premiums.
Investment property		
Commercial properties for leasing when prices per square metre for comparable buildings and leases are available	<ul style="list-style-type: none"> Prices per square metre (X to Y). Premium (discount) on the quality of the building and lease terms (-30% to 35%). 	The estimated fair value increases the higher are premiums for higher quality buildings and lease terms.
Commercial properties for leasing when comparable prices per square metre for comparable buildings and leases are not available	<ul style="list-style-type: none"> Market rents (A to B). Investment property yields (from 4.8% to 7.9% depending on the location) and discount rates (7.9% to 9.0%; weighted average 8.6%). 	The estimated fair value increases the lower are yields and discount rates.

Note Reference **Explanatory note**

- 1.** *INT FRS 27.10* If an entity has any arrangement that is in the legal form of a lease but to which lease accounting is not applied because it does not, in substance, involve a lease, then it provides appropriate disclosures in order for users of the financial statements to understand the arrangement and the accounting treatment, including at least the following:
- the significant terms of the arrangement including its life, the underlying asset and any restrictions on its use, and the transactions that are linked together, including any options; and
 - the accounting treatment applied to any fee received, the amount recognised as income in the period and the line item of the statement of profit or loss in which it is included.

INT FRS 104.13, 15 In a case of an arrangement that is not in the legal form of a lease but to which lease accounting is applied because it contains a lease, payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements, on the basis of their relative fair values. If an entity concludes, in the case of an operating lease, that it is impracticable to separate the payments reliably, then it:

- treats all payments as future minimum lease payments for disclosure purposes;
- discloses those payments separately from the minimum lease payments of other arrangements that do not include payments for non-lease elements; and
- states that the disclosed payments also include payments for non-lease elements in the arrangement.

- 2.** *FRS 17.35(d) (iii)* An entity discloses any restrictions imposed by lease agreements, such as restrictions on dividends, additional debt and further leasing.

Reference Notes to the financial statements

33. Determination of fair values (continued)

FRS 113.93(g) Valuation processes applied by the Group

FRS 113.IE65(a)

The assessment of fair value of standing timber and livestock is performed by the Group's finance department and operations team on a quarterly basis. The finance department reports to the Group's Chief Financial Officer (CFO). The valuation reports are discussed with the Audit Committee in accordance with the Group's reporting policies.

FRS 113.IE65(a)

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

FRS 113.IE65(e)

Key unobservable inputs

Key unobservable inputs correspond to:

- Future timber market prices, estimated based on an extrapolation of current and the past 10 years' market prices and trends.
- Yield classes per hectare, derived from tables published by the Forestry Commission and other specialised publications that provide the yield class considering the species and the age class.
- Investment property yields derived from specialised publications from the related markets and comparable transactions.
- Discount rate, based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in the asset class.

34. Operating leases¹

Leases as lessee

FRS 17.35(a)

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Within one year	417	435	167	195
Between one and five years	419	486	180	219
More than five years	1,764	1,805	693	921
	2,600	2,726	1,040	1,335

FRS 17.35(d)(i), (ii)

The Group and Company leases a number of warehouse and factory facilities under operating leases.² The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

Note Reference **Explanatory note**

1. *FRS 17.15A* In assessing the classification of each element as a finance or an operating lease, land and buildings are assessed separately in accordance with FRS 17. This issue is discussed in our publication *Insights into IFRS* (5.1.230) and *IFRS Practice Issues: Leases of land*.

2. *FRS 17.47* If an entity is a lessor in a finance lease, then it discloses:

- a reconciliation between the total gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable at the end of the reporting period;
- the total gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period grouped as follows: not later than one year; later than one year but not later than five years; and later than five years;
- unearned finance income;
- the unguaranteed residual values accruing to the benefit of the lessor;
- the accumulated allowance for uncollectible minimum lease payments receivable;
- contingent rents recognised as income in the period; and
- a general description of the entity's material leasing arrangements.

FRS 17.48 It is also useful to disclose the gross investment less unearned income in new business added during the reporting period, after deducting the relevant amounts for cancelled leases.

3. *FRS 17.56(b)* An entity also discloses the amount of contingent rents recognised as income during the period.

Reference Notes to the financial statements

34. Operating leases (continued)

Leases as lessee (continued)

FRS 17.35(b) One of the leased properties has been sublet by the Group. The lease and sublease expire in 2016. Sublease payments of \$50,000 are expected to be received during 2014. The Group has recognised a provision of \$160,000 in respect of this lease (see note 20).

FRS 17.35(c) During the year, an amount of \$435,000 was recognised as an expense in profit or loss in respect of operating leases (2012: \$447,000). Contingent rent recognised as an expense amounted to \$40,000 (2012: \$30,000). An amount of \$150,000 was recognised as other income in respect of subleases (2012: \$90,000).

FRS 17.15A
FRS 1.122 The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. Since the land title does not pass, the Group determined that the land lease is an operating lease. Also, as the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the building lease is an operating lease.¹

Leases as lessor²

FRS 17.56(a) The Group leases out its investment property (see note 7). The future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2013 \$'000	2012 \$'000
Within one year	74	17
Between one and five years	389	105
More than five years	355	95
	818	217

FRS 40.75(f)(i)-(iii) During the year, \$810,000 was recognised as rental income in profit or loss (2012: \$212,000) by the Group.³ Repairs and maintenance expense, included in administration expenses, was as follows:

	Group	
	2013 \$'000	2012 \$'000
Income-generating property	190	70
Vacant property	55	15
	245	85

Note Reference **Explanatory note**

1.	FRS 16.74(c), 38.122(e), 40.75(h), 41.49(b)	An entity discloses the amount of contractual commitments for the acquisition of property, plant and equipment, intangible assets, development or acquisition of biological assets, and for the purchase, construction, development, repairs and maintenance of investment property.
2.	FRS 37.89	In respect of a contingent asset, an entity discloses a brief description of its nature and, when practicable, an estimate of its financial effect.
	FRS 37.91	When it is not practicable to estimate the potential financial effect of a contingent liability or an asset, an entity discloses that fact.
	FRS 37.92	In extremely rare cases, disclosure of some or all of the information required in respect of contingencies can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following is disclosed: <ul style="list-style-type: none"> • the general nature of the dispute; • the fact that the required information has not been disclosed; and • the reason why.
	FRS 28.40	An entity discloses its share of the contingent liabilities of an associate incurred jointly with other investors, and those contingent liabilities that arise because the investor is severally liable for all or part of the liabilities of the associate.
	FRS 31.54 (a)-(c)	An entity discloses: <ul style="list-style-type: none"> • any contingencies that the entity has incurred in relation to its investments in jointly controlled entities, and its share in each of the contingencies that have been incurred jointly with other venturers; • the entity's share of the contingencies of jointly controlled entities for which it is contingently liable; • those contingencies that arise because the venturer is contingently liable for the liabilities of the other venturers of a jointly controlled entity.
	FRS 19.125, 141	An entity may be required to disclose information about contingent liabilities arising from post-employment benefits plans, and about termination benefits when there is uncertainty over the number of employees who will accept the offer of termination benefits and the possibility of an outflow in settlement is not remote.
3.	FRS 1.138(c), 24.13	An entity discloses the name of its parent and ultimate controlling party if different. It also discloses the name of its ultimate parent if not disclosed elsewhere in information published with the financial statements. In our view, the <i>ultimate parent</i> and the <i>ultimate controlling party</i> 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 our publication <i>Insights into IFRS</i> (5.5.90.10).
	FRS 24.13, 16	In addition, if neither the parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall be disclosed.

Reference Notes to the financial statements

35. Capital commitments¹

FRS 16.74(c)

During the year, 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 (2012: nil). In addition, the Group has also entered into a contract to purchase property, plant and equipment for \$1,465,000 (2012: nil).

36. Contingencies²

FRS 37.86(a)-(c),
1.125

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 Pty Limited, 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).

37. Related parties

Parent and ultimate controlling party

FRS 1.138(c),
24.13

In August 2013, 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].³

Transactions with key management personnel

Key management personnel compensation

FRS 24.17
FRS 19.124(b)

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. In accordance with the terms of the plan, directors and executive officers retire at age 60 and are entitled to receive annual payments equivalent to 70% of their salary at the date of retirement until the age of 65, at which time their entitlement falls to 50% of their salary at the date of retirement.

Executive officers also participate in the Group's share option programme. Furthermore, all employees of the holding company are entitled to participate in a share purchase programme 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.

FRS 24.17(d)

Certain executive officers are subject to a mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to termination benefits up to 24 months' gross salary, depending on the number of years completed as an executive officer. During the year, as a result of the termination of the employment of one of the Group's executives in Singapore, the executive received an enhanced retirement entitlement. In this respect, the Group has recognised an expense of \$25,000 during the year (2012: nil).

FRS 19.143

Note Reference **Explanatory note**

1.	In our view, materiality considerations cannot be used to override the explicit requirements of FRS 24 for the disclosure of elements of key management personnel compensation. This issue is discussed in our publication <i>Insights into IFRS</i> (5.5.110.20).
2.	Payments by an entity may relate to services provided to third parties, and not to the paying entity. If an entity acts as an agent and makes payments to an individual on behalf of another party, then in our view, the entity is required to disclose only compensation paid as consideration for services rendered <i>to the entity</i> . In our view, an entity is required to disclose the portions of transactions with jointly controlled entities or associates that are not eliminated in the consolidated financial statements. This issue is discussed in our publication <i>Insights into IFRS</i> (5.5.110.40 and 120.30).
3. <i>FRS 19.124,</i> <i>FRS 24.19</i>	<p>The entity is required to disclose the related party information about the transactions and outstanding balances, including commitments, for each category of related parties, as listed in FRS 24.19, including key management personnel and post-employment benefits. The level of disclosure illustrated in these illustrative financial statements in respect of the key management personnel and director transactions is not required specifically by FRS 24. Disclosure about these individual transactions could be combined without this level of detail.</p> <p>In Singapore, when a parent prepares consolidated financial statements, the Companies Act does not require the parent to present a separate profit or loss account. Therefore, in the situation where the parent does not present a separate profit or loss account, it is not necessary for the parent to disclose related party transactions. However, the outstanding balances, including commitments, with related parties including their terms and conditions should be disclosed because the separate statement of financial position is required. In these illustrative financial statements, the outstanding balances with related parties of the Company have been disclosed in the respective notes.</p>

Reference Notes to the financial statements

37. Related parties (continued)

Transactions with key management personnel (continued)

Key management personnel compensation (continued)

FRS 24.17

Key management personnel compensation comprised:^{1, 2}

	Group	
	2013 \$'000	2012 \$'000
Short-term employee benefits	510	420
Post-employment benefits (including CPF)	475	450
Termination benefits	25	-
Other long-term benefits	420	430
Share-based payments	508	133
	1,938	1,433

FRS 24.18

Key management personnel and director transactions

Directors of the Company control 12% of the voting shares of the Company. A relative of a director of a subsidiary has a 10% share in the Group's jointly controlled entity.

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control, joint control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

FRS 24.18(b)(i)

FRS 24.18(a),
(b)

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or joint control were as follows:³

Director	Transaction	Note	Group			
			Transaction value for the year ended		Balance outstanding as at	
			31 December		31 December	
			2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Tan Chin Fong	Legal fees	(i)	51	50	-	-
Yeo Kuan Yee	Repairs and maintenance	(ii)	176	-	45	-
Edward Graves	Inventory purchases – paper	(iii)	66	-	12	-

FRS 24.18(b)(i)

- (i) The Group used the legal services of Tan Chin Fong in relation to advice over the sale of certain non-current assets of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

Note Reference **Explanatory note**

1.	Appendix I-H provides example disclosures for government-related entities that apply the exemption in paragraph 25 of FRS 24.
2.	In our view, an entity is required to disclose the portions of transactions with jointly controlled entities or associates that are not eliminated in the consolidated financial statements. This issue is discussed in our publication <i>Insights into IFRS</i> (5.5.120.30).
3.	See explanatory note 3 on page 262.
4. <i>FRS 24.18(c), (d)</i>	An entity also discloses provisions for doubtful debts and the expense recognised during the period in respect of bad or doubtful debts related to the amount of outstanding balances from related parties.
5. <i>FRS 24.23</i>	Related party transactions are described as having been made on an arm's length basis only if such terms can be substantiated.
6. <i>FRS 24.18 (b)(iii)</i>	An entity also discloses details of any guarantees given or received in respect of outstanding balances with related parties.
7.	In our view, the disclosures about commitments with related parties should not be limited to those commitments specifically required to be disclosed by FRSs other than FRS 24. To the extent material, an entity should provide disclosure of any commitments that it may incur in transacting with related parties, e.g. purchase commitments, sales commitments and those arising from shareholders' agreements. These issues are discussed in our publication <i>Insights into IFRS</i> (5.5.120.25).

Reference Notes to the financial statements

37. Related parties (continued)

Transactions with key management personnel (continued)

Key management personnel and director transactions (continued)

(ii) The Group entered into a two-year contract with On Track Pte Ltd, a company which is controlled by Yeo Kuan Yee, to provide repairs and maintenance services on production equipment. The total contract value is \$370,000. The contract terms are based on market rates for these types of services, and amounts are payable on a quarterly basis for the duration of the contract.

(iii) The Group purchased various paper supplies from Alumfab Limited, a company that is jointly controlled by Edward Graves. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

From time to time, directors of the Group, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

FRS 24.18

Other related party transactions^{1, 2, 3}

FRS 24.18(a), (b)

Sale of goods and services⁴

Parent of the Group – [name of new parent]
Associate

Purchase of goods and services

Associate

Other

Associate – administrative services rendered
Associate – interest expense

Group			
Transaction value for the year ended		Balance outstanding as at	
31 December		31 December	
2013	2012	2013	2012
\$'000	\$'000	\$'000	\$'000
350	-	250	-
2,945	600	890	392
170	853	-	139
623	-	96	-
16	25	-	12

FRS 24.18(b)(i)

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date.⁵ None of the balances is secured.⁶ During the year, the Group repaid a loan of \$1,000,000 obtained from one of its associates (see note 16).

During 2013, the Group entered into a sales agreement with an associate for the supply of goods amounting to \$2,400,000 to be delivered over a twelve month period.⁷ As at 31 December 2013, the Group has supplied \$1,400,000 of its commitment under the agreement (2012: nil).

The Group's jointly controlled entity 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. From time to time, to support the activities of the jointly controlled entity, the venturers increase their investment in the jointly controlled entity.

Note Reference **Explanatory note**

1. A parent is not required to disclose the names of significant subsidiaries in the consolidated financial statements under FRS 27. However, in practice, many entities include a list of significant subsidiaries in their consolidated financial statements as a continuation of past practice or on the basis that this information is relevant to give a better understanding of the group to the users of the financial statements. These illustrative financial statements include a list of significant subsidiaries.

In the separate financial statements of a parent who meets the criteria and is exempted from preparing consolidated financial statements, FRS 27 requires a list of significant investments in subsidiaries to be disclosed. In our view, this requirement to list significant investments in subsidiaries applies only to direct investments held. However, we would encourage a parent to also list significant indirect investments in subsidiaries where the information is relevant to give a better understanding of the entities controlled by the parent.

2. *FRS 24.13* FRS 24 requires a disclosure of the relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties.

In our view, this paragraph should not be taken to mean that the names of the subsidiaries would have to be disclosed. A narration of the related party relationships between the parent and subsidiaries would also be sufficient. An example of such disclosure is as follows:

"The Group's presence in the Asia-Pacific region is established through subsidiaries in Singapore, Indonesia and Australia. The Singapore subsidiary is mainly deployed as a distribution centre for customers in the Asia-Pacific region, whilst the Indonesian subsidiary is the manufacturing arm of the Group. The subsidiary in Australia supports the Group's agribusiness endeavours."

3. *FRS 27.41(d)* An entity discloses the nature and extent of any significant restrictions, e.g., resulting from borrowing arrangements or regulatory requirements, on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

4. *FRS 27.41(c)* Further disclosures are required if the entity has used financial statements of a subsidiary with a different end of reporting period to its own in preparing the consolidated financial statements.

5. *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 associates (whether Singapore or foreign-incorporated).

For this purpose, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The term "net tangible assets" is not a defined term under FRS and its determination is therefore subjective. In addition, in situations where profit is exceptionally low or when the entity is in a loss position, it is likely that the 20% mark will be easily breached.

6. *FRS 27.41(b)* Where the circumstance arises, an entity discloses the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control.

Reference Notes to the financial statements

FRS 24.13 **38. Subsidiaries**^{1, 2, 3, 4}

		Company	
		2013	2012
		\$'000	\$'000
Equity investments at cost		7,537	4,950

	Note	Country of incorporation	Ownership interest	
			2013	2012
			%	%
ABC Pte Ltd		Singapore	100	100
PT Mermaid		Indonesia	100	100
Lei Sure Limited		Romania	100	100
Papier Pte Ltd	15	Singapore	-	100
Solid Trading Inc.		United States of America	90	90
Windmill N.V.	32	Netherlands	75	60
Papyrus Pty Limited	32	Australia	90	25
Maple-leaf Inc		Canada	48	48
Sloan Bio-Research GmbH		Germany	-	-
MayCo		United States of America	-	-

SGX 717, 718 KPMG LLP⁵ is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for Maple-leaf Inc which is audited by TH&D, Montreal, Canada. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

FRS 27.41(a) Although the Group does not hold any ownership interests in Sloan Bio-Research GmbH and MayCo, it is able to govern the financial and operating policies of the companies and receives substantially all of the benefits related to their operations and net assets based on the terms of agreements under which these entities were established. Consequently, the Group consolidates these entities.

Although the Group owns less than half of Maple-leaf Inc and consequentially has less than half of the voting power, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of Maple-leaf Inc. Consequently, the Group consolidates its investment in the company.⁶

Note *Reference* **Explanatory note**

- | | |
|---|---|
| <p>1. <i>INT FRS 112.5(a), (b)</i></p> | <p>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 our publication <i>Insights into IFRS</i> (5.12).</p> |
| <p>2. <i>INT FRS 29.7</i></p> | <p>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.</p> |

Reference Notes to the financial statements

39. Service concession arrangement^{1, 2}

INT FRS 29.6

On 1 February 2013, 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 2013 and was completed and available for use on 30 September 2013. 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 2013. The Group will be responsible for any maintenance services required during the concession period. The Group does not expect major repairs to be necessary during the concession period.

INT FRS 29.6(c)(iv)

The grantor will provide the Group a guaranteed minimum annual payment for each year that the toll road is in operation. Additionally, the Group has received the right to charge users a fee for using the toll road, which the Group will collect and retain; however, this fee is capped to a maximum amount as stated in the service concession agreement. The usage fees collected and earned by the Group are over and above the guaranteed minimum annual payment to be received from the grantor. At the end of the concession period, the toll road becomes the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements.

INT FRS 29.6(c)(v)

The service concession agreement does not contain a renewal option. The rights of the grantor to terminate the agreement include poor performance by the Group and in the event of a material breach in the terms of the agreement. The rights of the Group to terminate the agreement include failure of the grantor to make payment under the agreement, a material breach in the terms of the agreement, and any changes in law that would render it impossible for the Group to fulfil its requirements under the agreement.

INT FRS 29.6(e), 6A

During the year, the Group recorded the following in respect of its service concession arrangement:

	Construction	Operation of toll road	Total
	\$'000	\$'000	\$'000
2013			
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 2013 represents the fair value of the construction services provided in constructing the toll road.

The Group has recognised a service concession receivable, measured initially at the fair value of the construction services, of \$260,000 representing the present value of the guaranteed annual minimum payments to be received from the grantor, discounted at a rate of 5%, of which \$11,000 represents accrued interest.

The Group has recognised an intangible asset of \$95,000, of which \$5,000 has been amortised in 2013 (see note 5). The intangible asset represents the right to charge users a fee for usage of the toll road. Capitalised borrowing costs included in this intangible asset amount to \$6,000, which was determined based on an estimation of the average interest costs on borrowings of 5.7%.

*INT FRS 112.22,
FRS 23.26(a), (b)*

Note Reference **Explanatory note**

1. *FRS 10.21(b)* If the financial effect of a material non-adjusting event after the end of the reporting period cannot be estimated, an entity discloses that fact.

2. *FRS 103.59(b), B66*
FRS 10.21, 22, 33.70(d) For each material category of non-adjusting event after the end of the reporting period, an entity discloses the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. Paragraph 22 of FRS 10 provides examples of non-adjusting events that normally would require disclosure.

3. *FRS 103.59(b), B66* For each business combination effected after the end of the reporting period but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of FRS 103 to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are the same as those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons for it.

4. *FRS 1.45* The presentation and classification of items in the financial statements should be retained from one period to the next unless:

- it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in FRS 8; or
- a Standard or Interpretation requires a change in presentation.

FRS 1.41 When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified, unless it is impracticable to do so. When comparative amounts are reclassified, an entity should disclose:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

FRS 1.42 When it is impracticable to reclassify comparative amounts, an entity should disclose:

- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

However, reclassification of comparative amounts, which is made on the adoption of an FRS, should be made in accordance with the specific transitional provisions.

Reference Notes to the financial statements

FRS 10.21 **40. Subsequent events**^{1, 2, 3}

Restructuring

At the end of January 2014, 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 2014, 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 2014.

Other

Subsequent to 31 December 2013, one of the Group's major trade debtors went into liquidation following a natural disaster in February 2014 that damaged its operating plant. Of the \$100,000 owed by the debtor, the Group expects to recover less than \$10,000. No allowance for impairment has been made in the financial statements.

On 22 July 2013, the Group announced its intention to acquire all of the shares of ABC Company Limited for \$6,500,000. On 4 March 2014, 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 2014.

41. Comparative information⁴

Change in classification

FRS 1.41(a),(c)

During the current year, the Group modified the statement of profit or loss classification of depreciation expense on certain office space from administrative expense to distribution expense to reflect more appropriately the way in which economic benefits are derived from the use of the office space. Comparative amounts in the statement of profit or loss were reclassified for consistency, which resulted in \$20,000 being reclassified from administrative to distribution expenses.

FRS 1.41(b)

Since the amounts are reclassifications within operating activities in the statement of profit or loss, this reclassification did not have any effect on the statements of financial position and statement on cash flows.

Note Reference **Explanatory note**

- 1.** *SGX 1207(12)* An issuer should make disclosure on directors' and key executives' remuneration as recommended in the Code of Corporate Governance, or otherwise disclose and explain any deviation from the recommendation. An extract of Principle 9 of the Code "*Disclosure on remuneration*" issued in 2012 follows:

- 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)
Code 2012

1. Directors and key executives' remuneration¹

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 2013, is as follows:

Name of director	Salaries (%)	Bonuses (%)	Benefits in kind (%)	Stock options (%)	Directors' fees (%)	Total (\$)
<i>Chief Executive Officer</i>						
Lee Sim Tang	50	40	10	-	-	750,000
<i>Executive directors</i>						
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
<i>Independent directors</i>						
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 2013, is as follows:

Name of key executives	Salaries (%)	Bonuses (%)	Benefits in kind (%)	Stock options (%)	Total (%)
<i>\$500,000 to \$750,000</i>					
Tan Kiat Heng	60	30	8	2	100
Lee Yi Beng	60	30	8	2	100
<i>\$250,000 to \$500,000</i>					
Yeo Wee Sen	80	15	5	-	100
<i>Below \$250,000</i>					
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 2013, is \$2,000,000.

For the year ended 31 December 2013, there were no immediate family members of a director or the CEO under the employment of the Group.

Note *Reference* **Explanatory note**

- 1.** *SGX 1207(11)* Where the aggregate value of all properties for development, sale or for investment purposes held by the Group represents more than 15% of the value of the consolidated net tangible assets, or contributes more than 15% of the consolidated pre-tax operating profit, the following information should be disclosed:
- Property held for development or sale:
 - a brief description and location of the property;
 - if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
 - the existing use (e.g. shops, offices, factories, residential, etc);
 - the site and gross floor areas of the property; and
 - the percentage interest in the property.
 - Property held for investment:
 - a brief description and location of the property;
 - the existing use (e.g. shops, offices, factories, residential etc.); and
 - whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

If full compliance results in a lengthy report, compliance is only required for properties which are considered material.

Reference Supplementary information (continued)

2. Group properties¹

SGX 1207(11)(a)

Major properties held for development

Location	Description	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Approximate lettable/strata area (sq m)	Group's effective interest (%)
14 Tuas Road, Singapore	2-storey terrace factory	Industrial	Piling completed	Dec 2014	1,955	3,280	100
Sun Centre 15 Scotts Road, Singapore	5 storeys of retail space	Commercial	80%	Apr 2014	4,093	15,550	100
51, 52 & 53 Poole Road, Singapore	3-storey terrace houses	Residential	70%	Aug 2014	917	2,010	100

SGX 1207(11)(a)

Major properties held for sale

Location	Description	Existing use	Site area (sq m)	Approximate lettable/strata area (sq m)	Group's effective interest (%)
Hope House 796-802 Green Road, United States of America	16-storey office building	Office	558	733	100
Sennett Estate 100 Sennett Road, Singapore	2-storey bungalow	Residential	1,264	1,826	100

SGX 1207(11)(b)

Major properties held for investment

Location	Description	Existing use	Tenure of land	Remaining term of lease
Overseas Building 1112-1120 Millers Road, United States of America	4 storeys of retail space	Commercial	Freehold	-
Deville House 122 House Street, People's Republic of China	7-storey office building	Office	Leasehold	35 years
43 Village Road, People's Republic of China	2-storey terrace house	Residential	Leasehold	55 years

Note *Reference* **Explanatory note**

- 1.** *SGX 904* An "interested person transaction" (IPT) means a transaction between an entity at risk and an interested person. An "entity at risk" refers to the issuer, a non-listed subsidiary, or a non-listed associated company over which the Group and its interested persons have control. An "interested person" means a director, chief executive officer, or controlling shareholder of the issuer, or an associate of any of these parties.

An IPT includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

SGX 906, 907 Except for transactions of less than \$100,000 each, Rule 907 requires all IPTs to be disclosed in three columns, identifying the name of the interested person and the corresponding aggregate value of the IPT. Differentiation should be made between those conducted under shareholders' general mandate and all other transactions with the same interested person.
- 2.** *SGX 920* An issuer may seek a shareholders' mandate for a recurrent transaction of a revenue or trading nature or those necessary for its day-to-day operations such as supplies, materials, etc, but not in respect of the purchase or sale of assets, undertakings or business. A general mandate is subject to annual renewal.

If there is such a shareholders' mandate, it is necessary to disclose in the annual report, in the form set out in Rule 907, aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year.
- 3.** *SGX 1207(8)* Disclose the particulars of material contracts of the issuer and its subsidiaries, involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

If no material contract has been entered into, the issuer should make an appropriate negative statement.

Reference

Supplementary information (continued)

3. Interested person transactions¹

SGX 1207(17),
SGX 907-909

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, are as follows:

Interested person	Aggregate value of all transactions conducted under a shareholders' mandate ² pursuant to Rule 920 of the SGX Listing Manual	Aggregate value of all other transactions
On Track Limited		
- Purchases of repairs and maintenance services	-	\$176,000

4. Material contracts³

SGX 1207(8)

The Group entered into a two-year contract with On Track Limited, a company which is controlled by Yeo Kuan Yee, to provide repairs and maintenance services on production equipment. The total contract value is \$370,000. The contract terms are based on market rates for these types of services, and amounts are payable on a quarterly basis for the duration of the contract. Repairs and maintenance services from this related party amounted to \$176,000 (2012: nil) during the year 31 December 2013.

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Appendix I

Additional illustrative disclosures

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Note *Reference* **Explanatory note**

- | | |
|-----------|---|
| 1. | <i>FRS 1.10, 81(a)</i> This analysis is based on a single statement of profit or loss and other comprehensive income. |
|-----------|---|

Appendix I-A

Consolidated statement of profit or loss and other comprehensive income¹

Year ended 31 December 2013

	<i>Note</i>	2013 \$'000	2012 \$'000 Restated*
Continuing operations			
Revenue	23	100,160	96,636
Cost of sales		(55,708)	(56,186)
Gross profit		44,452	40,450
Gain on distribution to owners of the Company	15	2,556	-
Other income	24	1,021	642
Distribution expenses		(17,984)	(18,460)
Administrative expenses		(17,142)	(15,269)
Research and development expenses		(1,109)	(697)
Other expenses	25	(860)	(30)
Results from operating activities		10,934	6,636
Finance income		981	480
Finance costs		(1,527)	(1,646)
Net finance costs	26	(546)	(1,166)
Share of profit of associates and jointly controlled entities (net of tax) 8		541	708
Profit before tax		10,929	6,178
Tax expense	28	(3,371)	(1,800)
Profit from continuing operations		7,558	4,378
Discontinued operation			
Profit (loss) from discontinued operation (net of tax)	29	379	(422)
Profit for the year		7,937	3,956

* See notes 2.5, 29 and 41.

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 2013

	<i>Note</i>	2013 \$'000	2012 \$'000 Restated*
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	4	200	-
Defined benefit plan remeasurements	17	72	(15)
Tax on items that will not be reclassified to profit or loss	28	(90)	5
Total items that will not be reclassified to profit or loss		182	(10)
Items that are or may be reclassified subsequently to profit or loss:			
Net loss on hedge of net investment in foreign operation		(3)	(8)
Foreign currency translation differences - foreign operations		500	330
Foreign currency translation differences on loss of significant influence reclassified to profit or loss	32	(20)	-
Share of foreign currency translation differences of associates and jointly controlled entities		21	-
Effective portion of changes in fair value of cash flow hedges		(62)	77
Net change in fair value of cash flow hedges reclassified to profit or loss		(31)	(11)
Net change in fair value of available-for-sale financial assets		199	94
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(64)	-
Tax on items that are or may be reclassified subsequently to profit or loss	28	(14)	(53)
Total items that are or may be reclassified subsequently to profit or loss		526	429
Other comprehensive income for the year, net of tax		708	419
Total comprehensive income for the year		8,645	4,375
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests		524	219
Profit for the year		7,937	3,956
Total comprehensive income attributable to:			
Owners of the Company		8,094	4,134
Non-controlling interests		551	241
Total comprehensive income for the year		8,645	4,375
Earnings per share			
Basic earnings per share (cents)	30	22.46	10.71
Diluted earnings per share (cents)	30	21.07	10.65
Earnings per share - continuing operations			
Basic earnings per share (cents)	30	21.24	12.08
Diluted earnings per share (cents)	30	19.94	12.01

* See notes 2.5, 29 and 41.

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

Note *Reference* **Explanatory note**

- | | | |
|-----------|----------------------|--|
| 1. | <i>FRS 1.99, 102</i> | This Appendix illustrates an analysis of expenses recognised in profit or loss using a classification based on their nature. The level of disclosure presented in this Appendix is optional. |
|-----------|----------------------|--|

Appendix I-B

Consolidated statement of profit or loss¹

Year ended 31 December 2013

	<i>Note</i>	2013 \$'000	2012 \$'000 Restated*
Continuing operations			
Revenue	23	100,160	96,636
Gain on distribution to owners of the Company	15	2,556	-
Other income	24	1,021	642
Changes in inventories of finished goods and work in progress		1,259	(450)
Work performed by the entity and capitalised		4,089	4,386
Raw materials and consumables used		(34,635)	(35,146)
Depreciation and amortisation expenses		(5,786)	(5,917)
Reversal of (impairment losses on) property, plant and equipment and intangible assets		393	(1,408)
Transportation costs		(6,784)	(5,945)
Employee benefits expenses		(22,204)	(19,457)
Maintenance expense		(12,673)	(12,824)
Utilities expenses		(5,993)	(5,046)
Consultancy expense		(4,866)	(4,212)
Advertising expense		(2,550)	(2,650)
Research and development expenses		(1,109)	(697)
Operating lease expense		(435)	(447)
Other expenses		(1,509)	(829)
Total expenses		(92,803)	(90,642)
Finance income		981	480
Finance costs		(1,527)	(1,646)
Net finance costs	26	(546)	(1,166)
Share of profit of associates and jointly controlled entities (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 2013

	<i>Note</i>	2013 \$'000	2012 \$'000 Restated*
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests		524	219
Profit for the year		7,937	3,956
Earnings per share			
Basic earnings per share (cents)	30	22.46	10.71
Diluted earnings per share (cents)	30	21.07	10.65
Earnings per share - continuing operations			
Basic earnings per share (cents)	30	21.24	12.08
Diluted earnings per share (cents)	30	19.94	12.01

* See notes 2.5, 29 and 41.

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

Note *Reference* **Explanatory note**

- | | |
|----------------------------|---|
| 1. <i>FRS 1.106</i> | This Appendix illustrates the presentation of changes in each component of equity arising from transactions recognised in other comprehensive income, in the notes. |
|----------------------------|---|

Appendix I-C

Consolidated statement of changes in equity¹

Year ended 31 December 2013

	Attributable to owners of the Company									
Note	Share capital \$'000	Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2012, as previously stated	18,050	(129)	434	17	-	-	10,567	28,939	601	29,540
Impact of change in accounting policy	2.5(i) -	-	-	-	-	-	33	33	-	33
At 1 January 2012, as restated	18,050	(129)	434	17	-	-	10,600	28,972	601	29,573
Total comprehensive income for the year										
Profit for the year, restated	-	-	-	-	-	-	3,737	3,737	219	3,956
Total other comprehensive income ¹	15 -	300	44	63	-	-	(10)	397	22	419
Total comprehensive income for the year	-	300	44	63	-	-	3,727	4,134	241	4,375
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Own shares acquired	15 -	-	-	-	-	(280)	-	(280)	-	(280)
Dividends declared	15 -	-	-	-	-	-	(531)	(531)	(40)	(571)
Share-based payment transactions	18 -	-	-	-	-	-	250	250	-	250
Total transactions with owners	-	-	-	-	-	(280)	(281)	(561)	(40)	(601)
At 31 December 2012, as restated	18,050	171	478	80	-	(280)	14,046	32,545	802	33,347

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

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Consolidated statement of changes in equity (continued)

Year ended 31 December 2013

Note	Attributable to owners of the Company									Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Capital reserves \$'000	Trans-lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua-tion reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000		
At 1 January 2013	18,050	-	171	478	80	-	(280)	14,046	32,545	802	33,347
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	7,413	7,413	524	7,937
Total other comprehensive income 15	-	-	471	(62)	90	134	-	48	681	27	708
Total comprehensive income for the year	-	-	471	(62)	90	134	-	7,461	8,094	551	8,645
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Issue of ordinary shares related to business combination 32	87	-	-	-	-	-	-	-	87	-	87
Issue of ordinary shares 15	1,550	-	-	-	-	-	-	-	1,550	-	1,550
Issue of convertible notes, net of tax 16	-	109	-	-	-	-	-	-	109	-	109
Own shares sold 15	-	10	-	-	-	-	20	-	30	-	30
Dividends declared 15	-	-	-	-	-	-	-	(1,213)	(1,213)	(30)	(1,243)
Non-cash distribution to owners of the Company 15	-	-	-	-	-	(27)	-	(12,473)	(12,500)	-	(12,500)
Share-based payment transactions 18	-	-	-	-	-	-	-	755	755	-	755
Share options exercised 15	50	-	-	-	-	-	-	-	50	-	50
Total contributions by and distributions to owners	1,687	119	-	-	-	(27)	20	(12,931)	(11,132)	(30)	(11,162)

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

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Consolidated statement of changes in equity (continued)

Year ended 31 December 2013

	Note	Attributable to owners of the Company									Non-controlling interests \$'000	Total equity \$'000
		Share capital \$'000	Capital reserves \$'000	Translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revaluation reserve \$'000	Reserve for own shares \$'000	Retained earnings \$'000	Total \$'000		
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 2013												
		19,737	119	650	416	170	107	(260)	8,483	29,422	1,512	30,934

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

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Notes to the consolidated financial statements

15. Capital and reserves (continued)

Other comprehensive income

31 December 2013

Foreign currency translation differences
Share of foreign currency translation differences of associates and jointly controlled entities
Net loss on hedge of net investment in foreign operation
Revaluation of property, plant and equipment
Effective portion of changes in fair value of cash flow hedges
Net change in fair value of cash flow hedges reclassified to profit or loss
Net change in fair value of available-for-sale financial assets
Net change in fair value of available-for-sale financial assets reclassified to profit or loss
Defined benefit plan remeasurements
Tax on other comprehensive income
Total other comprehensive income

Attributable to owners of the Company							Total other compre- hensive income
Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	\$'000
453	-	-	-	-	453	27	480
21	-	-	-	-	21	-	21
(3)	-	-	-	-	(3)	-	(3)
-	-	-	200	-	200	-	200
-	(62)	-	-	-	(62)	-	(62)
-	(31)	-	-	-	(31)	-	(31)
-	-	199	-	-	199	-	199
-	-	(64)	-	-	(64)	-	(64)
-	-	-	-	72	72	-	72
-	31	(45)	(66)	(24)	(104)	-	(104)
471	(62)	90	134	48	681	27	708

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Reference

Notes to the consolidated financial statements (continued)

15. Capital and reserves (continued)

FRS 1.106(d)(iii)

Other comprehensive income (continued)

31 December 2012

Foreign currency translation differences
Net loss on hedge of net investment in foreign operation
Effective portion of changes in fair value of cash flow hedges
Net change in fair value of cash flow hedges reclassified to profit or loss
Net change in fair value of available-for-sale financial assets
Defined benefit plan remeasurements
Tax on other comprehensive income
Total other comprehensive income

Attributable to owners of the Company							Total other compre- hensive income
Trans- lation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revalua- tion reserve \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	\$'000
308	-	-	-	-	308	22	330
(8)	-	-	-	-	(8)	-	(8)
-	77	-	-	-	77	-	77
-	(11)	-	-	-	(11)	-	(11)
-	-	94	-	-	94	-	94
-	-	-	(15)	(15)	-	(15)	-
-	(22)	(31)	-	5	(48)	-	(48)
300	44	63	-	(10)	397	22	419

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Appendix I-D

Consolidated statement of cash flows (direct method)

Year ended 31 December 2013

	Note	2013 \$'000	2012 \$'000 Restated*
Cash flows from operating activities			
Cash receipts from customers		99,052	97,996
Cash paid to suppliers and employees		(89,258)	(87,480)
Cash generated from operating activities		9,794	10,516
Tax paid		(428)	(1,527)
Net cash from operating activities		9,366	8,989
Cash flows from investing activities			
Interest received		211	155
Dividends received		369	330
Dividends from associates and jointly controlled entities	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 associates and jointly controlled entities	8	(3,600)	-
Acquisition of property, plant and equipment		(15,657)	(2,228)
Acquisition of investment property		(300)	(40)
Plantations and acquisitions of non-current biological assets		(305)	(437)
Acquisition of other investments		(319)	(2,411)
Development expenditure		(1,235)	(503)
Deposits pledged		35	(28)
Net cash used in investing activities		(9,621)	(2,647)
Cash flows from financing activities			
Proceeds from issue of share capital		1,550	-
Proceeds from issue of convertible notes		5,000	-
Proceeds from issue of redeemable preference shares		2,000	-
Proceeds from sale of own shares		30	-
Proceeds from exercise of share options		50	-
Proceeds from settlement of derivatives		5	11
Payment of transaction costs related to loans and borrowings		(343)	-
Acquisition of non-controlling interests	32	(200)	-
Repurchase of own shares		-	(280)
Repayment of borrowings		(5,066)	(4,445)
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		(95)	(7,003)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,312	1,998
Effect of exchange rate fluctuations on cash held		(12)	(25)
Cash and cash equivalents at 31 December	14	950	1,312

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

Note Reference **Explanatory note**

1. This Appendix illustrates the disclosures in annual financial statements on adoption of FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*, as amended by *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to FRS 110, FRS 111 and FRS 112). FRS 110, FRS 111 and FRS 112 are effective for annual periods beginning on or after 1 January 2014.

This Appendix focuses on how the disclosures in an entity's annual financial statements could change as a result of applying FRS 110, FRS 111 and FRS 112. It does not repeat other disclosures related to interests in other entities that are not expected to be affected by the early adoption of these standards. For example, this Appendix does not include example disclosures for the effects on the equity attributable to owners of the parent of any changes in its ownership in a subsidiary that do not result in a loss of control (see notes 3.1(iv) and 32). This Appendix illustrates one possible format for the disclosures required; other formats are possible. Further guidance on these new standards is included in our publication *Insights into IFRS* (2.5A and 3.6A) and *IFRS Practice Issues: Adopting the consolidation suite of standards*.

If an entity applies any of FRS 110, FRS 111 and FRS 112 earlier, then it should apply FRS 110, FRS 111 and FRS 112, FRS 27 *Separate Financial Statements* (2011) and FRS 28 *Investments in Associates and Joint Ventures* (2011) all at the same time.

2. *FRS 112.1-4, B2-B6* The objective of FRS 112 is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

If the disclosures required by FRS 112, together with disclosures required by other FRSs, do not meet the above objective, then an entity discloses whatever additional information is necessary to meet the objective.

An entity considers the level of detail necessary to satisfy the above disclosure objective and how much emphasis to place on each of the requirements in FRS 112. The entity decides in light of its circumstances, how it aggregates or disaggregates disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics. As a minimum, the entity presents information separately for interests in subsidiaries, joint ventures, joint operations, associates and unconsolidated structured entities.

3. *FRS 110.C2B C4, C4A, C5, C5A* For the purposes of FRS 110, the 'date of initial application' is the beginning of the annual reporting period for which the FRS is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. If the consolidation conclusion does not change, then the entity is not required to make adjustments to the previous accounting for its involvement with the investees.

On the other hand, if at this date an entity determines that the consolidation conclusion changes and therefore it consolidates an investee previously not consolidated, then the entity retrospectively adjusts the accounting for the investee as if the entity had been consolidated from the date when the group obtained control of that investee on the basis of FRS 110. If such retrospective application is impracticable, then the entity applies the requirements of FRS 103 accordingly as of the beginning of the earliest period for which retrospective application is practicable, which may be the current period.

Appendix I-E

Example disclosures for entities that early adopt FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*^{1,2,3}

2. Basis of preparation

FRS 8.28

2.5 Changes in accounting policies

The Group has early adopted FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*, as well as the consequential amendments to FRS 28 *Investments in Associates and Joint Ventures* (2011), with a date of initial application of 1 January 2013.

(i) Subsidiaries

As a result of the adoption of FRS 110, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances.

In accordance with the transitional provisions of FRS 110, the Group re-assessed the control conclusion for its investees at 1 January 2013. As a consequence, the Group has changed its control conclusion in respect of its investment in Silver Fir Ltd, which was previously accounted for as an associate using the equity method. Although the Group owns less than half of the voting power of the investee, management has determined that the Group has acquired *de facto* control over the investee since it acquired the investment on 1 January 2010. This is because the Group has held significantly more voting rights of the investee than any other vote holders or organised group of vote holders, and the other shareholdings of the investee are widely dispersed. Accordingly, the Group applied acquisition accounting to the investment at 1 January 2010, as if the investee had been consolidated from that date.

Note *Reference* **Explanatory note**

1. *FRS 110.C2A, 111.C1B* When FRS 110 and FRS 111 are first applied, an entity is only required to disclose the quantitative impact of the change in accounting policy as required by Paragraph 28(f) of FRS 8 for the immediate preceding period. The entity may elect to present this information for the current period or for any earlier comparative periods, but is not required to do so.

In these illustrative financial statements, the Group has elected to present this information only for the immediately preceding period, but not for the current period.

2. *FRS 1.10(f), 39* Although it is not illustrated in this Appendix, a third statement of financial position and related notes are also presented if the effect of the change in accounting policy is material.

3. *FRS 110.C4A* In this Appendix, it is assumed that the retrospective application of FRS 110 does not have any impact on the equity attributable to owners of the Company at the beginning of the immediately preceding period.

However, there could be an impact on the opening equity in other cases. For example, if the Group had obtained control over another investee for the purposes of FRS 110 in stages in 2009, and FRS 103 (2008) had been applied to the acquisition, then any remeasurement of the previously held equity interest in that investee on the initial application of FRS 110 would have been recognised as an adjustment to equity at the beginning of the immediately preceding period.

Example disclosures for entities that early adopt FRS 110
*Consolidated Financial Statements, FRS 111 Joint Arrangements and
FRS 112 Disclosure of Interests in Other Entities (continued)*

FRS 8.28

2. Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

(i) Subsidiaries (continued)

The following table summarises the adjustments made to the Group's statements of financial position at 1 January 2012 and 31 December 2012, and its consolidated statement of profit or loss and consolidated statement of cash flows for the year ended 31 December 2012 as a result of the consolidation of Silver Fir Ltd.

Consolidated statement of financial position^{1,2,3}

1 January 2012

	As previously reported \$'000	Adjust- ments \$'000	As restated \$'000
Property, plant and equipment	34,937	3,798	38,735
Biological assets	6,279	360	6,639
Associates and joint ventures	2,931	(1,959)	972
Trade and other receivables	16,479	278	16,757
Cash and cash equivalents	2,529	222	2,751
Overall impact on total assets		2,699	
Trade and other payables, including derivatives	(27,305)	(305)	(27,610)
Overall impact on total liabilities		(305)	
Non-controlling interests	(601)	(2,394)	(2,995)
Overall impact on total equity		(2,394)	

31 December 2012

	As previously reported \$'000	Adjust- ments \$'000	As restated \$'000
Property, plant and equipment	31,049	4,222	35,271
Biological assets	6,636	430	7,066
Associates and joint ventures	3,638	(2,080)	1,558
Trade and other receivables	17,999	378	18,377
Cash and cash equivalents	1,850	244	2,094
Overall impact on total assets		3,194	
Trade and other payables, including derivatives	(24,370)	(652)	(25,022)
Overall impact on total liabilities		(652)	
Non-controlling interests	(802)	(2,542)	(3,344)
Overall impact on total equity		(2,542)	

Note *Reference* **Explanatory note**

- | | |
|---|--|
| 1. <i>FRS 8.28(f),
FRS 110.C2A</i> | If FRS 33 applies to the financial statements of an entity, then the entity also discloses the effect of applying FRS 110 on basic and diluted earnings per share for the annual period immediately preceding the date of initial application of FRS 110. The entity may present this information for the current period or for any earlier comparative periods if presented, but it is not required to do so. |
|---|--|

Example disclosures for entities that early adopt FRS 110
*Consolidated Financial Statements, FRS 111 Joint Arrangements and
FRS 112 Disclosure of Interests in Other Entities (continued)*

FRS 8.28

2. Basis of preparation (continued)
2.5 Changes in accounting policies (continued)
(i) Subsidiaries (continued)

Consolidated statement of profit or loss¹
Year ended 31 December 2012

	As previously reported \$'000	Adjust- ments \$'000	As restated \$'000
Revenue	96,636	494	97,130
Cost of sales	(56,186)	(91)	(56,277)
Administrative expenses	(15,269)	(15)	(15,284)
Finance costs	(1,646)	(2)	(1,648)
Share profit of associates and joint ventures	708	(121)	587
Tax expense	(1,800)	(117)	(1,917)
Overall impact on profit and total comprehensive income attributable to non-controlling interests		148	

The change in accounting policy had an immaterial impact on earnings per share for the comparative period ended 31 December 2012.

Consolidated statement of cash flows
Year ended 31 December 2012

	As previously reported \$'000	Adjust- ments \$'000	As restated \$'000
Net cash from operating activities	8,989	(100)	8,889
Overall impact on cash and cash equivalents		(100)	

(ii) Joint arrangements

As a result of the adoption of FRS 111, the Group has changed its accounting policy for its interests in joint arrangements.

Under FRS 111, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from jointly-controlled entity to joint venture. Notwithstanding the reclassification, the investment continues to be recognised by applying the equity method and there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

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Example disclosures for entities that early adopt FRS 110 *Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities* (continued)

3. Significant accounting policies

3.1 Basis of consolidation

(ii) Subsidiaries

FRS 110.6

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.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Investments in associates

FRS 28 (2011).3,
5

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

FRS 28 (2011).10

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

FRS 28 (2011).35

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

FRS 28 (2011).38-39

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including 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 or has made payments on behalf of the investee.

(vi) Joint arrangements

FRS 111.4, 6, 15-16,
20, 24

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates (see note (v) above).

Note Reference **Explanatory note**

1. In this Appendix, the disclosures relating to interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities are all included in a single note. In the main body of these illustrative financial statements, the disclosures are included in notes 8 and 38.

2. *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 associates (whether Singapore or foreign-incorporated).

For this purpose, a subsidiary or associated company is considered significant if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

The term "net tangible assets" is not a defined term under FRS and its determination is therefore subjective. In addition, in situations where profit is exceptionally low or when the entity is in a loss position, it is likely that the 20% mark will be easily breached.

3. *FRS 112.7-9*
FRS 1.122 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.

4. *FRS 112.10(b)(iii),*
14-17 An entity discloses information that enables users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities.

The 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 and circumstances that could expose the entity to a loss – e.g. liquidity arrangements.

If during the reporting period a parent or any of its subsidiaries has, without a contractual obligation to do so, provided financial or other support to a consolidated structured entity, then the entity discloses:

- the type and amount of support provided, including situations in which the parent or its subsidiaries assisted the structured entity in obtaining financial support, and
- the reasons for providing the support.

In addition, if the above non-contractual financial or other support was provided to a previously unconsolidated structured entity and that provision of support resulted in the entity controlling the structured entity, then the entity discloses an explanation of the relevant factors in reaching that decision.

An entity also discloses any current intentions to provide financial or other support to a consolidated structured entity, including intentions to assist the structured entity in obtaining financial support.

Example disclosures for entities that early adopt FRS 110
*Consolidated Financial Statements, FRS 111 Joint Arrangements and
FRS 112 Disclosure of Interests in Other Entities* (continued)

38. Interests in other entities¹

Subsidiaries including consolidated structured entities

Subsidiaries

FRS 112.10(a)-(b),
12(b)

		Company	
		2013	2012
		\$'000	\$'000
Equity investments at cost		7,537	4,950

	Note	Principal place of business	Ownership interest	
			2013	2012
			%	%
ABC Private Ltd		Singapore	100	100
PT Mermaid		Indonesia	100	100
Lei Sure Limited		Romania	100	100
Papier Pte Ltd	15	Singapore	-	100
Solid Trading Inc.		United States of America	90	90
Windmill N.V.	32	Netherlands	75	60
Papyrus Pty Limited	32	Australia	90	25
Maple-leaf Inc		Canada	48	48
Silver Fir Ltd		Singapore	45	45
Sloan Bio-Research GmbH		Germany	-	-
MayCo		United States of America	-	-

SGX 717, 718

KPMG LLP² is the auditor of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for Maple-leaf Inc which is audited by TH&D, Montreal, Canada. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

FRS 112.7(a), 9(b),
14, IAS 1.122

Although the Group owns less than half of Maple-leaf Inc and Silver Fir Ltd 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 Inc by virtue of an agreement with its other investors; the Group has *de facto* control over Silver Fir Ltd, on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively.³

FRS 112.10(b)(iii)

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 non-controlling interests for these entities.²

FRS 112.14

The Group has issued a guarantee to certain banks in respect of the credit facilities amounting to \$700,000 granted to these entities.⁴

Note Reference **Explanatory note**

- 1.** *FRS 112.10(a)(iii), 12, B10-B11, B17* An entity discloses information that enables users of its consolidated financial statements to understand the interest that non-controlling interests have in the group activities and cash flows. The entity discloses the following information for each of its subsidiaries that has non-controlling interests that are material to the entity:
- the name of the subsidiary and its principal place of business (and country of incorporation if it is different from the principal place of business);
 - the proportion of ownership interests and the proportion of voting rights held by non-controlling interests if it is different from the proportion of ownership interests held;
 - the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period;
 - accumulated non-controlling interests of the subsidiary at the end of the reporting period;
 - dividends paid to non-controlling interests; and
 - summarised financial information of the subsidiary (before inter-company eliminations).

However, if an entity's interest in a subsidiary is classified as held-for-sale in accordance with FRS 105, then it is not required to present the summarised financial information for that subsidiary.

- 2.** *FRS 112.10(b)(ii), 13* If applicable, an entity discloses information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. In this regard, it discloses:
- significant restrictions on its ability to access or use the assets and settle the liabilities of the group, such as:
 - those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group; or
 - guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group;
 - the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets to settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of non-controlling interests is required either to access the assets or to settle the liabilities of a subsidiary); and
 - the carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

- 3.** Although not required by FRS 112, we have illustrated the reconciliation between summarised financial information about subsidiaries with material non-controlling interests and the amounts included in the consolidated financial statements. An entity may wish to present this reconciliation as users may find it useful.

Reference

Example disclosures for entities that early adopt FRS 110
Consolidated Financial Statements, FRS 111 *Joint Arrangements* and
FRS 112 *Disclosure of Interests in Other Entities* (continued)

38. Interests in other entities (continued)

Subsidiaries including consolidated structured entities (continued)

Non-controlling interests in subsidiaries^{1,2}

FRS 112.10(a)(iii),
12, B10-B11

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations.

NCI percentage	2013						Total
	Papyrus	Solid	Windmill	Maple-	Silver	Other	
	Pty	Trading		leaf	Fir	individually	
	Limited	Inc.	N.V.	Inc.	Ltd	immaterial	
	10%	10%	25%	52%	55%	subsidiaries	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	3,890	6,520	7,438	1,200	4,998		
Current assets	1,230	1,578	1,112	740	572		
Non-current liabilities	-	(2,315)	(6,580)	(980)	(524)		
Current liabilities	(520)	(983)	(910)	(278)	(259)		
Net assets	4,600	4,800	1,060	682	4,787		
Carrying amount of NCI ³	460	480	265	355	2,633	(48)	4,145
Revenue	20,409	10,930	9,540	3,555	346		
Profit	1,560	1,030	476	296	165		
Total comprehensive income	1,560	1,150	528	300	165		
Profit (loss) allocated to NCI ³	156	103	119	154	91	(8)	615
Cash flows from operating activities	430	210	166	(268)	(135)		
Cash flows from investing activities	(120)	510	75	-	(46)		
Cash flows from financing activities, before dividends to NCI	12	(600)	(320)	-	130		
Net increase (decrease) in cash and cash equivalents	322	120	(79)	(268)	(51)		

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Reference

Example disclosures for entities that early adopt FRS 110
Consolidated Financial Statements, FRS 111 *Joint Arrangements* and
FRS 112 *Disclosure of Interests in Other Entities* (continued)

38. Interests in other entities (continued)

Subsidiaries including consolidated structured entities (continued)

Non-controlling interests in subsidiaries (continued)

NCI percentage	2012				Other individually immaterial subsidiaries	Total
	Solid	Windmill	Maple- leaf	Silver		
	Trading	N.V.	Inc.	Fir		
	Inc. 10%	40%	52%	Ltd 55%		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	6,140	7,323	1,184	4,652		
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)	(249)		
Net assets	3,770	652	387	4,622		
Carrying amount of NCI	377	261	201	2,542	(37)	3,344
Revenue	8,660	9,390	15,810	494		
Profit	240	237	198	269		
Total comprehensive income	320	252	206	269		
Profit (loss) allocated to NCI	24	95	103	148	(3)	367
Cash flows from operating activities	300	115	530	(100)		
Cash flows from investing activities	(25)	(40)	(788)	(30)		
Cash flows from financing activities, before dividends to NCI	(200)	(50)	190	130		
Net increase (decrease) in cash and cash equivalents	75	25	(68)	-		

Note Reference **Explanatory note**

- 1.** *FRS 112.20-23* An entity discloses information that enables users of its financial statements to evaluate the nature, extent and financial effects of its interests in joint arrangements and associates and the nature of, and changes in, the risks associated with its interests in joint ventures and associates.

To provide information on the nature, extent and financial effects of an entity's interests in joint arrangements and associates, FRS 112 contains specific disclosure requirements:

- for each joint arrangement and associate that is material to the entity, name, principal place of business, relationship with investor, the proportion owned;
- for each joint arrangement and associate that is material to the entity, the accounting model, summarised financial information, the fair value of equity-accounted investment that has a quoted market price; and
- in aggregate for all individually immaterial joint ventures and, separately, in aggregate for all individually immaterial associates, the carrying amount, the amount of the entity's share of those joint ventures' or associates' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income and total comprehensive income.

In addition, the entity discloses:

- the nature and extent of any significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity;
- when the financial statements of a joint venture or associate used in applying the equity method are as of a date or for a period that is different from that of the entity:
 - the date of the end of the reporting period of the financial statements of that joint venture or associate; and
 - the reason for using a different date or period; and
- the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method.

In the context of information on risks associated with interests in joint ventures and associates, total commitments relating to interests in joint ventures that may give rise to a future outflow of cash or other resources and contingent liabilities incurred relating to interests in joint ventures or associates should also be disclosed.

Reference Example disclosures for entities that early adopt FRS 110
*Consolidated Financial Statements, FRS 111 Joint Arrangements and
FRS 112 Disclosure of Interests in Other Entities (continued)*

38. Interests in other entities (continued)

Joint venture¹

FRS 112.20(a), 21 Paletel Co. Ltd (Paletel), the only joint arrangement in which the Group participates, is principally engaged in the production of paper pulp in the People's Republic of China. Paletel is one of the strategic suppliers of the Group providing access to paper pulp.

FRS 112.7(c) Paletel is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Paletel as a joint venture.

*FRS 112.20(b), 23(a),
B18* In accordance with the agreement under which Paletel is established, the Group and the other investor to the joint venture have agreed to make additional contribution in proportion to their interests to make up any losses, if required, up to a maximum amount of \$6,000,000. This commitment has not been recognised in the consolidated financial statements.

*FRS 112.21(b), B12,
B14* The following tables summarise the financial information of Paletel, as adjusted for any differences in accounting policies. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in Paletel, which is accounted for using the equity method.

Percentage of interest

	2013	2012
	40%	40%
	\$'000	\$'000
Non-current assets	5,953	3,259
Current assets (including cash and cash equivalents amounting to 2013: \$200,000, 2012: \$150,000)	1,348	1,310
Non-current liabilities	(1,716)	(1,320)
Current liabilities (including trade and other payables and provisions amounting to 2013: \$422,000, 2012: \$930,000)	(543)	(1,130)
Net assets	5,042	2,119
Group's share of net assets	2,017	848
Carrying amount in the statement of financial position	2,017	848
Revenue	25,796	21,405
Depreciation and amortisation	445	350
Interest expense	396	218
Income tax expense	1,275	290
Profit and total comprehensive income	2,975	680
Group's share of profit and total comprehensive income (40%)	1,190	272
Cash dividends received by the Group	21	-

Note Reference **Explanatory note**

- 1.** In this Appendix, all the Group's interests in joint venture and associates are assumed to be individually material. If the interests are individually immaterial, then the extent of disclosures required by FRS 112 will be different; in such cases, an entity may present the summarised financial information as follows.

Associates

FRS 112.21(c)
B16

The Group has interests in a number of associates none of which is regarded as individually material. The following table summarises, in aggregate, the financial information of all individually immaterial associates that are accounted for using the equity method:

	2013 \$'000	2012 \$'000
Carrying amount of interests in associates	[]	[]
Share of:		
- Profit (loss) from continuing operations	[]	[]
- Post-tax profit (loss) from discontinued operations	[]	[]
- Other comprehensive income	[]	[]
- Total comprehensive income	[]	[]

Reference Example disclosures for entities that early adopt FRS 110
Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities (continued)

38. Interests in other entities (continued)

Associates¹

FRS 112.21(a), B12,
B14

The following table summarises the information of each of the Group's material associates, adjusted for any differences in accounting policies and reconciles the carrying amount of the Group's interest in associates and the share of profit and other comprehensive income of equity-accounted investees (net of tax).

FRS 112.21(a)(iii)
FRS 112.21(b)

Place of business
Percentage of interest

	2013			
	Papyrus Pty Limited	Cellulose Limited	Paper Web Ltd	Total
	Australia	Singapore	Singapore	
	25%*	20%	49%	
	\$'000	\$'000	\$'000	\$'000
Non-current assets	-	4,790	7,592	
Current assets	-	3,210	9,582	
Non-current liabilities	-	(5,855)	(8,185)	
Current liabilities	-	(2,220)	(2,850)	
Net assets	-	(75)	6,139	
Group's share of net assets and carrying amount	-	-	3,008	3,008
Revenue	4,375	32,635	-	
(Loss) profit	426	(1,265)	(1,207)	
Other comprehensive income	(632)	-	(2)	
Total comprehensive income	(206)	(1,265)	(1,209)	
Group's share of (loss) profit	107	(253)	(591)	(737)
Group's share of total comprehensive income	(52)	(253)	(592)	(897)
Dividends received	-	-	-	-

Percentage of interest

	2012			
	Papyrus Pty Limited	Cellulose Limited		Total
	25%	20%		
	\$'000	\$'000		\$'000
Non-current assets	1,810	7,030		
Current assets	1,470	4,220		
Non-current liabilities	(720)	(6,810)		
Current liabilities	(670)	(3,250)		
Net assets	1,890	1,190		
Group's share of net assets and carrying amount	473	238		711
Revenue	27,400	16,600		
Profit	550	885		
Other comprehensive income	(636)	-		
Total comprehensive income	(86)	885		
Group's share of profit	138	177		315
Group's share of total comprehensive income	(22)	177		(155)
Dividends received	-	-		-

* In March 2013, the Group acquired the control of Papyrus (see note 32). The Group includes Papyrus' financial statements in the consolidated financial statements as from that date.

Note Reference **Explanatory note**

1. This Appendix illustrates the disclosures that may be necessary to provide information about an entity's interest in unconsolidated structured entities, when the entity adopted FRS 112. It focuses on how the disclosures in an entity's annual financial statements could change as a result of FRS 112. It does not illustrate all the disclosure requirements in respect of unconsolidated structured entities in FRS 112.

Although this Appendix contains certain illustrative disclosures about transfers of financial assets in accordance with the Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*, it does not illustrate all the disclosures for transfers of financial assets as required by FRS 107. Further guidance on the disclosure requirements in this regard can be found in our publication *Insights into IFRS* (7.8).

2. *FRS 112.C2B* The disclosure requirements related to its interests in unconsolidated structured entities may be presented prospectively as from the first annual period for which FRS 112 is applied.

3. *FRS 112.24-31* The disclosure objective in respect of an entity's interests in unconsolidated structured entities is to provide information that helps users of its financial statements:
 - to understand the nature and extent of its interests in unconsolidated structured entities; and
 - to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

In order to meet this disclosure objective, FRS 112 requires extensive qualitative and quantitative disclosures about the nature of an entity's interests and the nature of its risks. In particular, the standard requires certain disclosures if an entity has sponsored an unconsolidated structured entity for which it does not have an interest at the end of the reporting period. An entity discloses additional information that is necessary to meet the disclosure objective.

Determining whether an entity has an 'interest' in another entity that requires disclosures could involve significant judgement. Further guidance on the disclosure requirements is included in our publication *Insights into IFRS* (2.5A).

Reference Example disclosures for entities that early adopt FRS 110
Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities (continued)

38. Interests in other entities (continued)

Associates (continued)

During the year the Group, together with other companies in the paper industry, established Paper Web Ltd, a web-based marketing operation. The Group's contribution to set up the investment was \$600,00 and resulted in the Group obtaining a 49% investment in Paper Web Ltd. This contribution represented start-up costs and as a result there is no goodwill included in the \$600,000 investment.

On 31 March 2013, the Group's equity interest in Papyrus Pty Limited increased from 25 to 90 percent and Papyrus Pty Limited became a subsidiary from that date (see note 32). Accordingly, the information relating to Papyrus Pty Limited presented in the above table is only for the period from 1 January 2013 to 31 March 2013.

FRS 112.22(c) The Group has not recognised losses related to Cellulose Limited., totalling \$15,000 in 2013 (2012: nil), since the Group has no obligation in respect of these losses.

FRS 112.7(b), 9(e)
FRS 1.122 Although the Group has 20% ownership in the equity interests of Cellulose Limited, 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 Limited.

FRS 112.21(b)(iii) None of the Group's associates are publicly listed entities and consequentially do not have published price quotations, except for Cellulose Limited, which is listed on the Swiss Stock Exchange. Based on its closing price of \$2.28 at the reporting date, the fair value of the Group's investment is \$175,000.

Example disclosures for interests in unconsolidated structured entities¹

Interests in unconsolidated structured entities^{2, 3}

FRS 107.42A, 42B, 42E, 42G, 12.29 In December 2013, the Group entered into a factoring arrangement under which it sold certain trade receivables to an unconsolidated structured entity, Compello Trust. Compello Trust was established by a bank to facilitate the factoring of receivables for a number of unrelated entities.

Under the terms of the factoring arrangement, the Group provided a guarantee to reimburse Compello Trust for any credit losses related to the transferred trade receivables exceeding the expected losses of 5%.

As a result of the transfer, trade receivables of \$[] were derecognised in their entirety; the difference between the carrying amount of the trade receivables and the proceeds received, which amounted to \$[], was recognised in profit or loss. The liability for the guarantee of \$[] has been recognised as a financial guarantee and included in 'Trade and other payables' in the consolidated statement of financial position. The Group's maximum exposure to loss arising from its interests in Compello Trust, representing the maximum amount of loss that it could be required to reimburse under the guarantee, amounted to \$[] at 31 December 2013. Since inception, there has been no impact on profit or loss.

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | The purpose of this Appendix is to illustrate one possible presentation format for properties under development, the sale of which is recognised using the percentage of completion method. Alternative formats such as presenting progress billings in excess of revenue recognised to-date and costs in excess of expenses recognised to-date as part of deferred income and development properties respectively are possible. |
|-----------|--|

Appendix I-F

Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate*

Significant accounting policies

(X) Development properties

FRS 2.36(a) Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Cost includes an appropriate share of development overheads allocated based on normal capacity.

FRS 23.8 Borrowing costs that are directly attributable to the acquisition and development of the development property are capitalised as part of development property during the period of development.

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

Properties under development, the sales of which are recognised using the percentage of completion method¹

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties in the statement of financial position. If progress billings exceed costs incurred plus recognised profits, the balance is presented as deferred income.

Other properties under development

The aggregated costs incurred are presented as development properties while progress billings are presented separately as deferred income in the statement of financial position.

(X) Revenue

(X) Sale of development properties

INT FRS 115.20(a) Revenue from sales of properties under development is recognised by reference to the stage of completion using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) the sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

In all other instances, revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

INT FRS 115.20(c) The percentage of completion is measured by reference to the work performed, based on the ratio of construction costs incurred to date to the estimated total construction costs. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

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Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate* (continued)

X. Development properties

		Group	
		2013	2012
		\$'000	\$'000
<i>FRS 1.78(c), 2.36(b)</i>	Properties under development, sold units for which revenue is recognised using percentage of completion method		
<i>INT FRS 115.21(a)</i>	Costs incurred and attributable profits	43,918	31,879
	Progress billings	(33,908)	(20,809)
		10,010	11,070
<i>FRS 1.78(c), 2.36(b)</i>	Other properties under development		
	Costs incurred	10,957	15,632
	Allowance for losses	(2,153)	(3,156)
		8,804	12,476
<i>FRS 1.78(c), 2.36(b)</i>	Completed properties	5,988	6,798
	Total development properties	24,802	30,344
<i>FRS 23.26(a)</i>	Borrowing costs capitalised during the year	992	1,214
<i>FRS 23.26(b)</i>	A capitalisation rate of 3% to 5% (2012: 4% to 6%) per annum was applied during the year, to capitalise borrowing costs of loans other than those loans borrowed specifically to fund the development of the properties.		
<i>FRS 2.36(d)</i>	In 2013, development properties recognised as cost of sales amounted to \$40,432,000 (2012: \$36,648,000).		
<i>FRS 1.98(a), 2.36(e), (f)</i>	During 2012, due to the additional buyer's stamp duty imposed by the Singapore government, the Group wrote down certain unsold development properties to their net realisable value, which resulted in a loss of \$3,156,000. In 2013, following a change in estimates, \$540,000 of the write-down was reversed. The write-down and reversal are included in cost of sales.		
<i>FRS 2.36(g)</i>			
<i>FRS 2.36(h)</i>	At 31 December 2013, development properties of the Group with carrying amounts of \$14,881,000 (2012: \$12,134,000) are pledged as security to secure bank loans (see note 16).		

X. Deferred income

		Group	
		2013	2012
		\$'000	\$'000
<i>INT FRS 115.21(b)</i>	Sale of development properties – percentage of completion method		
	- Advance payments representing billings in advance of work performed	1,760	1,250
	Other sale of development properties		
	- Advance payments	2,191	3,126
		3,951	4,376

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Example disclosures for development properties that are accounted for under INT FRS 115 *Agreements for the Construction of Real Estate* (continued)

X. Revenue

		Group	
		2013	2012
		\$'000	\$'000
INT FRS 115.20(b)	Sale of development properties		
	- Percentage of completion method	35,289	25,289
	- Others	10,657	15,888
		<u>45,946</u>	<u>41,177</u>

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.
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2.	<p><i>FRS 1.25</i> Financial statements are prepared on a going concern basis, unless management intends or has no alternative other than to liquidate the entity or stop trading. In our view, there is no general dispensation from the measurement, recognition and disclosure requirements of FRS even if an entity is not expected to continue as a going concern. We believe that even if the going concern assumption is not appropriate, FRS is applied accordingly, with particular attention paid to the requirements of:</p> <ul style="list-style-type: none"> • FRS 105 (to the extent that assets are being held for sale and not abandoned); • FRS 32 (with respect to the classification of the entity's debt and equity instruments); • FRS 36; and • FRS 37. <p>If an entity ceases to be a going concern after the end of the reporting period but before its financial statements are authorised for issue, then it should not prepare its financial statements on a going concern basis. This issue is discussed in our publication <i>Insights into IFRS</i> (2.4.15.10).</p>
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Appendix I-G

Example disclosures for entities that require going concern disclosures¹

Basis of preparation

(X) Going concern basis of accounting²

FRS 1.25

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 16.

The Group has recognised a net profit after tax of \$7,937,000 for the year ended 31 December 2013 and as at that date, current assets exceed current liabilities by \$18,662,000. However, as described in note 20, significant one-off environmental costs are expected in 2014 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 2014. The lenders are expected to undertake a review, which will include (but is not limited to) an assessment of:

- the financial performance of the Group against budget;
- the progress of compliance with new regulatory requirements; and
- the progress of planned divestments and/or capital raising activities to meet repayment requirements.

Management believe that the repayment of the facilities will occur as required and is confident that asset sales as disclosed in note 11 will be finalised prior to 30 June 2014 and that the proceeds will be sufficient to meet the repayment requirements at that date. Management anticipate that any additional repayments required will be met out of operating cash flows or from alternative forms of capital raised such as further asset sales, a rights or note issue or private placement. Management has access to underwriters and a plan for raising equity if required.

FRS 1.26

Management acknowledge that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay its banking facilities as and when they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Note *Reference* **Explanatory note**

- | | |
|-----------|--|
| 1. | <p>The purpose of this Appendix is to illustrate a variety of disclosures that a government-related entity may make under paragraph 26 of FRS 24. In providing disclosures, entities need to assess the appropriate level of detail so that voluminous disclosures do not mask important information that may affect an assessment of the entity's results of operations and financial condition.</p> <p>Other formats are possible; the appropriate level of disclosure may vary depending on the significance of related party transactions.</p> |
| 2. | <p>For the purpose of the example disclosures in this Appendix, we assume the Group is indirectly controlled by the Government of Country X. It is also assumed that in addition to selling to various private sector entities, products are sold to government agencies and departments of Country X.</p> |

Appendix I-H

Example disclosures for government-related entities under FRS 24 *Related Party Disclosures*¹

37. Related parties

Example 1: Individually significant transaction because of size of transaction

In 2011, a subsidiary entity, Griffin Ltd², entered into a procurement agreement with the Department of Commerce of the Government of Country X, such that Griffin Ltd would act as the sole supplier of recycled paper products to the Department's various agencies for a term of three years from 2012 to 2014, with an agreed bulk discount of 10% compared to list prices that Griffin Ltd would generally charge on individual orders. The aggregate sales value under the agreement for the year ended 31 December 2013 amounted to \$3,500,000 (2012: \$2,800,000). As at 31 December 2013, the aggregate amounts due from the Department amounted to \$10,000 (2012: \$30,000) and are payable under normal 30 days' credit terms.

Example 2: Individually significant transaction carried out on "non-market" terms

On 30 December 2012, 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 2013 to 2017. 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 2013 amounted to \$3,500,000. As at 31 December 2013, the aggregate amounts due from the Department amounted to \$1,000,000 and are payable under normal 30 days' credit terms.

Example 3: Individually significant transaction outside normal day-to-day business operations

Pursuant to an agreement dated 1 January 2013, 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 sub-lease a floor in its headquarter building as an administrative office for the joint operation. As at 31 December 2013, 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 2013, 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 2014. 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 FRS 24 *Related Party Disclosures* (continued)

37. Related parties (continued)

Example 5: Collectively, but not individually, significant transactions

Griffin Ltd operates in an economic regime dominated by entities directly or indirectly controlled by the Government of Country X through its government authorities, agencies, affiliations and other organisations, collectively referred to as *government-related entities*. Griffin Ltd has transactions with other government-related entities including but not limited to sales and purchase of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

These transactions are conducted in the ordinary course of Griffin Ltd's business on terms comparable to those with other entities that are not government-related. Griffin Ltd has established procurement policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

For the year ended 31 December 2013, management estimates that the aggregate amount of Griffin Ltd's significant transactions with other government-related entities are at least 50% of its sales of recycled paper products and between 30% to 40% of its purchase of materials.

Note Reference **Explanatory note**

1. S201(6A)	<p>A directors' report, approved by the board and signed by no fewer than two of the directors, must be attached to every consolidated accounts laid before a company at its general meeting.</p> <p>The directors' report illustrates the requirements of S201(6A) and other provisions of the Singapore Companies Act, Chapter 50 (the Act), and is applicable to a holding company preparing consolidated financial statements. For companies that do not present consolidated financial statements, the requirements are set out in S201(5), S201(6) and other provisions of the Act.</p>
2. S201(6A)(a)	<p>Disclose the names of the directors of the company as at the date of the directors' report. This usually coincides with the date when the financial statements were authorised for issue.</p> <p>Where the directors are appointed subsequent to the end of the previous financial year/period, the dates of appointment are usually provided. This disclosure is, however, not mandatory. There is no requirement to give details of directors who resigned in the financial year/period under review and up to the date of the directors' report.</p>
3. S201(6A)(h) S164(15)(a), (16)	<p>Directors' interests in shares/debentures include:</p> <ul style="list-style-type: none"> • each director's personal holdings and beneficial interests of his immediate family. Immediate family includes the spouse and infant children (under 21 years), including step-children and adopted children, provided none of them are directors. • other deemed interests as defined under Section 7 of the Act (for example, interests under trust, and interests through associated persons or corporations). <p>It is recommended that interests registered in the name of directors or their immediate families be disclosed separately from other deemed interests as defined under Section 7 of the Act.</p> <p>S165(2) It should be noted that a director 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 [S165(2)].</p>
4.	<p>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).</p>
5.	<p>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.</p>
6. S201(6A)(h)	<p>The phrase "date of appointment" should be added if directors who are holding interests are appointed during the financial year/period under review.</p> <p>If the director resigned after the financial year/period end but before the directors' report 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.</p>
7.	<p>See explanatory note 1 on page 334.</p>

Appendix II

Reference

Directors' report¹

S201(6A)

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 2013.

Directors²

S201(6A)(a)

The directors in office at the date of this report 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 2013)

Directors' interests³

S201(6A)(h)

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 infant children) in shares, debentures, warrants and share options in the Company and in related corporations⁴ (other than wholly-owned subsidiaries)⁵ are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment ⁶	Holdings at end of the year ⁶
Lee Sim Tang		
[Name of Company]		
- ordinary shares		
- interests held	[●]	[●]
- deemed interests	[●]	[●]
- options to subscribe for ordinary shares ⁷ 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. *S201(6A)(h)* 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' report. In the case of share options, the number and amount of share options must be included in the directors' report.

We encourage companies to disclose sufficient details (e.g. by reference to information disclosed in previous directors' reports) 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. *S201(6A)(g)* 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 shares or debentures acquired under the arrangements.

Reference

Directors' report (continued)

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
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 report, 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 2014.³

S201(6A)(g)

Except as disclosed under the "Share Options" section of this report, 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**

<p>1. <i>S201(8)</i></p>	<p>Disclose interests of directors in contracts with:</p> <ul style="list-style-type: none"> the company; its related corporation; a firm of which the director is a member of; or a company in which he has a substantial financial interest. <p>The following are usually disclosed:</p> <ul style="list-style-type: none"> that the contract exists or is subsisting; the names of the parties involved (other than the company); the name of the director; the nature of the contract; and the nature of the director's interest. <p>Disclose fees paid to firms and companies where directors have an interest.</p>
<p>2.</p> <p><i>S201(11)</i></p> <p><i>S201(11B)</i></p> <p><i>S201(11A)</i></p> <p><i>S201(12)(a)</i></p> <p><i>S201(12)(b)</i></p>	<p>Particulars of share options issued by the company and its subsidiaries to be disclosed include:</p> <ol style="list-style-type: none"> Options granted during the financial year: <ul style="list-style-type: none"> number of shares; the related class of shares; date of expiration; exercise price or basis upon which the option may be exercised and any participation rights; and details of amendments made to share option schemes disclosed in any previous report. Options exercised during the financial year: <ul style="list-style-type: none"> provide details of shares issued by virtue of the exercise of any options (reference may be made if particulars have been stated in a previous report). Unissued shares under option as at end of the financial year: <ul style="list-style-type: none"> number of shares; the related class of shares; date of expiration; and exercise price or basis upon which the option may be exercised and any participation rights. <p>The date of grant of options and the number of option holders are not mandatory disclosure under the Act. Reference may be made if details of the option scheme have been set out in the directors' report for the previous financial year.</p> <p>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.</p>

Reference

Directors' report (continued)

SGX 852

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in notes 27 and 37 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.¹

Share options²

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.

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 2009 and 10 years for options granted after 1 January 2009.

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 2013	Options granted	Options exercised	Options forfeited/expired	Options outstanding at 31 December 2013	Number of option holders at 31 December 2013	Exercise period
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
[date]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[date] to [date]
		[●]	[●]	[●]	[●]	[●]		

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' report, 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' report:

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' report (continued)

SGX 852

Details of options granted¹ to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 December 2013	Aggregate options granted since commencement of Scheme to 31 December 2013	Aggregate options exercised since commencement of Scheme to 31 December 2013	Aggregate options outstanding as at 31 December 2013
[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.

S201(11)(e)

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee²

S201B(2)(a)

The members of the Audit Committee during the year and at the date of this report 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' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

Note Reference **Explanatory note**

1. S206(1A) In order to determine whether the independence of the auditor has been compromised, a public listed company is required to undertake a review of non-audit fees paid to auditors if the fees, expenses and emoluments paid to the auditor for non-audit services in any financial year exceeds 50% of the total amount of the fees paid to the auditors in that financial year. The results of the review should be communicated to its shareholders typically in the annual report.

The following is an example of the disclosure that could be made in the directors' report:
"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.
- (2) The auditing firm appointed by the issuer must be:
 - (a) Registered with the Accounting and Corporate Regulatory Authority;
 - (b) Registered with and/or regulated by an independent audit oversight body acceptable to SGX. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of auditing firms or are able to exercise oversight of inspections undertaken by professional bodies; or
 - (c) Any other auditing firms acceptable by SGX.
- (3) A change in auditing firms must be specifically approved by shareholders in a general meeting.

Rule 715 states:

- (1) Subject to Rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.
- (2) An issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

Rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in Rule 715(1)) provided:

- (1) the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or
- (2) the issuer's subsidiary or associated company is listed on a stock exchange.

In practice, listed companies would either comply with Rules 712 and 715 or Rules 712, 715 and 716.

Reference

Directors' report (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 independence¹ and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

SGX 1207(6)(c)

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.²

Auditors

CP

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Sim Tang
Director

Tan Chin Fong
Director

[date of signing]

Note *Reference* **Explanatory note**

1.	<i>S201(15)</i>	This report has to be signed by two directors of the Company on behalf of the Board.
2.	<i>FRS 10.17</i>	<p>Disclose the date when the financial statements were authorised for issue and who gave that authorisation. If shareholders or others have the power to amend the financial statements after issuance, this fact should be disclosed. This disclosure can be made in the statement by directors or in the financial statements.</p> <p>It is important for users to know when the financial statements were authorised for issue, as the financial statements do not reflect events after this date.</p>

Appendix III

Reference

Statement by Directors¹

In our opinion:

S201(15)(a), (b)

(a) the financial statements set out on pages [●] to [●] are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

S201(15)(c)

(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.

FRS 10.17

The Board of Directors has, on the date of this statement,² authorised these financial statements for issue.

On behalf of the Board of Directors

Lee Sim Tang

Director

Tan Chin Fong

Director

[date of signing]

Note *Reference* **Explanatory note**

1.	<i>SSA 700.21</i>	SSA 700 requires the auditors' report to clearly indicate that it is the report of an independent auditor.
2.	<i>SSA 700.22</i>	Address the auditors' report as required by the circumstances.
3.	<i>S201(3A)</i>	Only the statement of financial position of the Company is required to be presented with the consolidated financial statements.
4.	<i>SSA700.23</i>	<p>The introductory paragraph in the auditors' report shall:</p> <ul style="list-style-type: none"> (a) identify the entity whose financial statements have been audited; (b) state that the financial statements have been audited; (c) identify the title of each statement that comprises the financial statements; (d) refer to the summary of significant accounting policies and other explanatory information; and (e) specify the date or period covered by each financial statement comprising the financial statements.
5.	<i>SSA700.26</i>	<p>SSA 700 requires the auditors' report to describe the management's responsibility for the preparation of the financial statements. The description shall include an explanation that management is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p><i>SSA 700.A22</i> In Singapore, this responsibility is stated in Section 199(2A) of the Companies Act which is applicable to public companies and their subsidiaries. For private companies in Singapore, the section on "Management's responsibilities for the financial statements" would read as:</p> <p><i>"Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards.</i></p> <p><i>Management has acknowledged that its responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets."</i></p>

Appendix IV

Reference

SSA 700.21 Independent auditors' report¹

SSA 700.22 Members of the Company²
[Name of Company]

Report on the financial statements

SSA 700.23 We have audited the accompanying financial statements of [Name of Company] ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company³ as at 31 December 2013, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information⁴, [as set out on pages [●] to [●].]

SSA 700.25 *Management's responsibility for the financial statements*⁵

SSA 700.26 Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

SSA 700.28 *Auditors' responsibility*

SSA 700.29, Our responsibility is to express an opinion on these financial statements based on our audit.
SSA 700.30 We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SSA 700.31 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

SSA 700.33 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Note *Reference* **Explanatory note**

1.	<i>S201(3A)</i>	Only the statement of financial position of the Company is required to be presented with the consolidated financial statements.
2.		The opinion should refer to each statement that comprises the financial statements, which are referred to in the introductory paragraph. Note, however, that the term “results” would relate to both the statement of profit or loss and the statement of comprehensive income in these illustrative financial statements.
3.		With the introduction of the professional designation of Chartered Accountants of Singapore from 2 July 2013, the revised signing convention in the independent auditors’ report has been changed from “Public Accountants and Certified Public Accountants” to “Public Accountants and Chartered Accountants”.
4.	<i>SSA700.42</i>	Name the location in the jurisdiction where the auditor practises.
5.	<i>SSA 700.41</i>	SSA 700 requires the auditors’ report to be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements.

Reference

Independent auditors' report (continued)

SSA 700.34

Opinion

SSA 700.35

S207(2)(a)

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company¹ as at 31 December 2013² and the results, changes in equity and cash flows of the Group for the year ended on that date.²

SSA 700.38

Report on other legal and regulatory requirements

S207(2)(b)

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

SSA 700.40

KPMG LLP

*Public Accountants and
Chartered Accountants*³

SSA 700.42

SSA 700.41

Singapore⁴

[date of signing]⁵

Appendix V

Currently effective requirements

Below is a list of standards and interpretations, including the subsequent amendments to the standards and interpretations, in issue at 30 June 2013 that are effective for annual reporting periods beginning on 1 January 2013. In addition, standards and interpretations that are effective for the first time have been marked with a † on their effective dates.

FRS / INT FRS		Effective date
FRS 1	<i>Presentation of Financial Statements</i> Subsequent amendments:	1 January 2009
	• Puttable financial instruments and obligations arising on liquidation	1 January 2009
	• Current/non-current classification of derivatives ¹	1 January 2009
	• Current/non-current classification of convertible instruments ²	1 January 2010
	• Presentation of statement of changes in equity ³	1 January 2011
	• Presentation of items of other comprehensive income	1 July 2012†
	• Clarification of the requirements for comparative information ⁴	1 January 2013†
FRS 2	<i>Inventories</i>	1 January 2005
FRS 7	<i>Statement of Cash Flows</i> Subsequent amendment:	1 January 1995
	• Classification of expenditures on unrecognised assets ²	1 January 2010
FRS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i> Subsequent amendment:	1 January 2005
	• Status of implementation guidance ¹	1 January 2009
FRS 10	<i>Events after the Reporting Period</i> Subsequent amendment:	1 January 2005
	• Dividends declared after the end of the reporting period ¹	1 January 2009
FRS 11	<i>Construction Contracts</i>	1 January 1997
FRS 12	<i>Income Taxes</i> Subsequent amendment:	1 April 2001
	• Deferred Tax: Recovery of underlying assets	1 January 2012
FRS 16	<i>Property, Plant and Equipment</i> Subsequent amendments:	1 January 2005
	• Recoverable amount ¹	1 January 2009
	• Sale of assets held for rental ¹	1 January 2009
	• Classification of servicing equipment ⁴	1 January 2013†
FRS 17	<i>Leases</i> Subsequent amendment:	1 January 2005
	• Classification of leases of land and buildings ²	1 January 2010

¹ Improvements to FRSs 2008

² Improvements to FRSs 2009

³ Improvements to FRSs 2010

⁴ Improvements to FRSs 2012

FRS / INT FRS		Effective date
FRS 18	<i>Revenue</i> Subsequent amendments: <ul style="list-style-type: none"> Costs of originating a loan¹ Determining whether an entity is acting as a principal or as an agent² 	1 January 1997 1 January 2009 N/A
FRS 19	<i>Employee Benefits</i>	1 January 2013 [†]
FRS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i> Subsequent amendment: <ul style="list-style-type: none"> Government loans with a below-market rate of interest¹ 	1 January 1985 1 January 2009
FRS 21	<i>The Effects of Changes in Foreign Exchange Rates</i> Subsequent amendment: <ul style="list-style-type: none"> Transition requirements for amendments arising as a result of FRS 27³ 	1 January 2005 1 July 2010
FRS 23	<i>Borrowing Costs</i> Subsequent amendment: <ul style="list-style-type: none"> Components of borrowing costs¹ 	1 January 2009 1 January 2009
FRS 24	<i>Related Party Disclosures</i>	1 January 2011
FRS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i> Not covered; see About this publication	1 January 1988
FRS 27	<i>Consolidated and Separate Financial Statements</i> Subsequent amendments: <ul style="list-style-type: none"> Cost of an investment in a subsidiary, jointly controlled entity or associate Measurement of subsidiary held for sale in separate financial statements¹ 	1 July 2009 1 January 2009 1 January 2009
FRS 28	<i>Investments in Associates</i> Subsequent amendments: <ul style="list-style-type: none"> Disclosures for investments in associates accounted for at fair value through profit or loss¹ Impairment of investment in associate¹ Transition requirements for amendments arising as a result of FRS 27³ 	1 January 2005 1 January 2009 1 January 2009 1 July 2010
FRS 29	<i>Financial Reporting in Hyperinflationary Economies</i> Subsequent amendment: <ul style="list-style-type: none"> Description of measurement basis in financial statements¹ Not covered; see About this publication	1 April 2001 1 January 2009
FRS 31	<i>Interests in Joint Ventures</i> Subsequent amendments: <ul style="list-style-type: none"> Disclosures for interest in jointly controlled entities accounted for at fair value through profit or loss¹ Transition requirements for amendments arising as a result of FRS 27³ 	1 January 2005 1 January 2009 1 July 2010

FRS / INT FRS		Effective date
FRS 32	<i>Financial Instruments: Presentation</i>	1 January 2007 (listed companies) 1 January 2008 (all other companies)
	Subsequent amendments:	
	• Puttable financial instruments and obligations arising on liquidation	1 January 2009
	• Classification of rights issues	1 February 2010
	• Tax effect of distribution to holders of equity instruments ⁴	1 January 2013 [†]
FRS 33	<i>Earnings per Share</i>	1 January 2005
FRS 34	<i>Interim Financial Reporting</i>	1 October 2001
	Subsequent amendments:	
	• Earnings per share disclosures in interim financial reports ¹	1 January 2009
	• Significant events and transactions ³	1 January 2011
	• Segment information for total assets and liabilities ⁴	1 January 2013 [†]
	Not covered; see About this publication	
FRS 36	<i>Impairment of Assets</i>	1 July 2004
	Subsequent amendments:	
	• Disclosure of estimates used to determine recoverable amount ¹	1 January 2009
	• Unit of accounting for goodwill impairment test ²	1 January 2010
FRS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 October 2000
FRS 38	<i>Intangible Assets</i>	1 July 2004
	Subsequent amendments:	
	• Advertising and promotional activities ¹	1 January 2009
	• Unit of production method of amortisation ¹	1 January 2009
	• Consequential amendments arising from revised FRS 103 ²	1 July 2009
	• Measuring fair value of an intangible asset acquired in a business combination ²	1 July 2009
FRS 39	<i>Financial Instruments: Recognition and Measurement</i>	1 January 2005
	Subsequent amendments:	
	• Reclassification of financial assets	from 1 July 2008
	• Reclassification of derivatives into or out of fair value through profit or loss ¹	1 January 2009
	• Designating and documenting hedges at the segment level ¹	1 January 2009
	• Applicable effective interest rate on cessation of fair value hedge accounting ¹	1 January 2009
	• Embedded derivatives	Ending on or after 30 June 2009
	• Eligible hedged items	1 July 2009
	• Treating loan prepayment penalties as closely related embedded derivatives ²	1 January 2010
	• Scope exemption for business combination contracts ²	1 January 2010
	• Cash flow hedge accounting ²	1 January 2010

FRS / INT FRS		Effective date
FRS 40	<i>Investment Property</i> Subsequent amendments: <ul style="list-style-type: none"> Property under construction or development for future use as investment property¹ Investment property held under lease¹ 	1 January 2007 1 January 2009 1 January 2009
FRS 41	<i>Agriculture</i> Subsequent amendments: <ul style="list-style-type: none"> Discount rate for fair value calculations¹ Additional biological transformation¹ Examples of agricultural produce and products¹ Point-of-sale costs¹ 	1 October 2001 1 January 2009 1 January 2009 1 January 2009 1 January 2009
FRS 101	<i>First-time Adoption of Financial Reporting Standards</i> Subsequent amendments: <ul style="list-style-type: none"> Cost of an investment in a subsidiary, joint-controlled entity or associate Additional exemptions for First-time Adopters Limited exemption from comparative FRS 107 disclosures Accounting policy changes in the year of adoption³ Revaluation basis as deemed cost³ Use of deemed cost for operations subject to rate regulation³ Severe hyperinflation and removal of fixed dates for first-time adopters Government loans with a below-market rate of interest Repeated application of FRS 101⁴ Borrowing costs⁴ Not covered; see About this publication	1 July 2009 1 January 2009 1 January 2010 1 July 2010 1 January 2011 1 January 2011 1 January 2011 1 July 2011 1 January 2013† 1 January 2013† 1 January 2013†
FRS 102	<i>Share-based Payment</i> Subsequent amendments: <ul style="list-style-type: none"> Vesting conditions and cancellations Scope of FRS 102 and revised FRS 103² Group cash-settled share-based payment transactions 	1 January 2005 (listed companies) 1 January 2006 (all other companies) 1 January 2009 1 July 2009 1 January 2010
FRS 103	<i>Business Combinations</i> Subsequent amendments: <ul style="list-style-type: none"> Contingent consideration for a business combinations that occurred before the effective date of the revised FRS 103³ Measurement of non-controlling interest³ Un-replaced and voluntarily replaced share-based payment awards³ 	1 July 2009 1 July 2010 1 July 2010 1 July 2010
FRS 104	<i>Insurance Contracts</i> Not covered; see About this publication	1 January 2005
FRS 105	<i>Non-current Assets Held for Sale and Discontinued Operations</i> Subsequent amendments: <ul style="list-style-type: none"> Plans to sell controlling interest in a subsidiary¹ Applicable disclosure requirements² 	1 January 2005 1 July 2009 1 January 2010

FRS / INT FRS		Effective date
FRS 106	<i>Exploration for and Evaluation of Mineral Resources</i> Not covered; see About this publication	1 January 2006
FRS 107	<i>Financial Instruments: Disclosures</i> Subsequent amendments: <ul style="list-style-type: none"> • Reclassification of financial assets • Presentation of finance costs¹ • Improving disclosures about financial instruments • Credit risk disclosures³ • Transfers of financial assets • Offsetting financial assets and financial liabilities 	1 January 2007 (listed companies) 1 January 2008 (all other companies) from 1 July 2008 1 January 2009 1 January 2009 1 January 2011 1 July 2011 1 January 2013†
FRS 108	<i>Operating Segments</i> Subsequent amendment: <ul style="list-style-type: none"> • Disclosures of information about segment assets² 	1 January 2009 1 January 2010
FRS 113	<i>Fair Value Measurement</i>	1 January 2013†
INT FRS 7	<i>Introduction of the Euro</i>	1 February 2003
INT FRS 10	<i>Government Assistance – No Specific Relation to Operating Activities</i>	1 February 2003
INT FRS 12	<i>Consolidation – Special Purpose Entities</i>	1 February 2003
INT FRS 13	<i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>	1 February 2003
INT FRS 15	<i>Operating Leases – Incentives</i>	1 February 2003
INT FRS 25	<i>Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders</i>	1 February 2003
INT FRS 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	1 February 2003
INT FRS 29	<i>Service Concession Arrangements: Disclosures</i>	1 February 2003
INT FRS 31	<i>Revenue – Barter Transactions Involving Advertising Services</i>	1 February 2003
INT FRS 32	<i>Intangible Assets – Web Site Costs</i>	1 February 2003
INT FRS 101	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	1 September 2004
INT FRS 104	<i>Determining whether an Arrangement contains a Lease</i>	1 January 2006
INT FRS 105	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	1 January 2006

FRS / INT FRS		Effective date
INT FRS 106	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	1 December 2005
INT FRS 107	<i>Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies</i>	1 March 2006
INT FRS 109	<i>Reassessment of Embedded Derivatives</i> Subsequent amendments:	1 June 2006
	• Embedded derivatives	Ending on or after 30 June 2009
	• Scope of INT FRS 109 and revised FRS 103 ²	1 July 2009
INT FRS 110	<i>Interim Financial Reporting and Impairment</i>	1 November 2006
INT FRS 112	<i>Service Concession Arrangements</i>	1 January 2008
INT FRS 113	<i>Customer Loyalty Programmes</i> Subsequent amendment:	1 July 2008
	• Fair value of award credits ³	1 January 2011
INT FRS 114	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> Subsequent amendment:	1 January 2008
	• Prepayment of a minimum funding requirement	1 January 2011
INT FRS 115	<i>Agreements for the Construction of Real Estate</i>	1 January 2011
INT FRS 116	<i>Hedges of a Net Investment in a Foreign Operation</i> Subsequent amendment:	1 October 2008
	• Entity that can hold the qualifying hedging instruments ²	1 July 2009
INT FRS 117	<i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
INT FRS 118	<i>Transfers of Assets from Customers</i>	Transfers of assets received on or after 1 July 2009
INT FRS 119	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
INT FRS 120	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Not Covered; see About this publication	1 January 2013 [†]

Appendix VI

New standards and amendments effective for 2013 and forthcoming requirements

This Appendix provides an overview of the new standards, amendments to or interpretations of standards in issue at 30 June 2013.

This Appendix contains two tables.

- **New currently effective requirements:** This table lists the recent changes to SFRS that are mandatorily effective for annual periods beginning on or after 1 January 2013.
- **Forthcoming requirements:** This table lists the recent changes to SFRS that are available for early adoption for annual periods beginning on or after 1 January 2013, although they are not yet mandatory until a later period.

The tables also include a cross-reference to the relevant sections in these illustrative financial statements that set out the related example disclosures.

All of the effective dates in the tables refer to the beginning of an annual accounting period, and changes are to be applied retrospectively with early application permitted, unless otherwise stated.

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Table A: New currently effective requirements (First mandatory from 1 January 2013)

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
1. Amended FRS 1 Issued Sep 2011 Effective 1 Jul 2012 <i>In the Headlines</i> – Issue 2011/19	<i>Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income</i> The amendments introduce changes to enhance the presentation of items of other comprehensive income (OCI): <ul style="list-style-type: none"> • Preserve the option to present profit or loss and OCI in two statements; • Require that items of OCI that may be reclassified to profit or loss in the future be presented separately from items that would never be reclassified to profit or loss; and • Change the title of the ‘Statement of comprehensive income’ to the ‘Statement of profit or loss and other comprehensive income’. However, an entity is still allowed to use other titles. 	Consolidated statement of comprehensive income
2. Revised FRS 19 Issued Sep 2011 Effective 1 Jan 2013 <i>Financial Reporting Matters –</i> Jun 2012	<i>Employee Benefits</i> The primary reason for issuing FRS 19R is to improve the accounting for defined benefit plans by: <ul style="list-style-type: none"> • eliminating the option to defer recognition of re-measurement gains and losses (known as the ‘corridor method’); and • requiring re-measurements to be presented in other comprehensive income, so as to separate these changes from the results of an entity’s day-to-day operations. <p>As the Central Provident Fund state plan that most Singapore entities participate in is a form of defined contribution plan, the change is expected to have limited impact in Singapore.</p> <p>Other changes that may have wider implications to Singapore entities include changes in the distinction between short-term and other long-term employee benefits, as well as changes in the recognition rules for termination benefits.</p> <p>FRS 19R is generally to be applied retrospectively, with the exception of two areas of transitional provisions.</p>	Notes 2.5 and 17
3. Amended FRS 107 Issued Mar 2012 Effective 1 Jan 2013 <i>Financial Reporting Matters –</i> Dec 2012	<i>Amendments to FRS 107 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> The amendments to FRS 107 require entities to disclose information on financial assets and financial liabilities that are offset on the face of the balance sheet and those that are presented gross on the face of the balance but are subject to enforceable master netting arrangements or similar agreements.	Note 9

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
4. FRS 113	<p><i>Fair Value Measurement</i></p> <p>FRS 113 replaces the fair value measurement guidance contained in individual FRSs with a single source of fair value measurement guidance. FRS 113 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.</p> <p>To improve consistency of reporting, FRS 113 provides a definition of fair value, establishes a framework for measuring fair value and sets out the disclosure requirements for fair value measurements.</p> <p>FRS 113 is to be applied prospectively.</p>	Notes 2.5, 22 and 33
<p>Issued Sep 2011</p> <p>Effective 1 Jan 2013</p> <p><i>Financial Reporting Matters – Mar 2012 and Mar 2013</i></p>		
5. Improvements to FRSs 2012	<p>The fourth batch of annual improvements encompasses six amendments to five standards. The amendments are mainly minor clarifications or removals of unintended inconsistencies between FRSs.</p> <p>The five FRSs that have been amended under the Improvements to FRSs 2012 are:</p> <ul style="list-style-type: none"> i. <i>FRS 1 Presentation of Financial Statements – Clarification of the requirements for comparative information</i> The amendment clarifies that in the event of a change in accounting policy, reclassification or restatement, a third balance sheet (as at the beginning of the preceding period) is only required if the change has a material effect on the information in the third balance sheet. In addition, related notes to the third balance sheet need not be presented. ii. <i>FRS 16 Property, Plant and Equipment – Classification of servicing equipment</i> The amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment are accounted for in accordance with the requirements of FRS 16 when these items meet the definition of a property, plant and equipment. In all other cases, such items would be classified as inventories. iii. <i>FRS 32 Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments</i> The amendments to FRS 32 clarify that income taxes arising on distributions to holders of equity instruments and on transaction costs of an equity instrument should be accounted for in accordance with FRS 12 <i>Income Taxes</i>. Accordingly, the income tax consequences of dividends are generally recognised in profit or loss unless the dividends relate to income or to a transaction originally recognised in other comprehensive income or equity, in which case the corresponding income tax consequences are also recognised in other comprehensive income or equity accordingly. 	<p>-</p> <p>Notes 4 and 12</p> <p>-</p>
<p>Issued Aug 2012</p> <p>Effective 1 Jan 2013</p> <p><i>IFRS Newsletter The Balancing Items May 2012</i></p>		

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
	<p>iv. <i>FRS 34 Interim Financial Reporting</i></p> <p>– <i>Interim financial reporting and segment information for total assets and liabilities</i></p> <p>The amendments to FRS 34 now require segment total liabilities information to also be presented in interim financial statements in addition to segment total assets information. Such segment total assets and total liabilities information will be required only if such amounts are regularly provided to the chief operating decision maker and there has been a material change from the respective amounts disclosed in the last annual financial statements.</p>	-
	<p>– <i>Consequential amendments to FRS 34 arising from amendments to FRS 1 on comparative information</i></p> <p>The consequential amendments to FRS 34 align the definition of a complete set of financial statements with that of FRS 1.</p>	-
	<p>v. <i>FRS 101 First-time Adoption of Financial Reporting Standards</i></p> <p>– <i>Repeated application of FRS 101</i></p> <p>An entity may have prepared its financial statements for a previous reporting period in accordance with the FRSs, but its most recent annual financial statements were not prepared under the FRS framework. For such an entity that wishes to re-adopt FRSs as its financial reporting framework, the amendments allow the entity to elect to either (1) apply FRS 101 again; or (2) apply the FRSs retrospectively as if the entity had never stopped applying FRSs.</p> <p>The amendments also introduce additional disclosure requirements for these entities that re-adopt FRSs as its financial reporting framework.</p>	-
	<p>– <i>Borrowing costs</i></p> <p>The amendments clarify that for any borrowing costs that arose in a period prior to the date on which the first-time adopter elects to apply FRS 23 and for which these costs had been capitalised under the previous GAAP, such borrowing costs should not be restated. The amendments also clarify that borrowing costs incurred on or after the date of application of FRS 23 on qualifying assets that are already under construction as at the date of application of FRS 23 should also be accounted for in accordance with FRS 23.</p>	-
	<p>– <i>Consequential amendments to FRS 101 arising from amendments to FRS 1 on comparative information</i></p> <p>The consequential amendments mandate a first-time adopter to present a third statement of financial position together with its related notes.</p>	-

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
6. Amended FRS 101 Issued Aug 2012 Effective 1 Jan 2013	<p><i>Amendments to FRS 101 First-time Adoption of FRSs – Government Loans</i></p> <p>The amendments provide an additional exemption from the retrospective application of FRSs for first-time adopters in respect of government loans. The amendments provide that existing government loans that are at a below-market rate of interest would not need to be mandatorily re-measured at fair value retrospectively as at the date of transition to FRS. Accordingly, no government grant will be recognised in respect of the benefits from these government loans at a below-market rate of interest.</p> <p>In such instances, the carrying amount of the government loans as measured under the previous GAAP as at the date of transition to FRSs shall be the carrying amount of these government loans in the opening FRS statement of financial position. Thereafter, these government loans will be measured at amortised cost using the effective interest rate as calculated at the date of transition to FRS.</p>	-
7. INT FRS 120 Issued Apr 2012 Effective 1 Jan 2013	<p><i>Stripping Costs in the Production Phase of a Surface Mine</i></p> <p>INT FRS 120 requires production stripping costs incurred in surface mining activity that benefits future periods through improved access to ore to be mined in the future to be capitalised. Capitalisation of these costs is permitted only if the stipulated capitalisation criteria are met. The capitalised costs are to be depreciated over the life of the identified component of ore body to which the stripping activity relates.</p> <p>INT FRS 120 also provides that for future benefits which are realised in the form of inventory produced, the related production stripping costs will be accounted for in accordance with FRS 2 <i>Inventories</i>. An appropriate production measure basis should be used to allocate costs incurred between the resulting stripping activity asset and inventory produced when such respective costs are not separately identifiable.</p> <p>INT FRS 120 is to be applied prospectively to all production stripping costs incurred on or after the beginning of the earliest period presented. Certain transitional rules apply to existing stripping activity asset balances as at the date of transition.</p>	-

Table B: Forthcoming requirements (Effective after 1 January 2013)

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
1. Consolidation suite of standards	<p>The consolidation suite of standards replaces existing accounting requirements for subsidiaries, associates, joint ventures and unconsolidated structured entities.</p> <p>Issued Sep 2011</p> <p>Effective 1 Jan 2014</p> <p>The suite includes:</p> <ul style="list-style-type: none"> i. <i>FRS 110 Consolidated Financial Statements</i> ii. <i>FRS 27 (2011) Separate Financial Statements</i> iii. <i>FRS 111 Joint Arrangements</i> iv. <i>FRS 28 Investments in Associates and Joint Ventures</i> v. <i>FRS 112 Disclosure of Interests in Other Entities</i> <p>Early application is permitted, provided that the entire suite of consolidation standards is adopted at the same time. The standards generally require retrospective application except for certain simplified transitional provisions.</p> <p>Reporting entities are encouraged to provide information required by FRS 112 earlier than the effective date. Providing some of the disclosures required by FRS 112 does not compel the entity to comply with all the requirements of FRS 112 or to early adopt the entire consolidation suite (i.e. FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011)).</p> <p>Internationally, the consolidation suite is effective one year earlier, i.e. for annual periods beginning on or after 1 January 2013.</p>	
<i>Financial Reporting Matters – Dec 2011 and Jun 2012</i>	<p>FRS 110 and FRS 27 (2011)</p> <p>FRS 110 replaces the existing consolidation requirements under FRS 27 (2009) <i>Consolidated and Separate Financial Statements</i> and INT FRS 12 <i>Consolidation – Special Purpose Entities</i>.</p> <p>FRS 110 changes the definition of control such that an investor controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. A single control model is applied in the assessment for all investees, including special purpose entities that are currently within the scope of INT FRS 12.</p> <p>FRS 110 carries forward the existing consolidation procedures from FRS 27 (2009). FRS 27 (2011) is renamed 'Separate Financial Statements'. The standard now deals solely with separate financial statements. The existing guidance for separate financial statements is unchanged.</p>	Appendix I-E
<i>Financial Reporting Matters – Sep 2012</i>	<p>FRS 111 and FRS 28 (2011)</p> <p>FRS 111 replaces the existing accounting for joint ventures (now joint arrangements) under FRS 31 <i>Interests in Joint Ventures</i> and INT FRS 13 <i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>. FRS 28 (2011) was also issued to make limited amendments to the accounting for associates.</p>	Appendix I-E

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
	<p>FRS 111 prescribes the accounting for joint arrangements in both consolidated and separate financial statements. The adoption of this standard would require entities to re-assess and classify its joint arrangements as either joint ventures or joint operations based on the rights and obligations arising from the joint arrangements, rather than based on the structure of the arrangement as currently prescribed by FRS 31.</p> <p>FRS 111 requires joint ventures to be accounted for using the equity method and removes the existing accounting policy choice of proportionate consolidation under FRS 31. On the other hand, entities are required to apply line-by-line accounting for their share of the underlying assets and liabilities of joint operations, similar to proportionate consolidation.</p> <p><i>In the Headlines</i> – Issue 2011/16</p>	
	<p>FRS 112</p> <p>FRS 112 integrates the disclosure requirements for all interests held in other entities into a single disclosure standard. The type and extent of disclosure information to be presented are prescribed by the standard, and are consistent across all interests held in subsidiaries, joint arrangements, associates and unconsolidated structured entities. These disclosure requirements prescribed by FRS 112 are also more extensive as compared with those in the respective existing standards.</p>	Appendix I-E
<p>2. Amended FRS 110, FRS 111 and FRS 112</p> <p>Issued Sep 2012</p> <p>Effective 1 Jan 2014</p> <p><i>Financial Reporting Matters – Sep 2012</i></p>	<p>Transition Guidance (Amendments to FRS 110, FRS 111 and FRS 112)</p> <p>These amendments simplify the transition to the consolidation suite and provide additional relief from disclosures, for example:</p> <ul style="list-style-type: none"> The date of initial application is now defined in FRS 110 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. If the consolidation conclusion remains unchanged at the date of initial application, then no adjustments to the previous accounting are required. Restatement of comparatives is limited to the immediately preceding period; this applies to the full consolidation suite. <p>Early adoption of the transition amendments is required in the event that the consolidation suite is early adopted.</p>	Appendix I-E
<p>3. Amended FRS 110, FRS 112 and FRS 27</p> <p>Issued Feb 2013</p> <p>Effective 1 Jan 2014</p>	<p>Investment Entities (Amendments to FRS 110, FRS 112 and FRS 27)</p> <p><i>Investment Entities</i> defines an “investment entity” and provides relief from consolidation for such entities. Instead, investment entities are required to recognise their investments in controlled investees in a single line item in the statement of financial position, measured at fair value through profit or loss. In addition, investment entities are also required to account for substantially all other investments under the fair value model, including investments in associates and joint ventures and investment property.</p>	-

FRS/ INT FRS	Overview of key changes	Relevant sections in this publication
<i>Financial Reporting Matters – Dec 2012</i>	The amendments are to be applied retrospectively with certain transitional provisions, including specific requirements to simplify restatements. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time.	
4. Amended FRS 32 Issued Mar 2012 Effective 1 Jan 2014 <i>Financial Reporting Matters – Dec 2012</i>	<i>Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> The amendments to FRS 32 clarify that the right of set-off must not be contingent on a future event, and must be legally enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and its counterparties. The amendments further clarify situations where settlement on a gross basis that does not occur simultaneously (e.g. settlement through central counterparties or clearing houses) may satisfy the offsetting criteria.	Note 3.23

Appendix VII

Differences between FRS and IFRS as at 30 June 2013

A. Differences relating to requirements for consolidated financial statements

FRS

Comparison with IFRS

FRS 27
Consolidated and Separate Financial Statements
(effective FY 1 July 2009)

IAS 27 *Consolidated and Separate Financial Statements*

Under IAS 27, for a company to be exempted from presenting consolidated financial statements, the ultimate or any intermediate parent of the company should produce consolidated financial statements that are available for public use and comply with IFRS.

FRS 28
Accounting for Investments in Associates
(effective FY 1 January 2005)

IAS 28 *Investments in Associates*

Under IAS 28, a company does not have to account for its investment in associates using the equity method if its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with IFRS.

FRS 31
Financial Reporting of Interests in Joint Ventures
(effective FY 1 January 2005)

IAS 31 *Interests in Joint Ventures*

Under IAS 31, a venturer with an interest in a joint venture is exempted from proportionate consolidation and equity method if its ultimate or any intermediate parent of the venturer produces consolidated financial statements that are available for public use and comply with IFRS.

FRS 27, FRS 28 and FRS 31 only require the ultimate or any intermediate parent's consolidated financial statements to be available for public use. FRS 27, FRS 28 and FRS 31 do not specify the accounting standards that the ultimate or any intermediate parent should use to produce its consolidated financial statements.

Internationally, the consolidation suite of standards (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)) is effective one year earlier, i.e. for annual periods beginning on or after 1 January 2013.

B. IFRSs/ IFRIC/Amendments to IFRS/IFRIC not yet issued in Singapore

IFRS/ IFRIC	Overview of key changes
1. IFRIC 2 Issued by IASB Nov 2004 Internationally effective FY 1 Jan 2005	<i>Members' Shares in Co-operative Entities and Similar Instruments</i> Members' shares in co-operatives and other similar entities have some characteristics of equity (for example, voting rights). They may also give the holder the right to request redemption for cash, which may be subject to certain limitations. IFRIC 2 gives guidance on how to apply the requirements of IAS 32 in terms of classifying such financial instruments as liabilities or equity. Under IFRIC 2, members' shares are equity if: <ul style="list-style-type: none"> • the entity has an unconditional right to refuse redemption, or • redemption is unconditionally prohibited by local law, regulation, or the entity's governing charter.
2. IFRS 9 Issued by IASB Nov 2009 Issued by IASB Oct 2010 Internationally effective FY 1 Jan 2015 IFRS Newsletter <i>Financial Instruments</i> New on the Horizon – September 2012 and December 2012 First Impressions – December 2009 and December 2010	<i>IFRS 9 Financial Instruments (Chapters on classification and measurement of financial assets)</i> <i>Additions to IFRS 9 Financial Instruments (Financial Liability Accounting)</i> IFRS 9 is part of the IASB's plan to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 currently does not deal with impairment of financial assets and hedge accounting. To date, the key changes as compared to IAS 39 include: <ul style="list-style-type: none"> • IFRS 9 contains only two primary measurement categories for financial assets: amortised cost and fair value; the existing "held to maturity", "loans and receivables" and "available for sale" categories for financial assets under IAS 39 are eliminated. • If a financial asset is measured at fair value, then all changes in fair value are recognised in profit or loss, with one exception: for equity instruments which are not held for trading, an entity can choose to recognise fair value changes in OCI with no recycling to profit or loss. Internationally, IFRS 9 is to be applied retrospectively. In Singapore, the ASC has yet to issue the equivalent of IFRS 9.
3. Amended IFRS 9 and IFRS 7 Issued by IASB Dec 2011 Internationally effective FY 1 Jan 2015	<i>Amendments to IFRS 9 and IFRS 7 Financial Instruments – Mandatory Effective Date and Transition Disclosures</i> These amendments: <ul style="list-style-type: none"> • defer the effective date of IFRS 9 to annual periods beginning from 1 January 2015; • provide modified transition relief with respect to restatement of prior periods; and • require additional disclosures on the effect of transition from IAS 39 to IFRS 9.

IFRS/IFRIC	Overview of key changes
4. IFRIC 21 Issued by IASB May 2013 Internationally effective FY 1 Jan 2014 In the Headlines – Issue 2013/09	Levies Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. A new interpretation has provided more clarity as to when a liability for a levy should be recognised. The IFRS Interpretations Committee has defined the term 'levy' and confirmed that the trigger for recognising a liability is the obligating event specified in the legislation. The interpretation will achieve greater comparability between entities that operate in the same market within the same jurisdiction.
5. Amended IAS 36 Issued by IASB May 2013 Internationally effective FY 1 Jan 2014	Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets When developing IFRS 13 <i>Fair Value Measurement</i> , the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. These narrow-scope amendments to IAS 36 clarify the IASB's original intention: that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.
6. Amended IAS 36 Issued by IASB June 2013 Internationally effective FY 1 Jan 2014 In the Headlines – Issue 2013/13	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting Laws and regulations on over-the-counter (OTC) derivatives are changing in several jurisdictions, requiring or providing incentives for entities to novate many OTC derivatives to a clearing counterparty. In response to this, the IASB has published Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39), providing relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

Contact us



Reinhard Klemmer
Head, Professional Practice
T: +65 6213 2333
E: rklemmer2@kpmg.com.sg



Ong Pang Thye
Head, Audit
T: +65 6213 2035
E: pong@kpmg.com.sg

KPMG LLP

16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
T: +65 6213 3388
F: 65 6225 0984

kpmg.com.sg



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