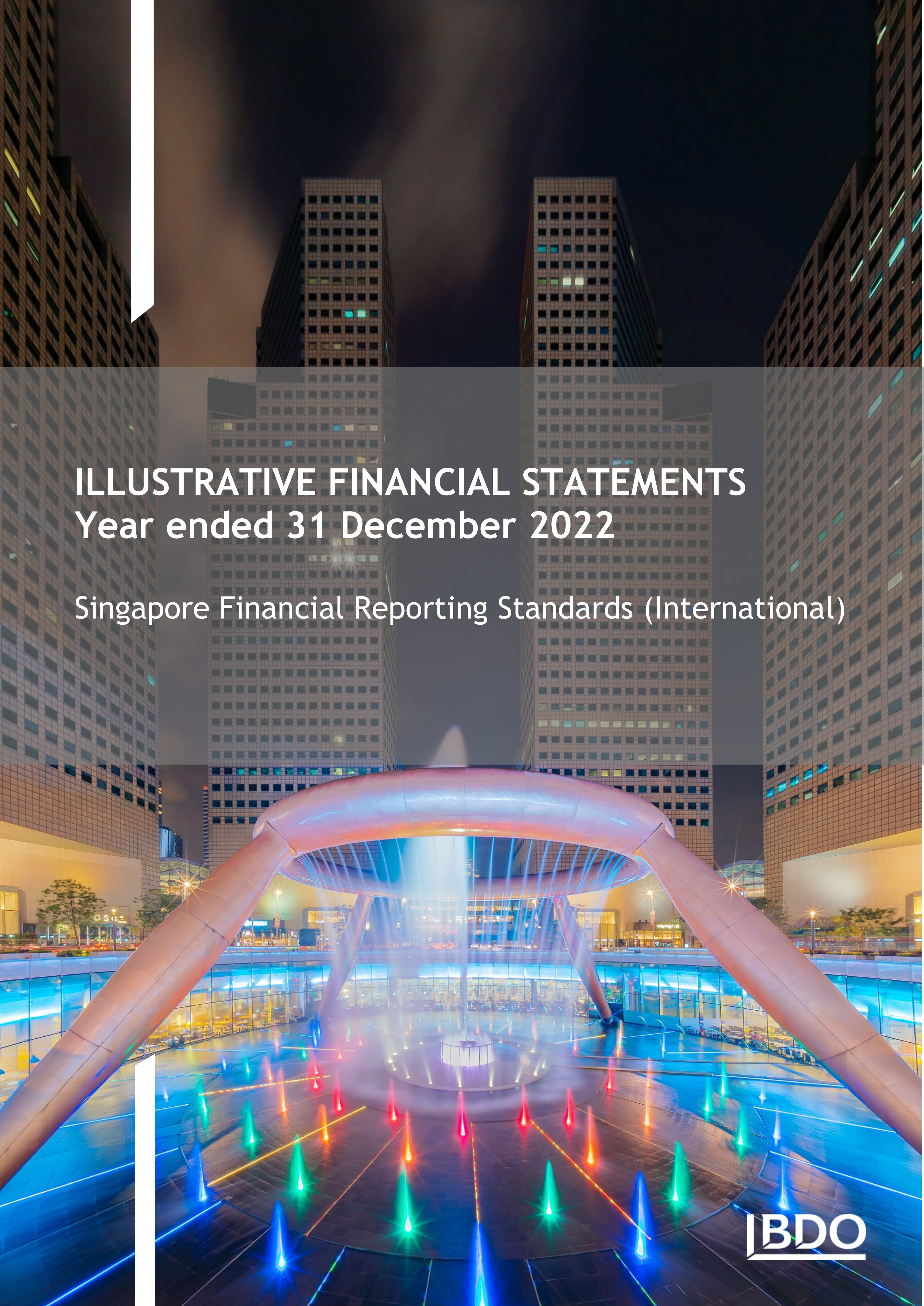

ILLUSTRATIVE FINANCIAL STATEMENTS
Year ended 31 December 2022

Singapore Financial Reporting Standards (International)

About BDO

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PREFACE

Scope

This publication, Illustrative Financial Statements 2022, provides a set of sample financial statements of a fictitious group of companies for the financial year ended 31 December 2022. ABC Singapore Limited ("The Company") is a public company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). ABC Singapore Limited and its subsidiaries (collectively known as the "Group") has prepared its financial statements in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") issued by Accounting Standards Council Singapore.

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

Effects of COVID-19

We now in the third year of the COVID-19 pandemic, jurisdictions around the world have generally experienced an improved economic outlook during, as the number of COVID-19 cases have been declined significantly.

Many businesses globally have returned to business as usual but the crisis has tested the commercial, operational, financial and organisational resilience of companies around the world highlighting the risks and resilience gaps for many organisations, as the effects of pandemic continue to impact global supply chains.

Effects of Ukraine-Russia War

The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests (e.g. suppliers and customers, investments and lenders).

Effects of Climate-related Matters on Financial Statements

On 20 November 2020, the IFRS Foundation published educational material '*Effects of climate-related matters on financial statements*' in response to stakeholders requests for further information to highlight how existing requirements in the IFRS Standards may require companies to consider climate-related matters when their effect is material to their financial statements. Financial reporting implications arising from climate-related and other emerging risks may include, but are not limited to:

- impairment of assets, including goodwill;
- changes in useful life of assets;
- changes in fair value of assets;
- effects on impairment calculations because of increased in costs or reduced in demand;
- changes in provision for onerous contracts because of increased in costs or reduced demand;
- changes in provision and contingent liabilities arising from fines and penalties; and
- changes in expected credit losses for loans and other financial assets.

SFRS(I) Standards do not refer explicitly to climate-related matters. However, companies may be required to consider climate-related matters in applying SFRS(I) Standards when the effect of those matters is material in the context of the financial statements taken as a whole (e.g. with respect to the most significant judgements and estimates).

For more information on the financial reporting implications of COVID-19 or effects on climated-related matters on financial statements, refer to BDO's Global IFRS microsite. For detailed guidance on financial reporting impacts of the Ukraine-Russia conflict for entities that apply IFRS Accounting Standards (IFRS), please refer to BDO's IFR Bulletins and other publications on IFRS reporting microsite.

These illustrative financial statements reflect changes to the requirements of SFRS(I); however, they have not been modified to reflect common effects of COVID-19, Russian Federation's invasion of Ukraine or climate-related matters.

Singapore Financial Reporting Standards (International) ("SFRS(I)")

ABC Singapore Limited and its subsidiaries are an existing preparer of SFRS(I) consolidated financial statements. Therefore, SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* is **NOT** applicable. This set of illustrative financial statements includes sample disclosures under the requirements of the Singapore Companies Act, Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual and Singapore Financial Reporting Standards (International), including its Interpretations that are effective for financial years beginning on or after 1 January 2022.

Due to the nature of its operations, the consolidated financial statements of ABC Singapore Limited and its subsidiaries do not incorporate disclosures relating to:

- Insurance contract (SFRS(I) 4)
- Exploration for and Evaluation of Mineral Resources (SFRS(I) 6)
- Hedging instruments (SFRS(I) 7)
- Investment Entities (SFRS(I) 10)
- Unconsolidated Structured Entities (SFRS(I) 12)
- Regulatory Deferral Accounts (SFRS(I) 14)
- Sales and Leaseback Transactions (SFRS(I) 16)
- Finance Lease for Lessor (SFRS(I) 16)
- Retirement Benefit Plans (SFRS(I) 1-26)
- Hyperinflation (SFRS(I) 1-29)
- Agriculture (SFRS(I) 1-41)

Entities continue to apply Financial Reporting Standards in Singapore ("FRSs") in preparing its financial statements may also refer to this illustrative financial statements.

Illustrative in nature

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. This publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice.

The form and content of each reporting entity's financial statements are the responsibility of the entity's directors/management and other forms of presentation that are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX-ST Listing Manual and SFRS(I)s.

The illustrative financial statements are not substitutes for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by the Singapore Companies Act, SGX-ST Listing Manual and SFRS(I)s. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws, accounting standards and stock exchange regulations in Singapore.

Guidance notes

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

Further guidance

Readers may also refer to the BDO IFRS Illustrative Financial Statements 2022 for further guidance and illustrative disclosures prepared under International Financial Reporting Standards, including on certain areas not covered by this publication. These can be downloaded from https://www.bdo.global/en-gb/microsites/ifrs/resource-library/model-ifrs-financial-statements.

Disclaimer

Abbreviations used

References are made in this publication to the Singapore Companies Act, Singapore accounting pronouncements, guidelines and SGX listing rules that require a particular disclosure or accounting treatment.

The abbreviations used to identify the source of authority are as follows:

CA	Singapore Companies Act
SFRS(I)	Singapore Financial Reporting Standards (International)
SFRS(I) INT	Singapore Financial Reporting Standards (International) Interpretations
SFRS(I) AG	SFRS(I) Application Guidance
SFRS(I) IG	SFRS(I) Implementation Guidance
FRS	Financial Reporting Standards in Singapore
SGX	Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual
SSA	Singapore Standards on Auditing
AGS	Audit Guidance Statements
DV	Disclosure is voluntary

ABC SINGAPORE LIMITED
(Registration Number: 123456789A)
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
AND
FINANCIAL STATEMENTS

31 DECEMBER 2022

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2022

C O N T E N T S

DIRECTORS' STATEMENT

CA 201:16

The Directors of ABC Singapore Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2022 and the statement of financial position of the Company as at 31 December 2022.

1. Opinion of the Directors

In the opinion of the Board of Directors,

CA 12th Schedule:1(a)

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

CA 12th Schedule:1(b)

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

CA 12th Schedule:7

The Directors of the Company in office at the date of this statement are as follows:

Aaron Chan
Bradley Toh
Cathy Ng (Appointed on [•])
Divya D/O Thinupathy
Eng Lee Ming
Foo Tien Kuang

3. Arrangements to enable Directors to acquire shares or debentures

CA 12th Schedule:8
CA 164:1(d)

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

CA 12th Schedule:9
CA 164:1(a), (b)

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Company:				
ABC Singapore Limited				
(No. of ordinary shares)				
Aaron Chan	1,340,000	1,340,000	200,000	200,000
Cathy Ng	840,000	880,000	-	-
Holding Company:				
ABC Holding Pte. Ltd.				
(No. of ordinary shares)				
Aaron Chan	200,000	200,000	-	-
Bradley Toh	50,000	50,000	-	-

CA7:4A
SGX 1207:7

By virtue of Section 7 of the Act, XXX is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 23 January 2023 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2022.

SGX 852
SGX 1207:16
CA 12th Schedule: 2, 4, 5, 6

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

CA 201B:9

6. Audit committee

The audit committee of the Company is chaired by Foo Tien Kuan, an independent Director, and includes Eng Lee Ming and Divya D/O Thinupathy, who are both independent Directors. The audit committee has met four times since the last Annual General Meeting (AGM) and has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

CA 201B:5(a)(i), (ii) & (v)
(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
(b) the Company's and the Group's financial and operating results and accounting policies;

CA 201B:5(a)(iii) & (vi)
(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

CA 201B:5(a)(vi)
(d) the quarterly, half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;

CA 201B:5(a)(iv)
(e) the co-operation and assistance given by the management to the Company's internal and external auditor; and

CA 201B:5(b)
(f) the re-appointment of the external auditor of the Company.

CA 201B:9

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

DV

7. Independent auditor

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

CA 201:16

On behalf of the Board of Directors

Aaron Chan	**Bradley Toh**
Director	Director

[Date]

Commentary

Inclusion of the Company's statement of changes in equity

Where the statement of changes in equity of the Company is also presented in the financial statements, the following illustrative disclosure may be considered.

The introduction paragraph in the Directors' statement can be replaced with the following:

The Directors of ABC Singapore Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended [●], the statement of financial position of the Company as at [●] and the statement of changes in equity of the Company for the financial year then ended.

<u>Opinion of the Directors</u>

Paragraph 1(a) in the Directors' statement can be replaced with the following:

(a) The consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at [●], and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

<u>Audit Committee</u>

Paragraph 6(c) in the Directors' statement can be replaced with the following:

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

Going concern assumption

Where the financial statements have been prepared on a going concern basis based on the assumption that the holding company has undertaken to provide continuing financial support, the following illustrative disclosure may be considered.

<u>Opinion of the Directors</u>

Paragraph 1(b) in the Directors' statement can be replaced with the following:

(b) at the date of this statement, and as disclosed in the Note [●] to the financial statements, with the continuing financial support from the holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

SGX 853

Commentary (Continued)

Share Options

Where options are granted by the Company or its subsidiary corporations, certain disclosures are required under Section 201(16) of the Companies Act.

For options granted by the Company or its subsidiary corporations during the financial year, the following disclosures have to be made:

CA 12th Schedule: 2(a)
CA 12th Schedule: 2(b)
CA 12th Schedule: 2(c)
CA 12th Schedule: 2(d)

(a) The number and class of shares in respect of which the option has been granted;
(b) The date of expiration of the option;
(c) The basis upon which the option may be exercised; and
(d) 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.

Please refer to the following as an illustrative guide:

CA 12th Schedule: 5 & 6
SGX 852:1(a)

At the end of the financial year, there were [●] ordinary shares of ABC Singapore Limited under option relating to the [name of option scheme] Share Option Scheme [Please describe the terms of the options.] which was approved by the members of the Company at an Extraordinary General Meeting on [●].

SGX 852:1(b)(i)

(a) Options granted to Directors of the Company under the [name of option scheme] Share Option Scheme are as follows:

Name	*Options granted during 2022*	*Aggregate options granted since commencement of the Scheme or date of appointment, if later, to 31 December 2022*	*Aggregate options exercised since commencement of the Scheme or date of appointment, if later, to 31 December 2022*	*Aggregate options lapsed since commencement of the Scheme or date of appointment, if later, to 31 December 2022*	*Aggregate options outstanding at 31 December 2022*
Aaron Chan					
Bradley Toh					
Cathy Ng					

SGX 852:1(b)(ii)

(b) The options granted to the controlling shareholder, Aaron Chan, are as described in paragraph (a) above. There were no options granted to associates of the controlling shareholder during the financial year.

SGX 852:1(b)(iii)

(c) During the financial year, no employee has received 5% or more of the total number of options available under the [name of option scheme] Share Option Scheme.

SGX 852:1(c)(ii)

(d) No options have been granted to directors and employees of the holding company and its subsidiary corporations.

SGX 852:1(d)

(e) No options were granted at a discount to market price during the financial year.

SGX 853

Commentary (Continued)

Share Options (Continued)

CA 12th Schedule: 2(b), 4 & 6

(f) Under the [name of option scheme] Share Option Scheme, share options granted, exercised and lapsed during the financial year and outstanding as at [•] were as follows:

Date granted	*At date of grant*	*Opening balance at [•]*	*Lapsed*	*Exercised*	*Closing balance at [•]*	*Exercise price $*	*Exercise period*
5 February 20XX							
5 February 20XX							
5 February 20XX							
29 May 20XX							
13 May 20XX							
21 July 20XX							
21 July 20XX							
21 July 20XX							

Other regulatory requirements

CA 203:1
SGX 707:2
CA 201:16

The Directors' statement shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The Directors' statement shall be made in accordance with a resolution of the Directors specifying the day on which it was made out and be signed by at least two Directors.

CA 201:1(a), (b)
SGX 707:1
CA 201:5(a)(i), (ii)

AGMs shall be held within four months and six months after the end of their financial years for listed and non-listed companies respectively.

Commentary (Continued)

Code of Corporate Governance 2018 ("2018 Code") and SGX Listing Rules

This illustrative has not included a separate section on the corporate governance. The Code of Corporate Governance (the "Code") is applicable to listed companies in Singapore on a comply-or-explain basis. The Code aims to promote high levels of corporate governance in Singapore. The 2018 Code will apply to annual reports covering financial years commencing from 1 January 2019.

A longer transition period of three years will be provided for changes in the SGX Listing Rules relating to the board composition. The requirement is relating to independent directors must comprise at least one-third of the Board will effective on 1 January 2022.

The 2018 Code's provision 10.1 states the duties of Audit Committee include:

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

b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and

f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

Listed companies are encouraged to incorporate the above to the duties of its Audit Committee. For the full details of 2018 Code, companies may refer to SGX's Rulebooks (http://rulebook.sgx.com/en/display/display_main.html?rbid=3271&element_id=7445) or MAS – Code of Corporate Governance (https://www.mas.gov.sg/regulation/codes/code-of-corporate-governance)

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ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Single Statement Approach, Analysed By Function

			Group	
SFRS(I) 1-1:88,99		**Note**	**2022 $'000**	**2021 $'000**
	Revenue	4	75,278	66,517
	Cost of sales		(38,410)	(31,579)
SFRS(I) 1-1:82(a), 103	**Gross profit**		36,868	34,938
SFRS(I) 1-1:103	***Other items of income***			
SFRS(I) 1-1:103	Interest income	5	200	250
	Other income	5	1,632	1,260
SFRS(I) 1-1:82(a)	***Other items of expense***			
SFRS(I) 1-1:103	Marketing and distribution expenses		(9,624)	(9,217)
	Administrative expenses		(9,364)	(9,919)
	Loss allowance on trade receivables and contract assets		(207)	(430)
SFRS(I) 1-1:103	Other expenses		(8,149)	(7,895)
SFRS(I) 1-1:103	Finance costs	6	(1,220)	(1,234)
SFRS(I) 1-1:82(ba)	Share of profit of associates, net of tax		660	600
SFRS(I) 1-1:103	Share of profit of joint venture, net of tax		100	110
SFRS(I) 1-1:82(b)				
SFRS(I) 1-1:82(c)	**Profit before tax from continuing operations**	7	10,896	8,463
SFRS(I) 1-1:82(c)	Income tax expense	8	(2,794)	(3,340)
	Profit from continuing operations		8,102	5,123
SFRS(1) 1-1:82(d)	Profit/ (loss) from discontinued operations, net of tax	9	374	(410)
	PROFIT		8,476	4,713
SFRS(I) 1-1:82(ea); SFRS(I) 5:33(a)	**Other comprehensive income:**			
SFRS(I) 1-1:81A(a)	**Items that may be reclassified subsequently to profit or loss:**			
SFRS(I) 1-1:82A	Exchange differences on translation of foreign operations		2,084	1,024
SFRS(I) 1-1:82A(a)(ii)	**Items that will not be reclassified subsequently to profit or loss:**			
	Loss on revaluation of property		(3,434)	(865)
SFRS(I) 1-1:82A(a)(i)	Share of associates' other comprehensive income		-	309
	Changes in fair value of equity instruments at FVOCI		(299)	1,156
			(3,733)	600
SFRS(I) 1-1:82A(b)(i)				
	Other comprehensive income, net of tax	8	(1,649)	1,624
	TOTAL COMPREHENSIVE INCOME		6,827	6,337

SFRS(I) 1-1:81A(b) (1) Fair value through other comprehensive income

SFRS(I) 1-1:81A(c)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

SFRS(I) 1-1:88,99

Single Statement Approach, Analysed By Function

		Note	Group 2022 $'000	Group 2021 $'000
	Profit attributable to:			
SFRS(I) 1-1:81B(a)(ii)	Owners of the parent		7,996	4,365
SFRS(I) 1-1:81B(a)(i)	Non-controlling interests		480	348
			8,476	4,713
	Total comprehensive income attributable to:			
SFRS(I) 1-1:81B(b)(ii)	Owners of the parent		6,347	5,989
SFRS(I) 1-1:81B(b)(i)	Non-controlling interests		480	348
			6,827	6,337
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
SFRS(I) 1-33:66	Basic and diluted	10	59.17	37.79
	Earnings per share from discontinued operations attributable to owners of the parent (cents)			
SFRS(I) 1-33:68	Basic and diluted	10	2.90	(3.25)

Commentary

In the application of SFRS(I) 1-1 *Presentation of Financial Statements,* ABC Singapore Limited has elected to present:

- a single statement of comprehensive income (SFRS(I) 1-1: 81A);
- the components of other comprehensive income net of related tax effects (SFRS(I) 1-1: 91(a) with the income tax effects of the individual components disclosed in Note 10); and
- to present the reclassification adjustments relating to components of other comprehensive income in the statement of comprehensive income (SFRS(I) 1-1: 94).

If expenses are analysed by function, disclosures on the nature of expenses are also required, as illustrated in Note 7 in these financial statements.

For illustration purposes, two statement approach is also included and expenses are analysed by nature. Please refer to subsequent page for details.

Diluted earnings per share

SFRS(I) 1-33:31
An entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

SFRS(I) 1-33:41
Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

SFRS(I) 1-1:88,99 **Two Statement Approach, Analysed By Nature**

		Note	Group 2022 $'000	Group 2021 $'000
SFRS(I) 1-1:82(a), 102	Revenue	4	75,278	66,517
	Other items of income			
SFRS(I) 1-1:82(a)	Interest income	5	200	250
SFRS(I) 1-1:102	Other income	5	1,632	1,260
	Items of expense			
SFRS(I) 1-1:102	Changes in inventories		(1,769)	(827)
SFRS(I) 1-1:102	Purchase of inventories and materials		(16,521)	(14,670)
SFRS(I) 1-1:102	Employee benefits expense		(22,263)	(20,632)
SFRS(I) 1-1:102	Depreciation and amortisation expense		(13,547)	(13,086)
	Impairment of property, plant and equipment		(1,000)	(1,000)
	Impairment of goodwill		(100)	(500)
SFRS(I) 1-1:82(ba)	Loss allowance on trade receivables and contract assets		(207)	(430)
SFRS(I) 1-1:102	Other expenses		(10,347)	(7,895)
SFRS(I) 1-1:82(b)	Finance costs	6	(1,220)	(1,234)
SFRS(I) 1-1:82(c)	Share of profit of associates		660	600
SFRS(I) 1-1:82(c)	Share of profit of joint venture		100	110
	Profit before tax from continuing operations	7	10,896	8,463
SFRS(I) 1-1:82(d)	Income tax expense	8	(2,794)	(3,340)
	Profit from continuing operations		8,102	5,123
SFRS(I) 1-1:82(ea); SFRS(I) 5:33(a)	Profit/ (loss) from discontinued operations	9	374	(410)
SFRS(I) 1-1:81A(a)	**PROFIT**		8,476	4,713
	Profit attributable to:			
SFRS(I) 1-1:81B(a)(ii)	Owners of the parent		7,996	4,365
SFRS(I) 1-1:81B(a)(i)	Non-controlling interests		480	348
			8,476	4,713
SFRS(I) 1-33:66	**Earnings per share from continuing operations attributable to owners of the parent (cents)**			
	Basic and diluted	10	59.17	37.79
SFRS(I) 1-33:68	**Earnings per share from discontinued operations attributable to owners of the parent (cents)**			
	Basic and diluted	10	2.90	(3.25)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

SFRS(I) 1-1:88,99

Two Statement Approach, Analysed By Nature

Reference		Note	Group 2022 $'000	Group 2021 $'000
SFRS(I) 1-1:81A(a)	**Profit**		8,476	4,713
SFRS(I) 1-1:82A	**Other comprehensive income:**			
SFRS(I) 1-1:82A(a)(ii)	**Items that may be reclassified subsequently to profit or loss:**			
	Exchange differences on translation of foreign operations		2,084	1,024
SFRS(I) 1-1:82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss**			
	Loss on revaluation of property		(3,434)	(865)
	Share of associates' other comprehensive income		-	309
	Changes in fair value of equity instruments at FVOCI		(299)	1,156
			(3,733)	600
SFRS(I) 1-1:81A(b)	**Other comprehensive income, net of tax**	8	(1,649)	1,624
SFRS(I) 1-1:81A(c)	**TOTAL COMPREHENSIVE INCOME**		6,827	6,337
	Total comprehensive income attributable to:			
SFRS(I) 1-1:81B(b)(ii)	Owners of the parent		6,347	5,989
SFRS(I) 1-1:81B(b)(i)	Non-controlling interests		480	348
			6,827	6,337

Commentary

In the application of SFRS(I) 1-1 *Presentation of Financial Statements*, entity may elect to present two statements separately for profit or loss as well as other comprehensive income as illustrated above.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

SFRS(I) 1:21
SFRS(I) 1-1:54, 77
SGX 1207:5(a)

Reference		Note	Group 2022 $'000	Group 2021 $'000
	ASSETS			
SFRS(I) 1-1:60, 61	**Non-current assets**			
SFRS(I) 1-1:54(a)	Property, plant and equipment	11	48,249	46,101
SFRS(I) 1-1:54(b)	Investment properties	12	2,649	5,838
SFRS(I) 1-1:54(c)	Intangible assets	13	5,917	3,162
SFRS(I) 16:47(a)	Right-of-use assets	15	13,298	16,420
SFRS(I) 1-1:54(e)	Investments in associates	17	1,790	1,130
SFRS(I) 1-1:54(e)	Investment in a joint venture	18	383	283
SFRS(I) 1-1:54(o)	Deferred tax assets	19	287	368
SFRS(I) 1-1:54(d)	Financial assets at FVOCI	20	3,573	4,083
	Total non-current assets		76,146	77,385
SFRS(I) 1-1:66	**Current assets**			
SFRS(I) 1-1:54(g)	Inventories	21	12,511	10,791
SFRS(I) 1-1:54(h)	Trade and other receivables	22	3,085	2,724
SFRS(I) 15:105	Contract assets	4	982	966
	Prepayments		1,326	582
SFRS(I) 1-1:54(i)	Cash and bank balances	23	27,212	25,437
SFRS(I) 15:128(a)	Capitalised contract costs	4	1,028	876
			46,144	41,376
SFRS(I) 1-1:54(j); SFRS(I) 5:38	Assets of a disposal group classified as held for sale	9	5,316	-
	Total current assets		51,460	41,376
	Total assets		127,606	118,761
	EQUITY AND LIABILITIES			
	Equity			
SFRS(I) 1-1:78(e)	Share capital	24	27,568	25,568
SFRS(I) 1-1:78(e)	Treasury shares	25	(2,543)	(2,543)
SFRS(I) 1-1:78(e)	Retained earnings		47,347	41,825
SFRS(I) 1-1:78(e)	Other reserves	26	9,682	11,357
SFRS(I) 1-1:54(r)	**Equity attributable to owners of the parent**		82,054	76,207
SFRS(I) 1-1:54(q)	**Non-controlling interests**		3,587	3,107
	Total equity		85,641	79,314

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Note	Group 2022 $'000	Group 2021 $'000
	Non-current liabilities			
SFRS(I) 1-1:54(m)	Bank borrowings	27	12,128	7,113
SFRS(I) 1-1:54(m)	Lease liabilities	15	10,572	13,830
SFRS(I) 1-1:54(l)	Provisions	28	1,303	930
SFRS(I) 1-1:54(o)	Deferred tax liabilities	19	882	1,147
	Total non-current liabilities		24,885	23,020
SFRS(I) 1-1:69	**Current liabilities**			
SFRS(I) 1-1:54(k)	Trade and other payables	29	4,076	3,685
SFRS(I) 15:105	Contract liabilities	4	1,007	1,048
SFRS(I) 1-1:54(m)	Bank borrowings	27	5,300	5,521
SFRS(I) 1-1:54(m)	Lease liabilities	15	3,470	3,456
SFRS(I) 1-1:54(n)	Income tax payables		2,644	2,342
SFRS(I) 1-1:54(l)	Provisions	28	256	375
			16,753	16,427
SFRS(I) 1-1:54(j) SFRS(I) 5:38	Liabilities of a disposal group classified as held for sale	9	327	-
	Total current liabilities		17,080	16,427
	Total liabilities		41,965	39,447
	Total equity and liabilities		127,606	118,761

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

SFRS(I) 1:21
SFRS(I) 1-1:54, 77
SGX 1207:5(b)

		Note	Company 2022 $'000	2021 $'000
	ASSETS			
SFRS(I) 1-1:60, 61	**Non-current assets**			
SFRS(I) 1-1:54(a)	Property, plant and equipment	11	47	44
SFRS(I) 1-1:55	Investments in subsidiaries	16	17,150	14,150
	Total non-current assets		17,197	14,194
	Current assets			
SFRS(I) 1-1:66	Trade and other receivables	22	2,343	1,479
	Prepayments		115	109
SFRS(I) 1:54(d)	Cash and bank balances	23	8,138	9,980
	Total current assets		10,596	11,568
	Total assets		27,793	25,772
	EQUITY AND LIABILITIES			
	Equity			
SFRS(I) 1-1:78(e)	Share capital	24	27,568	25,568
SFRS(I) 1-1:78(e)	Treasury shares	25	(2,543)	(2,543)
SFRS(I) 1-1:78(e)	Retained earnings		1,707	1,178
	Total equity		26,732	24,203
	Current liabilities			
SFRS(I) 1:54(k)	Trade and other payables	30	1,038	1,537
SFRS(I) 1:54(o)	Income tax payables		23	22
	Total current liabilities/ Total liabilities		1,061	1,559
	Total liabilities and equity		27,793	25,762

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

Commentary

SFRS(I) 1-1:40A, 40B

A third statement of financial position is required to be presented in addition to the minimum comparatives as at beginning of the preceding period if:

(a) It applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements; and

(b) The retrospective application, restatement or reclassification has a material effect on the statement of financial position at the beginning of the preceding period.

SFRS(I) 1-1:40C

When an entity is required to present an additional statement of financial position in accordance with SFRS(I) 1-1: 40A, it must disclose the information required by SFRS(I) 1-1:41 - 44 and SFRS(I) 1-8. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

Contract balances under SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15:109

Contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the statement of financial position as long as the entity provides sufficient information so users of the financial statements can distinguish them from other items (i.e. receivables and contract assets).

Right-of-use assets and lease liabilities under SFRS(I) 16 Leases

SFRS(I) 16:47(a)

Right-of-use assets and lease liabilities must be presented separately from other assets and other liabilities, either in the statement of financial position or in the notes to financial statements. If a lessee does not present right-of-use assets and lease liabilities separately in the statement of financial position as illustrated in this illustrative financial statement, the lessee shall:

(a) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and

(b) disclose which line items in the statement of financial position include those right-of-use assets and lease liabilities.

SFRS(I) 16:48

The requirement above does not apply to right-of-use assets that meets the definition of investment property. Right-of-use assets that meet the definition of investment property are required to be grouped and presented within investment property.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	Note	Share capital	Treasury shares	Retained earnings	Fair value reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
SFRS(I) 1:21 SFRS(I) 1-1:10(c) SFRS(I) 1-1:106(d)			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January 2022		25,568	(2,543)	41,825	1,516	4,326	1,080	4,435	76,207	3,107	79,314
SFRS(I) 1-1:106(a)	**Total comprehensive income for the year:**											
SFRS(I) 1-1:106(d)(i)	Profit for the year		-	-	7,996	-	-	-	-	7,996	480	8,476
SFRS(I) 1-1:106(d)(ii)	Other comprehensive income		-	-	-	(299)	(3,434)	-	2,084	(1,649)	-	(1,649)
			-	-	7,996	(299)	(3,434)	-	2,084	6,347	480	6,827
	Total transactions with owners, recognised directly in equity											
	Transfer to statutory reserve fund	26	-	-	(174)	-	-	174	-	-	-	-
SFRS(I) 7:11A(e)	Disposal of financial assets at FVOCI	20	-	-	200	(200)	-	-	-	-	-	-
SFRS(I) 1-1:106(d)(iii)	Issuance of share capital	24	2,000	-	-	-	-	-	-	2,000	-	2,000
SFRS(I) 1-1:107	Dividends	31	-	-	(2,500)	-	-	-	-	(2,500)	-	(2,500)
			2,000	-	(2,474)	-	-	174	-	(500)	-	(500)
	Balance at 31 December 2022		27,568	(2,543)	47,347	1,017	892	1,254	6,519	82,054	3,587	85,641

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

SFRS(I) 1:21
SFRS(I) 1-1:10(c)
SFRS(I) 1-1:106(d)

	Group	Note	Share capital	Treasury shares	Retained earnings	Fair value reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January 2021		25,568	(1,243)	39,564	360	4,882	976	3,411	73,518	2,759	76,277
SFRS(I) 1-1:106(a)	**Total comprehensive income for the year:**											
SFRS(I) 1-1:106(d)(i)	Profit for the year		-	-	4,365	-	-	-	-	4,365	348	4,713
SFRS(I) 1-1:106(d)(ii)	Other comprehensive income		-	-	-	1,156	(556)	-	1,024	1,624	-	1,624
			-	-	4,365	1,156	(556)	-	1,024	5,989	348	6,337
	Total transactions with owners, recognised directly in equity											
	Transfer to statutory reserve fund	26	-	-	(104)	-	-	104	-	-	-	-
SFRS(I) 1-32:33	Purchase of treasury shares	25	-	(1,300)	-	-	-	-	-	(1,300)	-	(1,300)
SFRS(I) 1-1:107	Dividends	31	-	-	(2,000)	-	-	-	-	(2,000)	-	(2,000)
			-	(1,300)	(2,104)	-	-	104	-	(3,300)	-	(3,300)
	Balance at 31 December 2021		25,568	(2,543)	41,825	1,516	4,326	1,080	4,435	76,207	3,107	79,314

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

Commentary

Separate statement of changes in equity of the Company

The Group has not included a statement of changes in equity for the Company. If there are any changes in the Company's equity components during the current or preceding financial year, other than that resulting from profit or loss, or otherwise, a separate statement of comprehensive income and/or a separate statement of changes in equity for the Company could (as an option) be included and the necessary changes to the notes must be made accordingly.

SFRS(I) 1-1:106 requires an entity to disclose the following information in the statement of changes in equity:

- total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with FRS 8; and
- for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  (i) profit or loss;
  (ii) other comprehensive income; and
  (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Under SFRS(I) 1-1:106A there is a choice to present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. In the application of this standard, the Group has elected to disclose the information in the statement of changes in equity.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Reference		Note	Group 2022 $'000	Group 2021 $'000
SFRS(I) 1:21 SFRS(I) 1-7:1 SGX 1207:5(c)				
	Operating activities			
SFRS(I) 1-7:18(b)	Profit before income tax from continuing operations		10,896	8,463
SFRS(I) 1-7:10	Profit before income tax from discontinued operations	9	462	(541)
	Profit before income tax, total		11,358	7,922
	Adjustments for:			
SFRS(I) 1-7:20(b), (c)	Impairment of goodwill		100	500
	Impairment of property, plant and equipment		1,000	1,000
	Depreciation and amortisation		13,547	13,086
	Gain/ (loss) on disposal of property, plant and equipment		(50)	30
	Fair value gain on investment properties		2,837	1,478
SFRS(I) 1-7:31	Interest expense		1,220	1,234
SFRS(I) 1-7:31	Interest income		(200)	(250)
SFRS(I) 1-7:31	Dividend income		(104)	(45)
	Unrealised exchange difference		1,604	818
	Share of profit of associates		(660)	(600)
	Share of profit of joint venture		(100)	(110)
			30,552	25,063
SFRS(I) 1-7:20(a)	Operating cash flows before movements in working capital			
	Inventories		(1,720)	(939)
	Trade and other receivables, and contract assets		(1,009)	162
	Prepayments		(744)	48
	Other current asset		(152)	31
	Provisions		254	605
	Trade and other payables, and contract liabilities		352	(2,183)
	Cash generated from operations		27,533	22,787
	Interest income		200	250
	Income taxes paid		(2,561)	(2,936)
SFRS(I) 1-7:35	**Net cash from operating activities**		25,172	20,101
SFRS(I) 1-7:10, 21	**Investing activities**			
SFRS(I) 1-7:16(b)	Proceeds from disposal of property, plant and equipment		500	20
SFRS(I) 1-7:16(a)	Purchase of property, plant and equipment		(17,000)	(6,950)
SFRS(I) 1-7:39, 42	Acquisition of subsidiary, net of cash acquired	16	(2,600)	-
SFRS(I) 1-7:16(a)	Additions to intangible asset		(650)	(895)
	Additions to right-of-use assets		(50)	-
SFRS(I) 1-7:16(c)	Purchases of financial assets at FVOCI		-	(430)
	Proceeds from disposal of financial assets at FVOCI		200	-
	Dividends received from financial assets at FVOCI		104	45
SFRS(I) 1-7:31	**Net cash used in investing activities**		(19,496)	(8,210)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Reference		Note	Group 2022 $'000	Group 2021 $'000
SFRS(I) 1-7:10 SFRS(I) 1-7:21	**Financing activities**			
SFRS(I) 1-7:17(a)	Proceeds from issue of shares	24	2,000	-
SFRS(I) 1-7:17(b)	Purchase of treasury shares	25	-	(1,300)
SFRS(I) 1-7:17(c)	Proceeds from borrowings	A	4,000	-
SFRS(I) 1-7:17(d)	Repayment of borrowings	A	(2,407)	(1,965)
SFRS(I) 1-7:17(e)	Repayment of obligations under leases	15	(3,458)	(2,841)
SFRS(I) 1-7:16(d)	Decrease in short-term deposits pledged		-	1,000
SFRS(I) 1-7:31	Dividends paid to owners of the parent		(2,500)	(2,000)
SFRS(I) 1-7:31	Interest paid		(1,220)	(1,234)
	Net cash used in financing activities		(3,585)	(8,340)
	Net change in cash and cash equivalents		2,091	3,551
	Cash and cash equivalents at beginning of year		20,437	16,571
SFRS(I) 1-7:28	Effect of foreign exchange rate changes on cash and cash equivalents		(316)	315
SFRS(I) 1-7:45	**Cash and cash equivalents at end of year**	23	22,212	20,437

SFRS(I) 1-7:44A

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2022 $'000	Cash flows $'000	Non-cash changes: Acquisition of subsidiary $'000	Non-cash changes: Foreign exchange differences $'000	31 December 2022 $'000
Bank borrowings	12,634	1,593	3,100	101	17,428

	1 January 2021 $'000	Cash flows $'000	Non-cash changes: Acquisition of subsidiary $'000	Non-cash changes: Foreign exchange differences $'000	31 December 2021 $'000
Bank borrowings	14,341	(1,965)	-	258	12,634

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

Commentary

Direct/Indirect method

SFRS(I) 1-7:18

SFRS(I) 1-7 *Statement of Cash Flows* allows entities to report cash flows from operating activities using either the direct method or the indirect method.

ABC Singapore Limited presents its cash flows using the indirect method.

Investing and financing transactions that do not require the use of cash or cash equivalents

Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. An example will be property, plant and equipment acquired under finance leases.

SFRS(I) 1-7:42A

Changes in ownership interests

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

SFRS(I) 1-7:39

Cash flows from obtaining or losing control of subsidiaries or other businesses are classified as investing activities.

Reconciliation of liabilities arising from financing activities

SFRS(I) 1-7:44A - 44E

The SFRS(I) 1-7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

One way to fulfil the disclosure requirement in paragraph 44A is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. When such reconciliation is prepared, it shall provide sufficient information to enable users of financial statements to link the items included in the reconciliation to the statement of financial position and statement of cash flows.

In addition to the non-cash changes as disclosed by ABC Singapore Limited, the following is a non-exhaustive list of non-cash changes arising from financing activities which are not relevant to ABC Singapore Limited:

- Conversion of amount due to **[immediate holding company]** into share capital
- Dividends payable settled by reclassification to a current loan from ultimate holding company
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- Effect of changes in foreign exchange rates
- Fair value changes on interest rate swap liabilities

If any of the above non-cash changes are relevant, they should be disclosed.

Leases

SFRS(I) 16:50, 53(g)

SFRS(I) 16 requires disclosure on the total cash outflow for leases for the financial year. A lessee shall include the following in the statement of cash flows:

- Cash payments relating to principal portion of lease liabilities is presented within financing activities;
- Cash payments relating to interest portion of lease liabilities is presented consistently with entity's existing accounting policy; and
- Cash payments relating to short-term leases, low-value leases and variable lease payments not included in the measurement of lease liabilities are presented within operating activities.

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

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

1. General

SFRS(I) 1-1:138(a)

ABC Singapore Limited (the "Company") (Registration Number 123456789A) is a limited liability company incorporated and domiciled in Singapore with its principal place of business and registered office at 600 North Bridge Road #23-01, Singapore 188778. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

SFRS(I) 1-1:138(c)
SFRS(I) 1-24:13
CA 201:11

The Company's immediate and ultimate holding company is ABC Holding Pte. Ltd., incorporated in Singapore. Related companies in these financial statements refer to members of the ABC Holding Pte. Ltd. group.

Commentary

SFRS(I) 1-1:51(a)

If the Company changes its name during the financial year, the change shall be disclosed.

Please refer to the illustrative guide below:

"With effect from (effective date), the name of the Company was changed from (former name) to (current name)."

Disclosure of name of ultimate controlling party

SFRS(I) 1-24:13

SFRS(I) 1-24 *Related Party Disclosures* requires the Company to disclose the name of the Company's parent and, if different, the ultimate controlling party. The ultimate controlling party can be either an entity or a person. If neither the entity's 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 also be disclosed.

SFRS(I) 1-1:112, 117

2. Significant accounting policies

Commentary

Notes to the financial statements – general requirements

In the notes to the financial statements entities are required to present:

- Information about the basis of preparation of the financial statements and the specific accounting policies used
- Disclosures required by SFRS(I) not presented elsewhere in the financial statements
- Information that is not presented elsewhere in the financial statements, but is relevant to an understanding of the financial statements and the impact of particular transactions, other events and conditions on financial position and performance.

Disclosure of significant accounting policies

As a general rule accounting policies must be disclosed where they are relevant to understanding the financial statements. This means accounting policies are required to be disclosed for all material items in the financial statements. Materiality depends on both the size and nature of the item.

Some SFRS(I)s specifically require the disclosure of accounting policies for specific items. These have been illustrated in these illustrative financial statements where applicable. All other accounting policies are disclosed under the general requirement of SFRS(I) 1-1:117(b).

Accounting policies disclosed should be the specific accounting policies of the reporting entity and therefore the illustrative disclosures applicable to ABC Singapore Limited must be customised to the particular facts and circumstances of the reporting entity.

Presentation of financial statements

- Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by SFRS(I)s. Disclosures required by SFRS(I)s do not need to be made if the information is not material.
- SFRS(I) 1-1:30A — All relevant facts and circumstances should be taken into consideration in making decisions about aggregation.
- The understandability of financial statements shall not be reduced by obscuring material information with immaterial information or by aggregating material items of different nature or function.
- There is flexibility in the way the notes to the financial statements are presented.

SFRS(I) 1-1:113

As far as practicable, notes should be presented in a systematic manner. The determination of the order of the notes should include consideration of the effect on the understandability and comparability of the financial statements.

SFRS(I) 1-1:114

Examples of systematic ordering or grouping of the notes include:

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
(b) grouping together information about items measured similarly such as assets measured at fair value; or
(c) following the order of line items in the statement of comprehensive income and the statement of financial position.

The notes in these Illustrative Financial Statements for ABC Singapore Limited are ordered in accordance with the approach described in paragraph (c) above for illustrative purposes only. Entities may alternatively consider a different ordering, including those in (a) and (b) above.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation

SFRS(I) 1-1:16
SGX 1207:5(d)
SFRS(I) 1-1:117(a)

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

SFRS(I) 1-1:51(d)
SFRS(I) 1-1:51(e)

The individual financial statements of each entity within the Group are measured and presented in the currency of primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

SFRS(I) 1-1:122,125

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

Commentary

Full convergence with International Financial Reporting Standards ("IFRS")

In December 2017, Accounting Standards Council Singapore ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)s"). SFRS(I)s comprise standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). Singapore-incorporated companies listed on SGX-ST are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

As SFRS(I)s is identical to IFRSs, an entity complying with SFRS(I)s can elect to simultaneously include an explicit and unreserved statement of compliance with IFRSs in its SFRS(I) financial statements.[1] Refer below for the proposed statement:

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

(1) For further information, please refer to ASC website - https://www.asc.gov.sg/firstvolume

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Commentary

Going concern assumption

SFRS(I) 1-1:25

When preparing financial statements, management shall make an assessment of the entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

When the financial statements are not prepared on a going concern basis, the entity shall disclose this fact, together with the basis on which the financial statements are prepared and the reason why the entity is not considered a going concern.

Please refer to the illustrative disclosure below:

"These financial statements were not prepared on the going concern basis as [reason why the entity is not regarded as a going concern]. These financial statements have therefore been prepared on a [realisation basis/basis other than of going concern] where the assets of the [Company] are measured at [the lower of their carrying amounts and estimated net realisable values and liabilities are measured at their estimated settlement amounts. Adjustments have been made in these financial statements arising from the difference between the realisation basis and the existing accounting policies of the relevant assets and liabilities. These financial statements do not include any provision for the future costs of realisation of the [Company] except to the extent that such costs were committed at [year end]]".

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Commentary

Material Uncertainties related to Going Concern

SFRS(I) 1-1:122

When management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.

Illustrative disclosure of a material uncertainty related to going concern is as follows:

"The Group incurred a net loss of $ [●] (2021: $ [●]) during the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by $ [●] (2021: $ [●]). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the holding company has undertaken to provide continuing financial support and not to recall amounts due to them of $ [●] until all creditors have been paid.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet/statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements."

In a situation where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but management has concluded that no material uncertainty exists, the entity should disclose the judgements made in arriving at that conclusion. Such disclosures may include:

- the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations
- management's plans that mitigate the effect of these events or conditions
- significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2022

SFRS(I) 1-8:28(a) - (h)

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, [**except as detailed below**].

Commentary

SFRS(I)s effective for annual periods beginning on or after 1 January 2021

When initial application of a SFRS(I) has an effect on the current period or any prior period, entity shall make disclosure in accordance with SFRSI) 1-8:28.

The following standards and interpretations are effective for annual periods beginning on or after 1 January 2022:

		Effective date (annual periods beginning on or after)
Amendments to SFRS(I) 3	: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-37	: Onerous Contract – Costs of Fulfilling a Contract	1 January 2022
Amendments to SFRS(I) 1-16	: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Various	Annual Improvements to SFRS(I)s 2018-2020 - Amendment to SFRS(I) 1: Subsidiary as a First-Time Adopter - Amendment to SFRS(I) 9: Fees in the '10 per cent' Test for Dercognition of Financial Liabilities - Amendment to IE SFRS(I) 16: Lease Incentives - Amendment to SFRS(I) 1-41: Taxation in Fair Value Measurement	1 January 2022

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

Commentary

SFRS(I)s effective for annual periods beginning on or after 1 January 2021 (Continued)

SFRS(I) 1-8:28(a) - (h)

Below are some illustrative disclosures on the adoption of new, amended standards and interpretations:

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contract – Costs of Fulfilling a Contract

SFRS(I) 1-37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to paragraph 68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an additional onerous contract provision as at [1 January 2022].

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

The effect of adoption of the SFRS(I) 1-37 amendments as at [1 January 2022] (increase/(decrease)) is disclosed below:

	$'000
Retained earnings	[•]
Provisions	[•]

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

Commentary

SFRS(I)s effective for annual periods beginning on or after 1 January 2021 (Continued)

SFRS(I) 1-8:28(a) - (h)

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibits the entity from deducting amounts received from selling items produced while the entity is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, the entity shall recognise such sales proceeds and any related costs in profit or loss. The amendments is required to be applied retrospectively and only applicable to those items of property, plant and equipment that are brought to its intended use on or after the beginning of the earliest period presented in the financial statements.

The construction of the Group's new manufacturing plant was completed and available for intended use in April 2021. During the testing phase, certain samples were produced and the proceeds were deducted against the carrying amount of manufacturing plant. The Group will adopt these amendments in the financial year beginning on [1 January 2022].

On [1 January 2022], the effect of adoption being recognised as an adjustment to the opening balance of retained earnings as at [1 January 2021]. The effect of adopting the amendments are as follows:

	Group Increase/ (decrease)
1 January 2021	
Consolidated statement of financial position	
Retained earnings	[•]
Property, plant and equipment	[•]
31 December 2021	
Consolidated statement of financial position	
Property, plant and equipment	[•]
Consolidated statement of comprehensive income	
Revenue	[•]
Cost of sales	[•]
Depreciation	[•]

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

SFRS(I) 1-8:30,31

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

Commentary

SFRS(I) 1-8:30

SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of standards or interpretations that have been issued which are not yet effective; and known or reasonably estimable information to assess the possible impact in the period of initial application.

Such disclosures should be specific to the entity and include reasons for the possible impact.

If the impact is not known or reasonably estimable, a statement to that effect should be included, for example, in cases where new standards have been recently released.

It is not necessary to list out all new and revised standards and interpretations in issue, only those that are relevant. Where none is expected to have any material impact, the illustrative disclosure above could be considered.

New standards, interpretations and amendments issued but not yet effective

The list of standards, amendments to standards, and interpretations issued but not effective reflects the situation as at 15 December 2022. Any standards, amendments to standards, and interpretations issued after that date, but before the date of authorisation of the financial statements, should also be disclosed if it is relevant to the entity. The following should be disclosed if relevant:

		Effective date (annual periods beginning on or after)
Amendments to SFRS(I) 10 and SFRS(I) 1-28	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
SFRS(I) 17	: Insurance Contracts	1 January 2023
Amendments to SFRS(I) 17	: Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8	: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12	: Deferred Tax related to Assets and Liabilities arising from a Single Transactions	1 January 2023
Amendments to SFRS(I) 1-1	: Classification of Liabilities as Current or Non-current	1 January 2024*
Amendments to SFRS(I) 16	: Lease Liability in a Sale and Leaseback	1 January 2024

* The mandatory effective date of this Amendment had been revised from 1 January 2022 to 1 January 2023 by the ASC in July 2020 via Amendment to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current—Deferral of Effective Date and further revised to 1 January 2024 in December 2022 via Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants.*

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I) 1-8:30, 31

Changes in accounting policies (Continued)

New standards, interpretations and amendments issued but not yet effective (Continued)

Commentary

Illustrative disclosures on some of the other standards and amendments issued but not yet effective that can be considered if relevant, are as follows:

Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of liabilities

The amendments clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the financial year to defer settlement of the liability for at least twelve months after the financial year. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

The Group will adopt these amendments in the financial year beginning on [1 January 2024]. The Group is currently assessing the impact of these new accounting standards and amendments. The Group believe that the amendments to SFRS(I) 1-1 will not have a significant impact on the classification of its liabilities, [as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability].

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.2 Basis of consolidation

SFRS(I) 10:5-7

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

SFRS(I) 10:20, 25

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

SFRS(I) 10:B86(c)

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

SFRS(I) 10:19, B87, B92

The financial statements of the subsidiaries are prepared for the same financial year as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

<u>Non-controlling interests</u>

SFRS(I) 10:22, B94

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

SFRS(I) 10:23, B96

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

SFRS(I) 10:25, B98, B99

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

SFRS(I) 1-27:10(a)
SFRS(I) 1-27:16(c)

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are carried at cost, less any impairment loss that has been recognised in profit or loss.

Commentary

SFRS(I) 3:19

Measurement of non-controlling interest

The measurement election is made for each individual business combination and does not constitute an accounting policy choice for similar transactions. The Company is allowed to measure non-controlling interest arising in a business combination that are present ownership interests and entitle their holders to a proportionate share of net assets of the subsidiary in the event of liquidation at either:

- Fair value; or
- The non-controlling interest's proportionate interest in the acquiree's identifiable net assets.

The election will require management to carefully consider their future intentions regarding the transactions with non-controlling interests as this will potentially results in significantly different amounts of goodwill and equity.

Exemption from consolidation

SFRS(I) 10:4(a)

In the event where the Company is exempted from preparing consolidated financial statements and elects to prepare separate financial statements, the Company shall disclose this fact, the name and country of incorporation or residence of the entity whose consolidated financial statements have been produced for public use as well as the address where those consolidated financial statements are obtainable. The following is an illustration of disclosure to be considered:

SFRS(I) 1-27:16(a)

These financial statements are the separate financial statements of ABC Singapore Limited. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of ***[name of ultimate holding company]****, a company with its country of incorporation and principal place of business in [Singapore]. The ultimate holding corporation produces consolidated financial statements available for public use at* ***[address where those consolidated financial statements are obtainable]*** *and the consolidation financial statements* ***complies with Singapore Financial Reporting Standards (International)****. The registered office of* ***[name of ultimate holding company]*** *is at [address].*

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.3 Business combinations

SFRS(I) 3:4, 37
SFRS(I) 3:53
SFRS(I) 3:39, 58

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

SFRS(I) 3:18, 20

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

SFRS(I) 3:42

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

SFRS(I) 3:32

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

SFRS(I) 3:B63(a)

Goodwill on subsidiary is recognised separately as intangible assets (Note 13). Goodwill is initially recognised at cost and subsequently measured at cost less any accumulated impairment losses.

Commentary

Contingent consideration classified as equity

SFRS(I) 3:58(b)(i)

Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

Bargain purchase

SFRS(I) 3:36

Before recognising a gain on a bargain purchase, the Company shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective of the review is to ensure that the measurements appropriately reflect consideration of all available information as of the date of acquisition. If after reassessment, the Company still make a bargain purchase, the following accounting policy may be considered:

SFRS(I) 3:34

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

SFRS(I) 1-01:112, 117

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

Commentary

Goodwill arising on the acquisition of a foreign operation

SFRS(I) 1-21:47

Any goodwill arising on the acquisition of a foreign operation shall be treated as assets and liabilities of foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate in accordance with paragraphs 39 and 42 of SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*.

Business combinations involving entities under common control

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity). The following is an illustrative accounting policy where the pooling of interest method is applied:

RAP 12:9

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- *The assets and liabilities of the combining entities are reflected at their carrying amounts.*
- *No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.*
- *No goodwill is recognised as a result of the combination.*
- *Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.*
- *The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.*
- *Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.*

Contingent liabilities recognised in a business combination

SFRS(I) 3:56

Where there are contingent liabilities assumed in the business combination, the following illustrative accounting policy may be considered:

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- *The amount that would be recognised in accordance with the accounting policy for provisions in accordance with SFRS(I) 1-37 or as set out in Note 2.21 to the financial statements; or*
- *The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 or as set out in Note 2.4 to the financial statements.*

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.4 Revenue from contracts with customers

SFRS(I) 15:46, 47

SFRS(I) 15:126(a)

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices, except for certain distribution and trading contracts which are subject to volume discounts as disclosed below.

<u>Distribution and trading</u>

SFRS(I) 15:119, 125

The Group's distribution and trading business is involved in manufacturing and selling plasma screens, LED screens, speaker products and other audio-related accessories to wholesalers and retailers. Revenue from the sales of these products is recognised at point in time when the products are delivered to customers. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within a credit term of 30 to 60 days.

SFRS(I) 15:126(b)

SFRS(I) 15:59

The Group does not operate any loyalty programme. For some major wholesalers and retailers, discounts are given when specific levels of order quantities are met. Revenue from these contracts is recognised based on the contract price specified in the contract, net of estimated volume discounts. Past historical experience is relied and used by the Group to estimate the expected discounts entitled, using expected value method and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue in the future. At the end of each financial year, the Group reviews and updates the transaction price when necessary. A contract liability is recognised for expected volume discounts arising from such arrangement.

SFRS(I) 15:119(e), 126(d)

All products sold by the Group include standard warranty which requires the Group either to replace or mend the defective product during the warranty period. The warranty against defect is not accounted for as separate performance obligation. Therefore, a provision is made for the costs of satisfying the warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

<u>Customised audio system</u>

SFRS(I) 15:119, 123

The customised audio system business is involved design of system, supply of audio-related products and installation service at client's premises. Judgement is used to identify the separate distinct performance obligation within the contracts with customers. The Group has only one distinct performance obligations under the contract for customised audio system as the audio system customised for individual customer has no alternative use for the Group. Additionally, the contracts would require payment to be received for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract prior to completion for any reason other than the Group's failure to perform its obligations under the contract.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.4 Revenue from contracts with customers (Continued)

Customised audio system (Continued)

SFRS(I) 15:21(b)

For any changes to the quantities and system layout is accounted for as a continuation of the original contract as no new separate distinct performance obligation identified. This modification is recognised as cumulative revenue adjustment at date of modification.

SFRS(I) 15:124, 126

The duration of completion varies for each contract, depending on the scale of project. Revenue for customised audio system is recognised over time by reference to the Group's progress, which is measured by comparing the actual hours spent on the project with the total number of hours expected to complete the project (i.e. an input based method). This method is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated hours to complete the installation service.

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

The customer is invoiced on an agreed billing schedule with a credit term of 30 to 60 days. If the value of goods and services transferred to customer exceeds the payments, a contract asset is recognised. Where the payments exceeds the value of goods and services transferred, a contract liability is recognised. The effects on the timing of satisfaction of its performance obligation and timing of payment has been included in Note 4 to the financial statements.

SFRS(I) 15:119(e), 126(d)

Contract for customised audio system also includes a warranty against defect and ensure it functions as customer's specifications. This warranty is not accounted for as separate performance obligation and the Group does not offer any extended warranty to its customers. Therefore, a provision is made for the costs of satisfying the warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

SFRS(I) 15:95

The costs of fulfilling contracts do not result in recognition of a separate asset if such costs are included in the carrying amount of inventories for contracts involving sale of the goods or within the scope of other SFRS(I). For contracts on customised audio system, revenue is recognised over time by reference to installation progress, the Group will recognise these costs of fulfilling as contract asset only if:

a) these costs relate directly to a contract or to an anticipated contract that the Group can specifically identified;
b) these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
c) these costs are expected to be recovered.

Costs of obtaining long-term contracts

SFRS(I) 15:91,94, 118, 127, 128(b) 129

Incremental costs incurred such as sales commissions paid in obtaining customised audio system contracts are capitalised as "capitalised contract costs" in the consolidated statement of financial position and amortised over the contract period, which generally ranged from 1.5 years to 2 years. The amortisation charged for the year has been included in "cost of sales" of the consolidated statement of comprehensive income. For sales commissions incurred for contracts completed within a year, the Group has applied the practical expedient and expensed the costs when incurred.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.4 Revenue from contracts with customers (Continued)

Commentary

Accounting policy

The information required by SFRS(I) 15:119, 123 to 127 and 129 could be included as part of an overall accounting policy for revenue recognition. The above accounting policy for revenue is only for illustration, specific tailoring is required.

An accounting policy should be included for each significant source of revenue and should be tailored to the particular circumstances of the entity concerned, focusing particularly on the more judgemental aspects of revenue recognition such as provisions for returns or discounts.

Contract balances

SFRS(I) 15:109

The standard uses the term ‘contract asset’ and ‘contract liability’ but does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description for a contract asset, the entity shall provide sufficient information for a user of the financial information to distinguish between receivables and contract assets.

If entity uses an alternative term for contract balances, the disclosure requirements under paragraphs 116 – 118 are still applicable.

Presentation of costs incurred to obtain a contract and fulfilment costs

As a matter of accounting policy choice, an entity could choose to present costs incurred to obtain a contract as either:

- A separate class of intangible asset in the statement of financial position, with amortisation in the same line item as amortisation of intangible assets within the scope of SFRS(I) 1-38 *Intangible Assets*. Under this approach, the amortisation would be presented outside of cost of goods sold ‘by function’ as it is not considered as a cost of conversion.
- A class of asset separate from intangible assets in the statement of financial position. Under this approach, amortisation would be part of cost of goods sold ‘by function’ or as a change in contract costs ‘by nature’.

However, an accounting policy choice does not exist for fulfilment costs as these are part of the costs of conversion and are therefore similar to inventory. It is not appropriate to present fulfilment costs as a separate class of intangible assets.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.5 Borrowing costs

SFRS(I) 1-23:12
SFRS(I) 1-23:14
SFRS(I) 1-23:13

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

SFRS(I) 1-23:8

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

Commentary

Over Time Transfer of Constructed Good

With reference to the Agenda Decision published in March 2019, the unsold units under construction, of which the entity applies over time recognition for its revenue from contracts with customers, is not a qualifying asset under SFRS(I) 1-23 *Borrowing Costs*. This asset is ready for its intended sale in its current condition (i.e. the entity intends to sell these partially constructed units as soon as it finds suitable customers and will transfer control of any work-in-progress relating to that unit to the customer. Therefore, the borrowing costs directly attributable to the construction should not be capitalised. Such costs should be expensed as incurred.

2.6 Employee benefits

Defined contribution plans

SFRS(I) 1-19:8, 51

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Employee leave entitlements

SFRS(I) 1-19:11, 16

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months after the end of financial year as a result of services rendered by employees up to the end of the financial year.

Commentary

Other employee benefits

These illustrative financial statements do not cover the accounting for defined benefit pension plans under SFRS(I) 1-19 *Employee Benefits*.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.6 Employee benefits (Continued)

Commentary

Where applicable and material, the following additional illustrative accounting policies on other aspects of employee benefits can be considered:

Profit sharing and bonus plans

SFRS(I) 1-19:19

The Group recognised a liability and an expenses for the expected cost of profit-sharing and bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

Other long-term service benefits

SFRS(1) 1-19:155, 156

Other employee benefits that are expected to be settled wholly within 12 months from the reporting date are presented as current liabilities and recognised at carrying value.

Employee entitlements to leave and other employee benefits that are not expected to be settled wholly within 12 months after the end of the financial year are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

Termination benefits

SFRS(I) 1-19:165

Termination benefits comprise benefits payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for such benefits. Termination benefits are recognised when the Group is committed to either terminating the employment of current employees based on a formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

SFRS(I) 1-19:169

Initial recognition and subsequent changes to the expense and liability for termination benefits are measured in line with the accounting policies disclosed above for other short-term and long-term employee benefits.

2.7 Taxes

SFRS(I) 1-12:6

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax

SFRS(I) 1-12:5, 46
SFRS(I) INT 23:11

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the financial year. Management evaluates its income tax provisions on periodical basis.

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

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.7 Taxes

Deferred tax

SFRS(I) 1-12:15

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

SFRS(I) 1-12:39

SFRS(I) 1-12:44

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

SFRS(I) 1-12:56

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

SFRS(I) 1-12:47, 51

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of financial year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

SFRS(I) 1-12:74

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SFRS(I) 1-12:58, 61A, 66

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

SFRS(I) 1-12:8

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

SFRS(1) 1-1:112, 117

2. Significant accounting policies (Continued)

2.8 Dividends

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

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment.

2.9 Foreign currency transactions and translation

SFRS(I) 1-21:21
SFRS(I) 1-21:23

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

SFRS(I) 1-21:28
SFRS(I) 1-21:30

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

SFRS(I) 1-21:39

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

SFRS(I) 1-21:32

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

SFRS(I) 1-21:48

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

SFRS(I) 1-21:47

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.10 Property, plant and equipment

SFRS(I) 1-16:15, 16

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

SFRS(I) 1-16:7, 12

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

SFRS(I) 1-16:31

Leasehold land and buildings are subsequently stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Leasehold land and buildings are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial year.

SFRS(I) 1-16:39

SFRS(I) 1-16:40

Any revaluation increase arising from the revaluation of such leasehold land and buildings is recognised in other comprehensive income and credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such leasehold land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

SFRS(I) 1-16:30

Other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, on the following bases:

Leasehold land	1% to 2%
Buildings	2% to 4%
Plant, machinery and equipment	20%
Motor vehicles	33.33%
Computers	33.33%
Furniture and fittings (including renovations)	20%

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

SFRS(I) 1-36:9

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

SFRS(I) 1-16:51, 61

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

SFRS(I) 1-16:67

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

SFRS(I) 1-16:41

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

Commentary

Revaluation model

SFRS(I) 1-16:35(a)

At the date of revaluation, the gross carrying amount of the asset is also allowed to be adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The following illustrative accounting policy can be considered:

The accumulated depreciation at the date of revaluation of adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.11 Investment properties

SFRS(I) 1-40:20
SFRS(I) 16:30
SFRS(I) 1-40:33, 35

Investment properties, **[including right-of-use assets held by lessee]**, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

SFRS(I) 1-40:17, 18

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

SFRS(I) 1-40:66

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

Commentary

Distinguish between investment property and owner-occupied property

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

When significant judgement needed to determine the portions of investment property, owner-occupied property and property held for sale in the ordinary course of business, the criteria used to distinguish them and the judgements involved should be disclosed.

Measurement of investment property

SFRS(I) 1-40:30

The entity can choose to apply the fair value model or the cost model to its investment property. ABC Singapore Limited applied fair value model for its investment property. If an entity chooses to measure its investment property using cost model, the following illustrative accounting policy may be considered:

SFRS(I) 1- 40:56
SFRS(I) 1- 40:79(a), (b)

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of [●] years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Right-of-use asset that meets the definition of investment property

SFRS(I) 16:48
SFRS(I) 16:34

Such right-of-use asset should be presented together with entity's owned investment property and should not be presented separately. If the entity applies the fair value model in SFRS(I) 1-40 *Investment Property* to its owned investment property, the entity should apply the same fair value model to these right-of-use assets. ABC Singapore Limited does not have any right-of-use assets that meet the definition of investment property.

SFRS(I) 1- 40:79(e)

Additional disclosure requirements for entity that applies cost model

Under the cost model, the fair value of investment property shall be disclosed at the end of each financial year. In exceptional cases where the entity cannot determine the fair value of investment property reliably, it shall disclose:

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

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.12 Intangible assets

Research and development

SFRS(I) 1-38:54

Expenditure on research activities is recognised as an expense when incurred.

SFRS(I) 1-38:57

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

SFRS(I) 1-38:65

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

SFRS(I) 1-38:74, 97

Subsequent to initial recognition, internally-generated intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged using the straight-line method over the periods the Group expects to benefit from selling the products developed, ranging from 5 to 8 years.

SFRS(I) 1-38:104

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revisions are recognised in profit or loss when the changes arise.

Intangible assets acquired in a business combination

SFRS(I) 1-38:33, 34

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date.

SFRS(I) 1-38:74

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Trademarks and licences

SFRS(I) 1-38:74, 97

Trademarks and licences are stated at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 15 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.12 Intangible assets (Continued)

Commentary

The following illustrative accounting policies may be considered where applicable:

Club memberships

SFRS(I) 1-38:107

Club memberships are stated at cost less any impairment loss.

Computer software licences

SFRS(I) 1-38:24, 27

Acquired computer software licences are initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

SFRS(I) 1-38:74, 97

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.13 Leases

As lessee

SFRS(I) 16:5

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

SFRS(I) 16:6

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

SFRS(I) 16:26

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

SFRS(I) 16:27(b), 28

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

SFRS(I) 16:27

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

SFRS(I) 16:23, 24

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

SFRS(I) 16:47, 48

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

SFRS(I) 16:29, 30

SFRS(I) 16:32

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.13 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

SFRS(I) 16:33
SFRS(I) 1-36:9

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.16 to the financial statements.

SFRS(I) 16:36, 37

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

SFRS(I) 16:38

After the commencement date, interest on the lease liabilities [and variable lease payments not included in the measurement of the lease liabilities] are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

SFRS(I) 16:40
SFRS(I) 16:42
SFRS(I) 16:39

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

SFRS(I) 16:44

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

SFRS(I) 16:45

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

SFRS(I) 16:45, 46

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

SFRS(I) 16:15

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.13 Leases (Continued)

Commentary

Low value assets

SFRS(I) 16:6, B3

SFRS(I) 16 allows lessee to apply recognition exemption to account for leases for which the underlying asset is of low value. Entity shall assess the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased. Additionally, the assessment is made regardless of whether the leased asset is material to the entity.

SFRS(I) 16:B5

An underlying asset can be of low value only if:
(a) entity can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
(b) underlying asset is not highly dependent on, or highly interrelated with, other assets.

Entity shall carefully assess the underlying asset in order to apply the recognition exemption under SFRS(I) 16:6.

Right-of-use assets

ABC Singapore Limited measured all its right-of-use assets using cost model and does not have any right-of-use assets that meet the definition of investment property.

SFRS(I) 16:29

SFRS(I) 16 requires entity to measure the right-of-use assets applying a cost model, unless entity applies either fair value model in SFRS(I) 1-40 *Investment Property* or revaluation model in SFRS(I) 1-16 *Property, Plant and Equipment* subsequent to initial recognition or after the lease commencement date.

SFRS(I) 16:35

For right-of-use assets relate to a class of property, plant and equipment to which the entity applies the revaluation model in SFRS(I) 1-16, the entity may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment. Since it is an accounting policy choice, entity must therefore be consistent in its classification of a class of property, plant and equipment and right-of-use assets for the purposes of SFRS(I) 1-16 and SFRS(I) 16.

SFRS(I) 16:34

In contrast to the revaluation model, the fair value model must be applied to right-of-use assets meeting the definition of investment property where the entity applies the fair value model in SFRS(I) 1-40 to owned investment property.

Presentation of right-of-use assets and lease liabilities

SFRS(I) 16:47(a)(ii), 47(b)

SFRS(I) 16 requires right-of-use assets and lease liabilities to be presented separately in the statement of financial position or disclose in the note to financial statements. For entity that choose to disclose the right-of-use assets and lease liabilities in the notes to the financial statements, SFRS(I) 16 requires entity to disclose which line items in the statement of financial position includes those right-of-use assets and lease liabilities. Entity may consider the following disclosure as part of the accounting policy:

The Group presents right-of-use assets [that do not meet the definition of investment property] in "Property, plant and equipment" and lease liabilities in "Borrowings" in the consolidated statement of financial position.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.13 Leases (Continued)

As lessor

SFRS(I) 16:61, 62, 66

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

SFRS(I) 16:17

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

SFRS(I) 16:81

SFRS(I) 16:83

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

SFRS(I) 16:87

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Commentary

SFRS(I) 16:61, 62

Lessor continues to account for leases as either operating or finance leases depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee.

ABC Singapore Limited does not lease any of its assets under finance lease.

Separation of lease and non-lease components

SFRS(I) 16:15, 17

Unlike lessee where SFRS(I) 16 allows election for not separating non-lease components from lease components, lessor has no such practical expedient. Therefore, lessor must apply the principles within SFRS(I) 15 for allocating consideration to lease and non-lease components.

Subleases classification

SFRS(I) 16:B58

In classifying a sublease arrangement, an intermediate lessor assesses whether the sublease is a finance or operating lease in the context of the right-of-use asset being leased, not the actual underlying asset. Intermediate lessor shall classify the sublease arrangement as a finance or an operating lease as follows:

(a) If the head lease is a short-term lease that the entity, as a lessee, has accounted for using the short-term lease exemption, the sublease shall be classified as an operating lease.

(b) Otherwise, the sublease arrangement shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (i.e. the item of property, plant or equipment that is the subject of the lease).

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.13 Leases (Continued)

Commentary

Subleases classification (Continued)

For entity that enters into subleases, please consider the followings:

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. The Group assesses the lease classification with a sublease with reference to the right-of-use asset arising from the head lease. [Sublease is classified as an operating lease if the Group applies short-term lease exemption to the head lease entered.]

Finance lease

ABC Singapore Limited, in the capacity of lessor, does not have any finance lease arrangement. Lessor that transfers substantially all the risks and rewards incidental to ownership of an underlying asset may consider the following accounting policy:

SFRS(I) 16:67, 69

For leases that classify as finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at the commencement date. Initial direct costs, other than those incurred by manufacturer or dealer lessors, are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term.

SFRS(I) 16:75, 77

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The finance income recognised is included and presented as part of "Other income". The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease (Note 2.17).

SFRS(I) 16:79

The Group accounts for the modification to finance lease as a separate lease when the modification increases the scope by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope.

SFRS(I) 16:80

Otherwise, the Group applies SFRS(I) 9 requirements to the net investment in the lease unless the lease modification would have been classified as an operating lease if the modification has been in effect at the inception date. As such, the Group accounts for the lease modification to an operating lease as a new lease from the date of modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the modification.

Sale and leaseback transactions

SFRS(I) 16:99

ABC Singapore Limited does not have any sale and leaseback transactions. If entity transfers an asset to another entity and leases that asset back from buyer, entity shall first assess whether the transfer of that asset is a sale in accordance with SFRS(I) 15. When transfer of asset is a sale then entity accounts for the transaction in accordance with paragraph 100 – 102 of SFRS(I) 16. Entity shall disclose gain or loss separately in the notes and consider additional information set out in paragraph B52 of SFRS(I) 16.

SFRS(I) 16:103(a)

If transfer is not a sale, entity continues to recognise the transferred asset and recognise a financial liability for the proceeds received from the buyer.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.14 Joint arrangements

SFRS(I) 11:4, 5, 6

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

SFRS(I) 11:16
- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or

SFRS(I) 11:15
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

SFRS(I) 11:17
- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

SFRS(I) 11:24

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.15 to the financial statements.

Commentary

When entity has joint arrangement classified as joint operation, the following disclosure should be considered:

SFRS(I) 11:20

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2.15 Associates and joint ventures

SFRS(I) 1-28:3

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

SFRS(I) 1-28:10, 16, 32

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

SFRS(I) 1-28:10

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.15 Associates and joint ventures (Continued)

SFRS(I) 1-28:38, 39

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

SFRS(I) 1-28:28, 29

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

Commentary

Goodwill arising on the acquisition of joint venture or associates

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

Goodwill on acquisitions of joint venture and associates companies represents the excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets and liability acquired. Goodwill on joint ventures and associated companies is included in the carrying amount of the investments.

2.16 Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Assets other than goodwill

SFRS(I) 1-36:9, 10, 24
SFRS(I) 1-36:22

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Other non-financial assets are subject to impairment tests whenever whether there is any indication that their carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

SFRS(I) 1-36:6
SFRS(I) 1-36:30, 31

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. 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.

SFRS(I) 1-36:59
SFRS(I) 1-36:60

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

SFRS(I) 1-36:114
SFSR(I) 1-36:117
SFRS(I) 1-36: 119

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.16 Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets) (Continued)

Goodwill

SFRS(I) 1-36:9, 10

Goodwill is recognised separately as intangible assets and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

SFRS(I) 1-36:80, 90

Goodwill is allocated on initial recognition to each of the Group's cash-generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

SFRS(I) 1-36:86(a)

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments

SFRS(I) 9:3.1.1

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

SFRS(I) 9:4.1.1
SFRS(I) 9:4.4.1

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

SFRS(I) 9:4.1.2

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method and disclosed in Note 5 to the financial statements.

SFRS(I) 9:5.5.15
SFRS(I) 9:5.4.4

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

SFRS(I) 9:5.5.2, 5.5.5, 5.5.9, 5.5.17

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

SFRS(I) 9:5.4.3

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Equity instruments at fair value through other comprehensive income ("FVOCI")

SFRS(I) 9:4.1.4

The Group has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those equity investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Upon disposal, any balance within fair value reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

SFRS(I) 9:5.7.10

SFRS(I) 9:5.7.1A, 5.7.6

Dividends are recognised in profit or loss when the right to receive payment is establised, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

SFRS(I) 9:5.7.4, B3.1.6

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income and accumulated in fair value reserve.

Derecognition of financial assets

SFRS(I) 9:3.2.3

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Commentary

The following disclosures shall be considered if applicable:

Debt instruments at FVOCI

SFRS(I) 9:4.1.2A

The Group has debt instruments whose objective is achieved by both holding these securities in order to collect contractual cash flows and having the intention to sell the debt securities before maturity. The contractual terms of the debt securities give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These debt instruments are subject to forward looking expected credit loss assessment. On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Commentary

The following disclosures shall be considered if applicable:

Financial assets at fair value through profit or loss ("FVTPL")

SFRS(I) 9:4.1.4

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "Other gains and losses".

SFRS(I) 9:4.1.5

For equity instruments that are either held for trading or irrevocable election to measure the fair value changes through other comprehensive income has not been made, the fair value changes is recognised in profit or loss and presented in "Other gains and losses".

Derivative financial instruments

SFRS(I) 9:6.2.1

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Financial liabilities and equity instruments

Classification as debt or equity

SFRS(I) 1-32:15
SFRS(I) 9:3.1.1

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

SFRS(1) 1-32:11, 35

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

SFRS(I) 1-32:33

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

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When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

<u>**Financial liabilities and equity instruments**</u> (Continued)

SFRS(I) 1-32:33

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

<u>Financial liabilities</u>

SFRS(I) 9:4.2.1

The Group classifies all financial liabilities as subsequently measured at amortised cost, [except for financial liabilities at fair value through profit or loss, financial guarantee contracts loans commitment and/ or contingent consideration in a business combination].

Trade and other payables

SFRS(I) 9:5.1.1

Trade and other payables, excluding advances received, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

SFRS(I) 9:5.1.1

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.5).

SFRS(I) 1-1:69

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of financial year, in which case they are presented as non-current liabilities.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

SFRS(I) 9:4.2.1C, 5.1.1

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss allowance determined in accordance with SFRS(I) 9.

<u>Derecognition of financial liabilities</u>

SFRS(I) 9:3.3.1, 3.3.3

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Commentary

Where applicable, please consider the following illustrative accounting policies:

Offsetting financial instruments

SFRS(I) 1-32:42

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial liabilities at fair value through profit or loss

SFRS(I) 9:4.2.1(a)

SFRS(I) 9:4.2.2

Financial liabilities at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value with changes in fair value being recognised in profit or loss. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Redeemable preference shares

SFRS(I) 1-32:18(a), 36

Preference shares which are mandatorily redeemable on a specific date are classified as financial liabilities. The dividends on these preference shares are recognised as finance expenses.

Convertible loan notes

SFRS(I) 1-32:15, 28, 29, 32

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability, on an amortised cost basis until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Embedded derivatives

SFRS(I) 9:4.3.1

SFRS(I) 9:4.3.3

Derivatives embedded in financial instruments within the scope of SFRS(I) 9, the Group measures the entire contract in accordance with SFRS(I) 9. If derivatives embedded in other host contracts, the Group treated it as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value where changes in fair value are recognised in profit or loss.

Note: The terms and conditions of instruments such as preference shares and convertible debt must be critically evaluated following the criteria in SFRS(I) 1-32 *Financial Instruments: Presentation* to determine their classification as financial liabilities or equity instruments and to identify any embedded derivatives. For example, a conversion option may be required to be accounted as a derivative instead of an equity component.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.18 Inventories

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

SFRS(I) 1-2:6

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.19 Cash and bank balances

SFRS(I) 1-7:46

SFRS(I) 1-7:8

Cash and bank balances in the consolidated statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits. In the consolidated statement of financial position, bank overdrafts are presented within borrowings under current liabilities.

2.20 Non-current assets (or disposal groups) held for sale and discontinued operations

SFRS(I) 5:6, 7, 8

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SFRS(I) 5:15, 25
SFRS(I) 5:20
SFRS(I) 5:21, 22

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

SFRS(I) 5:32

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.21 Provisions

SFRS(I) 1-37:14

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

SFRS(I) 1-37:42, 45

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

SFRS(I) 1-37:53

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised as finance expense.

SFRS(I) 1-37:59

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

2.22 Contingencies

SFRS(I) 1-37:10

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

SFRS(I) 1-37:27, 31
SFRS(I) 3:23

Contingencies are not recognised on the consolidated statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.23 Government grants

SFRS(I) 1-20:7, 24, 27

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants related to asset are deducted against the carrying amount of the asset.

SFRS(I) 1-20:12, 29

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under “Other income”.

SFRS(I) 1-1:112, 117

2. Significant accounting policies (Continued)

2.23 Government grants (Continued)

Commentary

Presentation of grants related to assets

SFRS(I) 1-20:24

SFRS(I) 1-20 allows the government grants related to assets to be presented by either setting up the grant as deferred income or by deducting the grant in arriving the carrying amount of the asset as long as it is consistently applied. For entity that set up a separate deferred income may consider the following disclosure:

SFRS(I) 1-20:24,26

The grants related to assets is recognised as deferred capital grants and amortised to profit or loss over the expected useful life of the relevant asset.

2.24 Segment reporting

SFRS(I) 8:5

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

Commentary

Where there are share-based payments, the following illustrative accounting policy can be considered:

SFRS(I) 2:10, 16, 19, 20

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to the share-based payment reserve, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with a corresponding adjustment to the share-based payment reserve.

SFRS(I) 2:47(a)

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

SFRS(I) 2:30

For cash-settled share-based payments, a liability and a corresponding expense equal to the portion of the goods or services received is recognised at the current fair value determined at the end of each financial year, with movements recognised in profit or loss.

Note – In the case of share options, when the options are exercised the proceeds received are credited to share capital when the new shares are issued. An entity may also choose to transfer the balance previously recorded in the share-based payment reserve to share capital, to retained earnings, or alternatively to leave the balance as a separate reserve.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty

Commentary

Instead of disclosing this information in in the relevant asset and liability notes or as part of the relevant accounting policy disclosures, entity can disclose all the significant accounting judgements and key sources of estimation uncertainty under a separate note to the financial statements.

Management concluded that no significant judgements and estimation uncertainty

When management concluded that there is no significant judgements made in applying the Group's accounting policies and no estimation uncertainty that have a significant impact to the carrying amount of assets and liabilities in subsequent financial year. The following disclosure may be considered:

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

Management is of the opinion that there are no significant judgements made in applying accounting policies and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

SFRS(I) 1-1:122

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (Note 3.2) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the consolidated financial statements:

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty

SFRS(I) 1-1: 122

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

Determine the lease term

SFRS(I) 16:51

The Group leases land and building, machinery and equipment from non-related parties. Included in the lease arrangement, there are extension and termination option held and exercisable only by the Group. In determining the lease term, management considers the likelihood of either to exercise the extension option, or not to exercise the termination option. Management considers all facts and circumstances that create an economic incentive to extend and economic penalty or costs relating to the termination of lease.

SFRS(I) 16:B50

Management has included potential cash outflows of $6,480,000 in the measurement of lease liability for land and building, as it is reasonably certain that the extension option will be exercised. The assessment on lease terms is reviewed at the end of each financial year if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated. During the current financial year, lease term for a machinery is revised to reflect a change in business plan and resulted a decrease in right-of-use assets and lease liabilities by $195,000 respectively.

De-facto control

De-facto control exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the investee.

The Company holds 49% of voting rights in XXX (China) Co., Ltd., with the remaining 51% of voting rights being held by numerous unrelated individual shareholders, each with less than 1% holding.

The Group has determined that it has the practical ability unilaterally to direct the relevant activities of XXX (China) Co., Ltd., and has consolidated the entity as a subsidiary with a 51% non-controlling interest.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the Group has determined that its joint arrangement structured through a separate vehicle (i.e. the investment in ABC (M) Sdn. Bhd.) gives it rights to the net assets and it is therefore classified as a joint venture.

Significant influence

Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group holds a 17% interest in AAA Malaysia Sdn. Bhd. over which the Group has determined that it holds significant influence as:

- The Group holds warrants that are exercisable at any point and give it the right to subscribe for additional share capital that would bring its shareholding to 30%.
- AAA Malaysia Sdn. Bhd.'s articles of association allow a shareholder with 25% or more of its share capital to appoint a director to the board.

Based on this, the Group considers that it has the power to exercise significant influence and has treated its interest in AAA Malaysia Sdn. Bhd. as an associate.

Commentary

Illustrative disclosures of other judgements made in applying accounting policies:

Revenue from contracts with customers

The Group has recognised revenue amounting to $ [●] for sales of goods to a customer in the United States during the year. The buyer has the right to return the goods if its own customers are dissatisfied with the products. Management has determined that it is highly probable that there will be no return of goods and a significant reversal in revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during the year as control of the goods was transferred to the customer.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

Commentary

Illustrative disclosures of other judgements made in applying accounting policies:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Examples of other areas which may be subject to critical judgements to be considered for disclosure include:

SFRS(I) 12:7, 9

- Classification of investments as associates, joint ventures or subsidiaries based on significant influence, joint control or control. Examples of judgements to be considered for disclosure include:
  - That control does not exist, even though more than half of the voting rights are held
  - That control exists even though less than half of the voting rights are held
  - That the entity is an agent or principal
  - That significant influence does not exist even though more than 20% of the voting rights are held
  - That significant influence does exist even though less than 20% of the voting rights are held
  - That there is joint control
  - Of the classification of joint arrangements as joint operations or joint ventures
- Determination of whether a parent is an investment entity
- Recognition of deferred tax assets e.g. interpretation of tax rules as to whether tax losses or tax credits will be available to be offset against future taxable profits
- Classification of lease arrangements (when the entity is a lessor)
- Determine whether the lease payment is in-substance fixed payment and shall be included in the determination of lease liability
- Establish whether there is a non-lease components included in the lease arrangement and require to be accounted for in accordance with SFRS(I) 15 (when the entity is a lessor)
- Determine the standalone selling price of lease and non-lease components

Where no critical judgements are made, please refer to the following illustrative disclosure for guidance:

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

SFRS(I) 1-1:125

3.2 Key sources of estimation uncertainty

The followings are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Revenue from contracts with customers

Estimation of total contract costs

Customised audio system includes design, supply of audio products and an installation service which will be carried out at customer's premises over a period of time. The revenue is recognised over time by reference to the Group's progress, which is measured by comparing the actual hours spent on the project with the total number of hours expected to complete the project (i.e. an input based method).

Management has to estimate the total hours required to complete, which are used in the input method to determine the Group's recognition of revenue for customised audio system. Significant judgement is used to estimate these total hours required to complete the works. In making these estimates, management has relied on the internal expertise and also on past experience of completed projects.

As at 31 December 2022, contract asset of $982,000 (2021: $966,000) was recognised based on the estimation of Group's work progress using input method. If the total hours required had been higher/lower by 10% from management's estimates, the Group's revenue and contract assets would have been lower/higher by $90,000 and $80,000 (2021: $90,000 and $80,000) respectively.

Expected credit loss allowance

Loss allowance for trade receivables and contract assets

Management determines the expected loss arising from default for trade receivables and contract assets, by categorising them based on its historical loss pattern, historical payment profile, geographical risk as well as credit risk profile of customer. A loss allowance of $207,000 (2021: $430,000) was recognised for the financial year ended 31 December 2022.

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

Loss allowance for loans due from related parties, including subsidiaries

The Group is required to assess and recognise a loss allowance for expected credit losses on loans due from related parties, including subsidiaries in accordance with three-stage impairment model. Management has made the assessment based on whether there has been a significant increase in the credit risk of each loan due from related party, including subsidiaries since its initial recognition. Subsequently, determine the amount of allowance to be recognised either based on 12-month expected credit loss or lifetime expected credit loss as well as the amount of interest revenue, if any, to be recognised in future periods.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

SFRS(I) 1-1:125

3.2 Key sources of estimation uncertainty (Continued)

Expected credit loss allowance (Continued)

Loss allowance for loans due from related parties, including subsidiaries (Continued)

Management's assessment includes judgement reflecting all relevant evidence including the related parties' financial performance, cash position as well as any breach of external financial covenant. The Group continues to monitor the financial performance and financial position of each related party in order to ensure that 12-month expected credit loss continues to be appropriate.

As at 31 December 2022, management determined there is no significant increase in credit risk on loans due from related parties, including subsidiaries since initial recognition. These receivables are subject to immaterial credit loss allowances as at 31 December 2022.

Inventories valuation method

Inventories are carried at the lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from the market of similar items. Management reviews the Group's inventories levels in order to identify slow-moving and obsolete merchandise and identifies items of inventories which have a market price that is lower than its carrying amount. Changes in demand levels, technological developments and pricing competition could affect the salability and values of the inventories which could then consequentially impact the Group's results, cash flows and financial position. Management has written down approximately $293,000 (2021: $476,000) of its inventories to net realisable value during the financial year. The carrying amount of the Group's inventories was $7,528,000 (2021: $8,592,000) as at 31 December 2022 (Note 21).

If the market prices had been 5% lower than management's estimate, the Group would have recognised an additional write down on inventory of $59,000 (2021: $21,000) in the financial statements.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill as at 31 December 2022 was $1,858,000 (2021: $1,363,000). During the financial year, an impairment loss of $100,000 (2021: $500,000) was recognised. Further information is disclosed in Note 14 to the financial statements.

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2022 was $16,000,000 (2021: $13,000,000).

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

SFRS(I) 1-1: 125

3.2 Key sources of estimation uncertainty (Continued)

Warranties

Provision for warranties is based on current volumes of products sold and which are still under warranty, historical product failure rates for the preceding 3 to 5 years as well as estimates and assumptions on future product failure rates and an estimate of the costs to remedy the various qualitative issues that might occur. Changes in claim rates and differences between actual and expected warranty costs could impact warranty obligation estimates which could consequently impact the Group's results and financial position. The carrying amount of the Group's provision for warranties as at 31 December 2022 was $804,000 (2021: $550,000) (Note 29).

[If the product failure rates had been 0.5% higher than management's estimates, the Group would have recognised an additional provision for warranties of $376,000 (2021: $332,000) in the financial statements.]

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's income tax payable as at 31 December 2022 were $2,644,000 (2021: $2,342,000) and $23,000 (2021: $22,000) respectively.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

SFRS(I) 1-1:125

3.2 Key sources of estimation uncertainty (Continued)

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

[INSERT DETAILS OF ANY SPECIFIC PROCESS, COMMITTEES, AND SIMILAR IN RELATION TO FAIR VALUE MEASUREMENT THAT MAY EXIST FOR THE REPORTING ENTITY– E.G. VALUATION COMMITTEES, REPORTING TO AUDIT COMMITTEES ETC. Alternatively, this can be covered in the respective notes for example as illustrated in Note 12 guidance commentary for valuations of revalued land and buildings.]

The Group measures a number of items at fair value on a recurring or non-recurring basis:

- Revalued land and buildings - Property, Plant and Equipment (Note 11)
- Investment properties (Note 12)
- Financial instruments (Note 37)

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to the applicable notes.

Commentary

Illustrative disclosures of other key sources of estimation uncertainty:

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

The Group has unrecognised tax losses of $ [•] (2021: $ [•]) at the reporting date which can be carried forward and used to offset against future taxable income.

SFRS(I) 1-1:122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

SFRS(I) 1-1:125

3.2 Key sources of estimation uncertainty (Continued)

Commentary

Illustrative disclosures of other key sources of estimation uncertainty:

Residual value guarantees for leases

SFRS(I) 16:B51

During the financial year, the Group has entered into a contract that conveys the right to use a machinery with latest technology for the contractual term of 5 years. The Group agreed to the inclusion of a residual value guarantee in favor of the supplier. This is because the pricing of the contract does not result in the Group having to pay full value of machine and the Group is able to use the machinery to such extent that it will have little value to the supplier at the end of lease term. The alternative would have been restriction on the quantities produced by the machine on daily basis, but the Group does not wish to be operationally restricted on its ability to use the machinery. The Group initially estimates and recognises amounts expected to be payable under the residual value guarantee as part of the lease liability. As at the financial year end, the Group has included residual value guarantee of $200,000 in carrying amount of lease liabilities. The amounts are reviewed, and adjusted as appropriate, at the end of each financial year.

Others

Examples of other areas which may be subject to significant estimation uncertainty to be considered for disclosure include:

- Depreciation of property, plant and equipment
- Impairment of any non-financial assets (including right-of-use assets)
- Fair value measurement, except when an item is measured at fair value based on a quoted price in an active market, e.g. investment properties, unquoted financial instruments, contingent consideration for a business combination
- Recognition of development costs as intangible assets
- Assessment of the need for and measurement of provisions e.g. for legal proceedings, for restoration costs etc.
- Share based payments

The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation should be disclosed only where it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.

Where there are no key sources of estimation uncertainty, please refer to the following illustrative disclosures for guidance:

Management is of the opinion that there are no key sources of estimation uncertainty at the end of the financial year that have a significant effect on the amounts of assets and liabilities within the next financial year.

4. Revenue from contracts with customers

Disaggregation of revenue

SFRS(I) 15:114, 115

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segment information provided in Note 34 to the financial statements.

		Customised audio system		Distribution and trading		Total	
	Segments	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
SFRS(I) 15:B87, B88, B89	*Primary geographical markets*						
SFRS(I) 8:31, 33(a)	Singapore	15,149	13,706	21,743	19,023	36,892	32,729
	Thailand	8,174	7,540	6,046	4,089	14,220	11,629
	China	7,496	8,677	13,560	11,126	21,056	19,803
	Others	382	968	2,728	1,388	3,110	2,356
		31,201	30,891	44,077	35,626	75,278	66,517
SFRS(I) 8:32	*Type of good or service*						
	Goods (i.e. Plasma screen, LED screen, speaker products)	-	-	44,077	35,626	44,077	35,626
	Customised and installation	31,201	30,891	-	-	31,201	30,891
		31,201	30,891	44,077	35,626	75,278	66,517
	Type of customers						
	Theatre and cinema	12,950	12,250	-	-	12,950	12,250
	Institutions and corporates	17,520	18,050	-	-	17,520	18,050
	Wholesalers	-	-	35,806	28,970	35,806	28,970
	Retailers	-	-	8,271	6,656	8,271	6,656
	Others	731	591	-	-	731	591
		31,201	30,891	44,077	35,626	75,278	66,517
	Timing of transfer of goods and services						
	Point in time	-	-	44,077	35,626	44,077	35,626
	Over time	31,201	30,891	-	-	31,201	30,891
		31,201	30,891	44,077	35,626	75,278	66,517

4. Revenue from contracts with customers (Continued)

Commentary

Disaggregation of revenue

SFRS(I) 15:114

An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

SFRS(I) 15:B87, B88

The extent to which an entity's revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances that pertain to the entity's contracts with customers and how information about the entity's revenue has been presented for other purposes such as earnings release, investor presentations, information regularly reviewed by chief operating decision maker etc.

SFRS(I) 15:B89

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

(a) type of good or service (for example, major product lines);
(b) geographical region (for example, country or region);
(c) market or type of customer (for example, government and non-government customers);
(d) type of contract (for example, fixed-price and time-and-materials contracts);
(e) contract duration (for example, short-term and long-term contracts);
(f) timing of transfer of goods or services;
(g) sale channels

SFRS(I) 15:115

In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114 of SFRS(I) 15) and revenue information that is disclosed for each reportable segment, if the entity applies SFRS(I) 8 *Operating Segments*.

4. Revenue from contracts with customers (Continued)

SFRS(I) 15:116(a)

Contract assets and contract liabilities

	Group 2022 $'000	Group 2021 $'000
Contract assets		
Customised audio system	992	976
Less: Loss allowance (Note 35)	(10)	(10)
	982	966
Contract liabilities		
Customised audio system	329	489
Expected volume rebates	678	559
	1,007	1,048

SFRS(I) 15:116

a) Significant changes in contract assets and contract liabilities

	Contract assets 2022 $'000	Contract assets 2021 $'000	Contract liabilities 2022 $'000	Contract liabilities 2021 $'000
At 1 January	966	935	(1,048)	(1,054)
Cumulative catch-up adjustment	(30)	-	-	-
Transfers to trade receivables	(910)	(903)	-	-
Loss allowance recognised	-	(10)	-	-
Amount recognised as revenue	-	-	917	858
Excess of revenue recognised over cash (or rights to cash)	956	944	-	-
Cash received in advance of performance and not recognised as revenue	-	-	(876)	(852)
At 31 December	982	966	(1,007)	(1,048)

SFRS(I) 15:118

The contract assets and contract liabilities arise from customised audio system mainly due to the cumulative payments received from customers at end of financial year do not necessarily equal to the amount of revenue recognised on the contracts.

SFRS(I) 15:116(c), 118

The scope of one installation service was changed during the year, which resulted in the cumulative catch-up adjustment of $30,000 being recognised in the current year, but which related to performance of the previous period.

SFRS(I) 15:118

Contract liabilities for expected volume discounts has increased due to increased discounts given offered to customers with large volumes of orders.

4. Revenue from contracts with customers (Continued)

Contract assets and contract liabilities (Continued)

b) Remaining performance obligations

SFRS(I) 15:121(a)

The vast majority of the Group's contracts are for the delivery of goods and installation service are within the next 12 months hence, the allocation of aggregate transaction price to the remaining performance obligations and explanation on when the Group expects the revenue to be recognised are not disclosed.

However, certain delivery of goods and installation service have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with the performance.

SFRS(I) 15:120

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2023	2024	Total
	$'000	$'000	$'000
As at 31 December 2022			
Customised audio system	2,579	-	2,579
Delivery of goods	520	220	740
	3,099	220	3,319

	2022	2023	Total
	$'000	$'000	$'000
As at 31 December 2021			
Customised audio system	2,012	105	2,117
Delivery of goods	790	220	1,010
	2,802	325	3,127

SFRS(I) 15:122

Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined. Therefore, the above amounts do not include the amounts of such variable consideration that has been constrained.

Capitalised contract costs

		Group	
		2022	2021
		$'000	$'000
	Sales commission capitalised		
SFRS(I) 15: 128(b)	At 1 January	876	927
SFRS(I) 15: 128(a)	Additions	647	448
	Amortisation	(495)	(499)
	At 31 December	1,028	876

4. Revenue from contracts with customers (Continued)

Commentary

Contract balances

SFRS(I) 15:116

Entity shall disclose the opening and closing of contract balances including receivables, if not otherwise separately presented in the financial statements. SFRS(I) 15 also requires the disclosure on revenue recognised in the financial year (including changes in transaction price for those performance obligations satisfied (or partially satisfied) in previous period) that was included in the contract liability balance at the beginning of the period.

SFRS(I) 15:118

Entity also expects to provide an explanation of significant changes in the contract balances during the financial year. The information shall include both quantitative and qualitative information. Examples of changes may include:

- interest income;
- contract balances recognised or de-recognised as a result of business combinations or disposal;
- adjustments to the amount of revenue recognised in previous periods as a result of changing the method of measuring progress of completion;
- impairment of a contract asset;
- change in the time frame for a right to consideration to become unconditional; and
- change in the time frame for a performance obligation to be satisfied.

The information required by SFRS(I) 15:116 and 118 could (although is not required) to be presented as a reconciliation.

Remaining performance obligations

SFRS(I) 15:120

Entity is expected to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the financial year and provide an explanation of when the entity expects to recognise as revenue. The disclosure can be made either:

(i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
(ii) by using qualitative information.

Impairment of capitalised contract costs

SFRS(I) 15:101

SFRS(I) 15 requires entity to recognise an impairment loss in profit or loss to the extent that the carrying amount of an asset recognised (i.e. capitalised incremental cost or capitalised fulfillment costs) exceeds:

(a) the remaining amount of consideration that entity expects to receive in exchange for the goods or services to which the asset relates; less
(b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

ABC Singapore Limited had not recognised any impairment loss for its contract costs capitalised.

5. Other income

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 7:20(b)	**Interest income**		
	Financial assets measured at amortised cost		
	- Bank deposits	200	250
	Other income		
SFRS(I) 7:11A(d)	Dividend income	104	45
SFRS(I) 1-40:75(f)(i), SFRS(I) 16:90(b)	Rental income from investment properties (Note 12)	1,283	1,203
	Government grant	45	12
		1,432	1,260
		1,632	1,510

SFRS(I) 7:11A(d)

Dividend income represents dividend recognised from investment in equity instruments designated at FVOCI. No dividend was recognised for investment in equity instruments designated at FVOCI disposed during the financial year.

Commentary

Interest revenue and Interest expense

SFRS(I) 7:20(b)

Entity shall disclose total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or debt instruments that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

SFRS(I) 9:5.7.1

If entity has financial instruments measured at fair value through profit or loss ("FVTPL"), entity may elect to present interest income, interest expense and dividend income on financial assets measured at FVTPL, as part of the net fair value gains or losses. Alternatively, entity may present interest income, interest expense and dividend income on financial assets measured at FVTPL separately.

SFRS(I) 9:5.7.10

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

6. Finance costs

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 7:20(b)	Interest expenses on:		
	- Lease liabilities (Note 15)	438	490
	- Bank borrowings	824	794
		1,262	1,284
SFRS(I) 1-21:52(a)	Currency exchange gains - net	(42)	(50)
		1,220	1,234

SFRS(I) 1-1:97

7. Profit before tax

In addition to the charges and credits disclosed elsewhere in the notes to the statement of comprehensive income, the above includes the following charges/ (credits):

Reference		Group 2022 $'000	Group 2021 $'000
	Advertising and marketing	1,037	1,210
SFRS(I) 1-1:104, 1-38:118(d)	Amortisation of intangibles	410	410
	Amortisation of right-of-use assets (Note 15)	3,384	3,511
SGX 1207: 6(a)	Audit fees paid/ payable to auditors:		
	- Auditors of the Company	180	150
	- Other auditors	50	50
	Non-audit fees paid/ payable to auditors:		
	- Auditors of the Company	30	25
	- Other auditors	20	18
	Changes in inventories	1,769	827
SFRS(I) 1-21:52(c)	Currency exchange gains - net	(1,744)	(1,984)
SFRS(I) 1-1:104	Depreciation of property, plant and equipment (Note 11)	9,753	9,165
	Directors' fees of Company	80	80
SFRS(I) 1-1:104	Employee compensation (1)		
	- Salaries and bonuses	20,960	19,421
	- Employer's contribution to defined contribution plans	1,303	1,211
SFRS(I) 1-40:76(d)	Fair value changes of investment property (Note 12)	2,837	1,478
SFRS(I) 1-16:74(d)	(Gain)/ loss on disposal of property, plant and equipment	(50)	30
SFRS(I) 1-36:126(a)	Impairment loss on goodwill	100	500
SFRS(I) 1-36:126(a)	Impairment of property, plant and equipment	1,000	1,000
SFRS(I) 1-2:36(e)	Inventories written down	293	476
	Lease expenses on:		
SFRS(I) 16:53(c)	- short-term leases	1,313	1,134
SFRS(I) 16:53(d)	- low value assets	915	887
	Purchase of inventories and materials consumed	16,521	14,670
	Repairs and maintenance	1,510	1,369
	Transportation expenses	2,751	1,963

(1) Employee compensation relating to key management personnel is disclosed in Note 32 to the financial statements

(2) Employee compensation amounted to $3,129 (2021: $3,015) is included and presented under "marketing and distribution" expenses.

7. **Profit before tax** (Continued)

Commentary

SGX 1207: 6(a)

If there are no audit or non-audit fees paid, the annual report should include an appropriate negative statement.

SGX 1207 (12-15)

A listed entity shall make disclosure on its directors' remuneration as recommended in the Code of Corporate Governance. This illustrative financial statements have not included this disclosure.

SFRS(I) 1-1:104

SFRS(I) 1-1:112(c)

This note includes disclosures on the nature of expenses for an entity presenting its expenses by function in the statement of comprehensive income, for example, staff costs, depreciation and amortisation. Further examples of items by nature that should be disclosed, where material, include advertising expense, utilities, travelling and transportation expenses. In addition, information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them should also be disclosed.

SFRS(I) 1-1:97, 98

The nature and amount of any individually material items of income or expense, being those of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, must be disclosed separately. For example:

(a) write-downs of inventories or property, plant and equipment and reversals of write-downs
(b) restructuring provisions and their reversals
(c) disposals of property, plant and equipment
(d) disposals of investments
(e) discontinued operations
(f) litigation settlements
(g) other reversals of provisions

8. Income tax expense

		Group	
		2022	2021
		$'000	$'000
	Current income tax		
SFRS(I) 1-12:80(a)	- Current financial year	2,833	3,783
SFRS(I) 1-12:80(b)	- Under/ (over) provision in prior years	100	(500)
		2,933	3,283
SFRS(I) 1-12:80(c)	Deferred tax		
	- Current financial year	(139)	57
	Income tax from continuing operations	2,794	3,340
SFRS(I) 1-12:81(h)	Income tax from discontinued operations (Note 9)	88	(131)
		2,882	3,209

SFRS(I) 1-12:81(c)(i) The income tax expense varied from the amount of income tax expense determined by applying the applicable income tax rate of 17% (2021: 17%) to profit before income tax as a result of the following differences:

		Group	
		2022	2021
		$'000	$'000
	Profit before income tax from		
	- continuing operations	10,896	8,463
	- discontinued operations (Note 9)	462	(541)
		11,358	7,922
	Share of profit of associates, net of tax	(660)	(600)
	Share of profit of joint venture, net of tax	(100)	(110)
		10,598	7,212
SFRS(I) 1-12:85	Income tax calculated using applicable tax rate of 17% (2021: 17%)	1,801	1,226
	Add/(Less):		
SFRS(I) 1-12:85	Effect of different tax rates of overseas operations	606	754
	Effect of income not subject to tax	(532)	(380)
	Effect of non-allowable items	992	2,189
SFRS(I) 1-12:80(e)	Utilisation of previously unrecognised tax losses	(85)	(80)
SFRS(I) 1-12:80(b)	Under/ (over) provision in prior years	100	(500)
	Total tax expense	2,882	3,209

8. Income tax expense

SFRS(I) 1-12:81(ab)

Tax on each component of other comprehensive income is as follows:

SFRS(I) 1-1:90

	2022			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Exchange gains on translation of foreign operations	2,084	-	2,084	1,024	-	1,024
Financial assets at FVOCI						
- Fair value (losses)/ gains	(358)	59	(299)	1,542	(386)	1,156
Loss on property valuation (Note 10)	(4,137)	703	(3,434)	(1,042)	177	(865)
Share of associates other comprehensive income	-	-	-	372	(63)	309
	(2,411)	762	(1,649)	1,896	(272)	1,624

Commentary

Applicable tax rates and changes

SFRS(I) 1-12:85

In explaining the relationship between tax expenses (income) and accounting profit, entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the entity is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an entity operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each individual jurisdiction. In this illustrative financial statements, the most meaningful tax rate is determined to be the Singapore's corporate tax rate where the Company is domiciled.

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

In the event that changes to tax rate are expected, entity shall disclose an explanation of changes in the applicable tax rates compared to the previous accounting period.

Tax charged or credited directly in equity

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

Standards require or permit particular items to be charged or credited directly to equity. For example: an adjustment to opening retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error in accordance with SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors;* and amounts arising from initial recognition of the equity component of a compound financial instrument.

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

If entity has charged or credited tax directly in equity, the entity shall include a disclosure on the aggregate current and deferred tax relating to items that are charged or credited directly to equity.

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

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

On 25 January 2022, management and shareholders resolved to dispose of one of the Group's wholly owned subsidiaries, XXX Thailand Co., Ltd., whose principal activities were those of manufacturing and sale of LED screens. The assets and liabilities related to XXX Thailand Co., Ltd. were classified as a disposal group held for sale on the consolidated statement of financial position, and the results from XXX Thailand Co., Ltd. were presented separately on the consolidated statement of comprehensive income as "Discontinued operations". The operations were part of the Group's distribution and trading segment.

The results of the discontinued operations are as follows:

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 5:33(b)(i)	Revenue	3,314	4,507
SFRS(I) 5:33(b)(i)	Expenses	(2,852)	(5,048)
SFRS(I) 5:33(b)(i)	Profit before tax from discontinued operations	462	(541)
SFRS(I) 5:33(b)(ii), 1-12:81(h)	Income tax expense	(88)	131
	Profit after tax from discontinued operations	374	(410)

SFRS(I) 5:33(c)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2022	2021
	$'000	$'000
Operating cash inflows/ (outflows)	311	(465)
Investing cash inflows	253	700
Financing cash outflows	(5)	(48)
Total cash inflows/ (outflows)	559	(410)

SFRS(I) 5:38

The major classes of assets and liabilities in disposal group classified as held for sale as at 31 December 2022 are as follows:

	Group
	2022
	$'000
Property, plant and equipment	3,644
Investment property	1,000
Trade and other receivables	672
Total assets in disposal group classified as held for sale	5,316
Trade and other payables	232
Bank loans and overdrafts	95
Total liabilities directly associated with the disposal group classified a held for sale	327
Net assets directly associated with disposal group classified as held for sale	4,989

9. Discontinued operations and disposal group classified as held for sale (Continued)

SFRS(I) 5:38

Cumulative expense recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:

	Group 2022 $'000	Group 2021 $'000
Cumulative expenses recognised in other comprehensive income relating to disposal group classified as held for sale		
- Exchange differences on translating of foreign operations	(328)	(235)

SFRS(I) 5:38

Details of assets in non-current asset classified as held-for-sale are as follows:

	Company 2022 $'000
Investment in subsidiary	1,000

Commentary

Presenting of discontinued operations

SFRS(I) 5:33(b)

In this illustrative financial statements, the analysis of discontinued operations is presented in the notes to financial standards. SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* allows the analysis to be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income, it shall be presented in a section identified as relating to discontinued operations, i.e. separately from continuing operations.

The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

SFRS(I) 5:34

Entity shall re-present the disclosures in SFRS(I) 5:33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the financial year for the latest period presented.

9. Discontinued operations and disposal group classified as held for sale (Continued)

Commentary (Continued)

Measurement of non-current assets (or disposal groups) classified as held for sale

SFRS(I) 5:15

SFRS(I) 5 requires entity to measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Where the fair value less costs to sell is lower than the carrying amount of non-current asset (or disposal groups), please consider the following illustrative disclosure:

The results of the re-measurement of the disposal group are as follows:

		2022 ***$'000***	***2021*** ***$'000***
SFRS(I) 5:33(b)(iii)	*Pre-tax loss recognised on the measurement to fair value less cost to sell on disposal group*		
SFRS(I) 5:33(b)(ii)	*Tax*		
SFRS(I) 5:33(a)(ii)	*Post-tax loss recognised on the measurement to fair value less cost to sell on disposal group*		
	Total profit/(loss) from discontinued operations		

Where an impairment loss is recognised to write down a disposal group to fair value less costs of disposal, SFRS(I) 13 *Fair Value Measurements* disclosure requirements must also be satisfied. Please refer to Note 11 for more detailed guidance on SFRS(I) 13 disclosure requirements. The following is an illustrative disclosure to be adapted depending on the nature of the assets written down:

SFRS(I) 13:93(b)

The fair value of the net assets of the disposal group are considered a level 3 non-recurring fair value measurement.

SFRS(I) 13:93(d)

The valuation techniques and significant unobservable inputs used in determining the fair value of assets and liabilities held for sale are as follows:

Valuation Techniques used	***Significant unobservable inputs***
[VALUATION TECHNIQUE #1] *[DESCRIPTION]* *[PROCESS AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*
[VALUATION TECHNIQUE #2] *[DESCRIPTION]* *[PROCESS AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*

There were no changes to the valuation techniques during the year.

SFRS(I) 13:93(i)

The fair value measurement is based on the above items' highest and best use, which do not differ from their actual use.

10. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

		2022			2021		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		$’000	$’000	$’000	$’000	$’000	$’000
SFRS(I) 1-33:70(a)	*Numerator*						
	Profit/(loss) attributable to equity holder of parent	7,622	374	7,996	4,775	(410)	4,365
SFRS(I) 1-33:70(b)	*Denominator*						
	Weighted average number of ordinary shares (‘000)	12,881	12,881	12,881	12,634	12,634	12,634
	Earnings per share (cents)						
	Basic and diluted	59.17	2.90	62.85	37.79	(3.25)	34.54

SFRS(I) 1-33:70(c) The Group did not have any dilutive potential ordinary shares in the current or previous financial years.

10. Earnings per share (Continued)

Commentary

Diluted earnings per share

The illustrative financial statements disclosure shown is for an entity which does not have any dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same. Where there are dilutive potential ordinary shares, please refer to the following illustrative disclosure:

For the calculation of diluted earnings per share, profit for the year attributable to the owners of the parent and the weighted average number of ordinary shares are adjusted for the effects of dilutive potential ordinary shares assuming all options have been converted or exercised. The Group's potential ordinary shares comprise convertible loan notes and employee share options.

The calculation of basic and diluted earnings per share (EPS) is based on the following data:

	Continuing operations 2022	Discontinued operations 2022	Total 2022	Continuing operations 2021	Discontinued operations 2021	Total 2021
SFRS(I) 1-33:70(a) ***Numerator/ Earnings***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Profit for the year and earnings used in basic EPS						
Add interest on convertible debt						
Less tax effect of above items						
Earnings used in diluted EPS						
SFRS(I) 1-33:70(b) ***Denominator/ Number of shares***	***'000***	***'000***	***'000***	***'000***	***'000***	***'000***
Weighted average number of shares used in basic EPS						
Effects of:						
Convertible debt						
Employee share options						
Weighted average number of shares used in diluted EPS						
Basic EPS (cents)						
Diluted EPS (cents)						

SFRS(I) 1-33:70(c) *[●] million employee options (2021: [●] million) have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 31 December. The total number of options in issue is disclosed in Note [●] to the financial statements.*

10. Earnings per share (Continued)

Commentary (Continued)

Changes affecting earnings per share

SFRS(I) 1-33:70(a)

Where there is a change in the accounting policy that has a material impact on the reported basic and diluted earnings per share, please refer to the illustrative disclosure as follows for guidance:

The impact of adopting [description of the revised accounting policy] in the current financial year on reported basic and diluted earnings per share:

To the extent that the adoption of the revised accounting policy has an impact on results disclosed above, they have a corresponding impact on the amounts reported for earnings per share as follows:

	Impact on basic earnings per share		***Impact on diluted earnings per share***	
	2022	***2021***	***2022***	***2021***
	cents	***cents***	***cents***	***cents***
Adoption of [description of revised accounting policy]				

Where the revised accounting policy does not have a material impact on the reported basic and diluted earnings per share, please refer to the following illustrative disclosure:

The change does not materially affect the reported basic and diluted earnings per share for the financial year ended 31 December 2022. (see Note 2.1).

Retrospective adjustment or disclosure

SFRS(I) 1-33:64

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively, including where these changes occur after the reporting date but before the financial statements are authorised.

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

Other ordinary share or potential ordinary share transactions than those resulting from a capitalisation, bonus issue or share split that occur after the reporting date shall be disclosed if they would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if they had occurred before the end of the financial year.

SFRS(I) 1-1:77, 78(a)

11. Property, plant and equipment

SFRS(I) 1-16:73(d)(e)

Group	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Computers	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Cost or valuation							
At 1 January 2022	18,076	42,354	5,911	3,286	4,202	3,500	77,329
Additions	-	15,000	-	500	1,000	500	17,000
Acquisition of subsidiary (Note 16)	1,193	1,590	-	398	795	-	3,976
Revaluation (Note 8)	(4,137)	-	-	-	-	-	(4,137)
Disposals	-	(2,500)	-	-	(500)	-	(3,000)
Reclassified as held for sale	(2,672)	(1,603)	-	(267)	(802)	-	(5,344)
Revaluation adjustments	(200)	-	-	-	-	-	(200)
Exchange difference	(167)	513	-	276	184	-	806
At 31 December 2022	12,093	55,354	5,911	4,193	4,879	4,000	86,430
Comprising:							
At cost (SFRS(I) 1-16:73(a))	-	55,354	5,911	4,193	4,879	4,000	74,337
At valuation	12,093	-	-	-	-	-	12,093

11. Property, plant and equipment (Continued)

SFRS(I) 1-16:73(d)(e)

Group	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Computers	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Accumulated depreciation and impairment							
At 1 January 2022	-	20,885	5,911	2,520	1,912	-	31,228
Depreciation charged	200	8,015	-	833	705	-	9,753
Revaluation adjustments	(200)	-	-	-	-	-	(200)
Impairment loss	-	1,000	-	-	-	-	1,000
Disposals	-	(2,400)	-	-	(150)	-	(2,550)
Reclassified as held for sale	-	(1,190)	-	(85)	(425)	-	(1,700)
Exchange difference	-	400	-	50	200	-	650
At 31 December 2022	-	26,710	5,911	3,318	2,242	-	38,181
Carrying amount							
At 31 December 2022	12,093	28,644	-	875	2,637	4,000	48,249

11. Property, plant and equipment (Continued)

Group	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Computers	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021							
SFRS(I) 1-16:73(d)(e) ***Cost or valuation***							
At 1 January 2021	19,289	35,183	5,961	2,946	3,205	5,500	72,084
Additions	-	5,700	-	340	910	-	6,950
Transfer from assets under construction	-	2,000	-	-	-	(2,000)	-
Revaluation (Note 8)	(1,042)	-	-	-	-	-	(1,042)
Disposals	-	(850)	(50)	-	-	-	(900)
Revaluation adjustments	(300)	-	-	-	-	-	(300)
Exchange difference	129	321	-	-	87	-	537
At 31 December 2021	18,076	42,354	5,911	3,286	4,202	3,500	77,329
Comprising:							
SFRS(I) 1-16:73(a) At cost	-	42,354	5,911	3,286	4,202	3,500	59,253
At valuation	18,076	-	-	-	-	-	18,076

11. Property, plant and equipment (Continued)

SFRS(I) 1-16:73(d)(e)

Group	Leasehold land and buildings	Plant, machinery and equipment	Motor vehicles	Computers	Furniture and fittings	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021							
Accumulated depreciation and impairment							
At 1 January 2021	-	14,823	3,994	1,634	1,312	-	21,763
Depreciation charged	300	5,212	1,967	886	800	-	9,165
Revaluation	(300)	-	-	-	-	-	(300)
Impairment loss	-	1,000	-	-	-	-	1,000
Disposals	-	(800)	(50)	-	-	-	(850)
Exchange difference	-	350	-	-	100	-	450
At 31 December 2021	-	20,885	5,911	2,520	1,912	-	31,228
Carrying amount							
At 31 December 2021	18,076	21,469	-	766	2,290	3,500	46,101

11. Property, plant and equipment (Continued)

SFRS(I) 1-16:73(d)(e)

Company	**Computers $'000**
2022	
Cost	
At 1 January 2022	65
Additions	28
At 31 December 2022	93
Accumulated depreciation	
At 1 January 2022	21
Depreciation	25
At 31 December 2022	46
Carrying amount	
At 31 December 2022	47
2021	
Cost	
At 1 January 2021	28
Additions	37
At 31 December 2021	65
Accumulated depreciation	
At 1 January 2021	4
Depreciation	17
At 31 December 2021	21
Carrying amount	
At 31 December 2021	44

SFRS(I) 1-16:74(a)

The carrying amounts of property, plant and equipment of the Group which are pledged as security for banking facilities (Note 27) are as follows:

	2022 $'000	**2021 $'000**
Leasehold land and building	12,093	18,076

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

During the financial year, the Group capitalised borrowing costs of $20,000 (2021: $10,000) which relates specifically to the construction of the machinery.

11. Property, plant and equipment (Continued)

SFRS(I) 1-16:77(a) - (d)
SFRS(I) 13:93(d)
SGX 1207: 11
SFRS(I) 13:93(b)

Leasehold land and buildings of the Group were valued as at 31 December 2022 and 31 December 2021 by Messrs Henry Butcher, an independent professional valuation firm using the sales comparison approach. Sale prices of comparable land and buildings in similar locations are adjusted for differences in key attributes such as land and property size. The most significant input into the valuation model is the price per square metre of the land and buildings. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of land and buildings are considered level 2 recurring fair value measurements.

There were no changes to the valuation techniques during the year.

SFRS(I) 1-16:77(e)

If the leasehold land and buildings of the Group stated at valuation were included in the financial statements at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been approximately $8,586,000 (2021: $9,273,000).

Impairment of assets

SFRS(I) 1-36:126(a), 130(a)(b)(d)(e)(g)

During the year, the Group carried out a review of the recoverable amount of its distribution and trading segment's plant, machinery and equipment due to a deterioration in operating results following the loss of a key customer. The review led to the recognition of an impairment loss of $1,000,000 (2021: $1,000,000) that has been recognised in profit or loss, and included in the administrative expenses. The recoverable amount of the relevant assets of $23,298,000 (2021: $18,494,000) has been determined on the basis of their value in use. The discount rate used in measuring value in use was 13.1% (2021: 12.6%).

11. Property, plant and equipment (Continued)

Commentary

Treatment of accumulated depreciation under revaluation model

SFRS(I) 1-16:35

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market date or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment loss; or
(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

ABC Singapore Limited has applied (b) above where the accumulated depreciation of revalued asset is eliminated against the gross carrying amount of the asset.

Entity applies method (a) may refer below for the illustrative disclosure:

	Leasehold land and buildings $'000
Valuation	
At 1 January 2022	26,686
Acquisition of subsidiary (Note 16)	1,193
Revaluation	17,647
Reclassified as held for sale	(5,918)
Exchange difference	(167)
At 31 December 2022	39,441
Accumulated depreciation	
At 1 January 2022	8,610
Depreciation charge	200
Revaluation	21,784
Reclassified as held for sale	(3,246)
At 31 December 2022	27,348
Carrying amount	
At 31 December 2022	12,093

11. Property, plant and equipment (Continued)

Commentary

Fair value measurement

SFRS(I) 13 *Fair Value Measurement* requires specific disclosures for items measured or disclosed at fair value, depending on:

SFRS(I) 13:93
- The level of fair value measurement, and
- Whether the fair value measurement is recurring or non-recurring.

Revalued property is an example of a recurring fair value measurement, as fair valuation is required at each reporting date (unless the carrying value does not differ materially from fair value – SFRS(I) 1-16:31).

In the case of ABC Singapore Limited, the valuation techniques result in a level 2 fair value measurement, being based on observable inputs. However, if at least one significant unobservable input is used in the valuation, it will be classified as level 3. It should be noted that many property valuations do involve significant unobservable inputs and therefore would be classified as level 3.

For level 3 fair values, additional disclosure requirements include:

- SFRS(I) 13:93(e)(f) A reconciliation between the opening and closing fair value measurement, including any unrealised fair value gains/losses
- SFRS(I) 13:93(d) Significant unobservable inputs
- SFRS(I) 13:93(g) A description of the valuation processes and policies in relation to the item (in addition to the description of valuation techniques required for both level 2 and 3)
- SFRS(I) 13:93(h)(i) Narrative disclosure of the sensitivity of changes in significant unobservable inputs to fair value i.e. describe whether increases or decreases in significant unobservable inputs would cause an increase or decrease in fair value

The following illustrative disclosure can be considered for level 3 fair values of revalued property, plant and equipment:

A reconciliation of the opening and closing fair value balance is provided below.

	2022 $'000	***2021 $'000***
At 1 January (level 3 recurring fair value)		
Purchases		
Disposals		
Reclassifications		
Gains (Loss): included in 'other comprehensive income'		
- Gain on revaluation of property		
Gains (Loss): included in 'other expenses/ income'		
- Unrealised exchange differences		
At 31 December (level 3 recurring fair value)		

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below. There were no changes to the valuation techniques during the year.

11. Property, plant and equipment (Continued)

Commentary

Fair value measurement (Continued)

Valuation techniques used	***Significant unobservable inputs***	**Inter-relationship between key unobservable inputs and fair value**
[VALUATION TECHNIQUE #1]	*[LIST SIGNIFICANT UNOBSERVABLEINPUTS USED*	*[DESCRIBE WHETHER INCREASES OR DECREASES IN SIGNIFICANT UNOBSERVABLE INPUTS WOULD CAUSE AN INCREASE OR DECREASE IN FAIR VALUE]*
Land and buildings *Fair value is determined by applying the income approach based on the estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.*	*- Discount rate (X% to X%; weighted average X%) (2019: X% to X%; weighted average X%)* *- Terminal yield (X% to X%; weighted average X%) (2019: X% to X%; weighted average X%)* *- Expected vacancy rate (X% to X%; weighted average X%) (2019: X% to X%; weighted average X%)*	*The higher the discount rate, terminal yield and expected vacancy rate the lower the fair value.*
	- Rental growth rate (X% to X%; weighted average X%) (2019: X% to X%; weighted average X%)	*The higher the rental growth rate, the higher the fair value*

The group finance team is responsible for arranging valuations to be performed by external valuers. That team reports to and arranges a discussion with the Group's CFO and AC on a quarterly basis on valuation matters, including valuation processes, valuation results as well as an analysis of changes in Level 2 and 3 fair values and explanations for the reasons for such changes.

SFRS(I) 13:93(i)

Fair value measurement – highest and best use

For all fair value measurements of non-financial assets, if the highest and best use differs from the actual use of the asset, disclosure is required of that fact and the reason why the asset is being used in a manner different from its highest and best use.

11. Property, plant and equipment (Continued)

Commentary

SGX 1207:11(a)

Listing rules

SGX requires listed entities to disclose, in respect of land and buildings, a breakdown in the value in terms of freehold and leasehold in the annual report. Where properties have been revalued, the portion of the aggregate value of land and buildings that is based on valuation as well as the valuation date shall be stated.

Where the aggregate value for all properties for development or sale held by the Group represents more than 15% of the consolidated net tangible assets or consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

(a) a brief description and location of the property;
(b) if in the course of construction, the stage of completion as at the date of the financial statements and the expected completion date;
(c) the existing use;
(d) the site and gross floor area of the property; and
(e) the percentage interest in the property

Provided that if, in the opinion of the Directors, the number of such properties is such that compliance with this requirement would result in particulars of excessive length being given, compliance is required only for properties, which in the opinion of the Directors, are material.

12. Investment properties

		Group	
		2022	**2021**
		$'000	**$'000**
SFRS(I) 1-40:76(a)	***Fair value***		
	At 1 January	5,838	6,718
SFRS(I) 1-40:76(d)	Fair value loss recognised in profit or loss (Note 7)	(2,837)	(1,478)
SFRS(I) 1-40:76(c)	Reclassified to disposal groups held for sale	(1,000)	-
SFRS(I) 1-40:76(e)	Exchange differences	648	598
	At 31 December	2,649	5,838

SFRS(I) 1-40:75(e)
SFRS(I) 13:93(d)
SGX 1207:11

The Group's investment properties were valued as at 31 December 2022 and 31 December 2021 by Messrs Henry Butcher, an independent professional valuation firm with recent experience in the location and category of the investment properties held by the Group. The valuations were arrived at by using the sales comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as property size. The most significant input into the valuation model is the price per square metre of the properties. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of investment properties are considered level 2 recurring fair value measurements.

There were no changes to the valuation techniques during the year.

SGX 1207:11(b)(iii)

All the Group's investment properties are held under freehold interests.

12. Investment properties (Continued)

The following amounts are recognised in profit or loss:

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 1-40:75(f)(i), SFRS(I) 16:90(b)	Rental income from investment properties (Note 5)	1,283	1,203
SFRS(I) 1-40:65(f)(ii)	Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	900	840

The committed lease income from the property leases is disclosed in Note 31 to the financial statements.

Details of the Group's investment properties as at 31 December 2022 are set out below:

	Description	Location/ existing use	Tenure/ Unexpired term
SGX 1207: 11(b)(i)(ii)(iii)	[INPUT]	[INPUT]	[INPUT]

Commentary

Listing rules

SGX 1207:11(b)

For listed entities, where the aggregate value for all investment properties held by the Group represents more than 15% of the consolidated net tangible assets or consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

(a) a brief description and location of the property;
(b) the existing use; and
(c) whether the property is leasehold or freehold. If it is leasehold, state the unexpired term of the lease.

Fair value disclosures under SFRS(I) 1-40

SFRS(I) 1-40:79

For entities that have chosen to adopt the cost model under SFRS(I) 1-40:34, the disclosure and presentation is similar to Note 11 Property, Plant and Equipment. In addition, the user shall disclose the fair value of investment properties unless the entity cannot determine the fair value of the investment properties reliably, following which it shall disclose:

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

SFRS(I) 1-40:75(e)

The extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

12. Investment properties (Continued)

Commentary (Continued)

Fair value measurement disclosures under SFRS(I) 13

SFRS(I) 13:93

SFRS(I) 13 *Fair Value Measurement* requires specific disclosures for items measured or disclosed at fair value, depending on:

- The level of fair value measurement, and
- Whether the fair value measurement is recurring or non-recurring.

Investment property is an example of a recurring fair value measurement, as fair valuation is required at each reporting date.

In the case of ABC Singapore Limited, the valuation techniques result in a level 2 fair value measurement, being based on observable inputs. However, if there is at least one significant unobservable input used in the valuation, it will be classified as level 3. It should be noted that in practice, many property valuations do involve significant unobservable inputs and therefore would be classified as level 3.

For level 3 fair values, additional disclosure requirements include:

- SFRS(I) 13:93(e)(f) — A reconciliation between the opening and closing fair value measurement, including any unrealised fair value gains/losses
- SFRS(I) 13:93(d) — Significant unobservable inputs
- SFRS(I) 13:93(g) — A description of the valuation processes and policies in relation to the item (in addition to the description of valuation techniques required for both level 2 and 3)
- SFRS(I) 13:93(h)(i) — Narrative disclosure of the sensitivity of changes in significant unobservable inputs to fair value i.e. describe whether increases or decreases in significant unobservable inputs would cause an increase or decrease in fair value

Refer to the illustrative disclosures for level 3 fair values of revalued property, plant and equipment in Note 11 for guidance.

SFRS(I) 13:93(i)

Fair value measurement - highest and best use

For all fair value measurements of non-financial assets, if the highest and best use differs from the actual use of the asset, disclosure is required of that fact and the reason why the asset is being used in a manner different from its highest and best use.

Restrictions

SFRS(I) 1-40:75(g)

Where applicable, the Group shall disclose existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

Right-of-use assets meet the definition of investment property

SFRS(I) 16:48, 56

Such right-of-use assets shall not be presented separately from entity's owned investment property and shall follow the disclosure requirements in SFRS(I) 1-40. Entity is not required to provide disclosures in paragraph 53 of SFRS(I) 16 on depreciation charge, income from subleasing, additions or carrying amount by class of underlying asset at the end of financial year. This does not apply to ABC Singapore Limited.

13. Intangible assets

SFRS(I) 1-1:77

Reference		Goodwill $'000	Development costs $'000	Customer relationships $'000	Trademarks & licences $'000	Total $'000
	2022					
	Cost					
	At 1 January 2022	1,863	1,539	200	1,150	4,752
SFRS(I) 1-38:118(e)(i)	Additions	-	450	-	200	650
	Acquisition of subsidiary (Note 16)	415	-	200	1,800	2,415
SFRS(I) 1-38:118(e)(vii)	Exchange difference	180	40	-	-	220
	At 31 December 2022	2,458	2,029	400	3,150	8,037
	Accumulated amortisation and impairment					
	At 1 January 2022	500	510	200	380	1,590
SFRS(I) 1-38:118(e)(vi)	Amortisation charged	-	300	60	50	410
SFRS(I) 1-38:118(e)(v)	Impairment loss	100	-	-	-	100
SFRS(I) 1-38:118(e)(vii)	Exchange difference	-	20	-	-	20
	At 31 December 2022	600	830	260	430	2,120
	Carrying amount					
	At 31 December 2022	1,858	1,199	140	2,720	5,917
	2021					
	Cost					
	At 1 January 2021	1,803	874	200	900	3,777
SFRS(I) 1-38:118(e)(i)	Additions	-	645	-	250	895
SFRS(I) 1-38:118(e)(vii)	Exchange difference	60	20	-	-	80
	At 31 December 2021	1,863	1,539	200	1,150	4,752
	Accumulated amortisation and impairment					
	At 1 January 2021	-	200	150	320	670
SFRS(I) 1-38:118(e)(vi)	Amortisation charged	-	300	50	60	410
SFRS(I) 1-38:118(e)(v)	Impairment loss	500	-	-	-	500
SFRS(I) 1-38:118(e)(vii)	Exchange difference	-	10	-	-	10
	At 31 December 2021	500	510	200	380	1,590
	Carrying amount					
	At 31 December 2021	1,363	1,029	-	770	3,162

Commentary

SFRS(I) 1-36:126, 130

If there is any impairment loss recognised or reversed during the financial year, refer to the illustrative disclosures and guidance under Note 14 Goodwill on the requirements under SFRS(I) 1-36 *Impairment of Assets*.

SFRS(I) 1-38:122(b)

If any individual intangible asset is material to the financial statements, a description of the carrying amount and remaining amortisation period must be separately disclosed. This does not apply to ABC Singapore Limited.

14. Goodwill and impairment

SFRS(I) 1-36:10(b), 143(c)

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

SFRS(I) 1-36:130(a)(b)(e)(g)

During the year, one of the operating units in the distribution and trading segment of China lost one of its key customers. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of $100,000. The (pre-tax) discount rate used to measure the CGU's value in use was 3%. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no change in the useful lives was required.

SFRS(I) 1-36:134(a)

The carrying amount of goodwill is allocate to each CGUs as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
Audio system – Singapore	425	263
Distribution and trading - China	637	395
Distribution and trading - Thailand	796	705
	1,858	1,363

SFRS(I) 1-36:134(c)(d)

The recoverable amounts of the CGUs are determined from value in use calculations based on cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years. The key assumptions for these value in use calculations are follows:

	Audio system - Singapore	**Distribution and trading - China**	**Distribution and trading - Thailand**
	%	%	%
31 December 2022			
Discount rate	5	5	8
Operating margin	7	5	5
Growth rate *	3	3	6
31 December 2021			
Discount rate	7	7	9
Operating margin	7	6	6
Growth rate *	3	4	10

* The growth rate and operating margin assumptions applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates beyond the first five years are based on economic data pertaining to the region concerned.

14. Goodwill and impairment (Continued)

SFRS(I) 1-36:134(f)

The recoverable amount of CGUs that hold a significant proportion of the Group's overall goodwill balance include:

- Distribution and trading – China: recoverable amount of $26,743,000 (2021: $22,948,000) exceeds its carrying amount by $637,000 (2021: $395,000); and
- Distribution and trading – Thailand: recoverable amount of $15,977,000 (2021: $13,314,000) exceeds its carrying amount by $796,000 (2021: $705,000).

If any of the following changes are made to the above key assumptions, the carrying amount and recoverable amount would be equal.

	Audio system - Singapore	Distribution and trading - China	Distribution and trading - Thailand
	%	%	%
2022			
Discount rate	Increase from 5% to 10%	Increase from 5% to 8%	Increase from 8% to 12%
Operating margin	Reduction from 7% to 2%	Reduction from 5% to 3%	Reduction from 5% to 3%
Growth rate beyond year 5	Reduction from 3% to 1%	Reduction from 3% to 1%	Reduction from 6% to 2%

Commentary

SFRS(I) 1-36:130(a)

For each impairment loss recognised during the period the events and circumstances that led to the recognition of the impairment loss must be disclosed.

SFRS(I) 1-36:134(f)

If a reasonably possible change in a key assumption on which management has based its determination of a CGU's recoverable amount would cause the carrying amount of a CGU to exceed its recoverable amount, the followings should be disclosed for each such CGU:

(i) the amount by which the recoverable amount exceeds the carrying amount
(ii) the value assigned to the key assumptions
(iii) the amount by which the value assigned to the key assumptions must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the recoverable amount to be equal to its carrying amount

If in the view of management, there are no such reasonably possible changes to key assumptions, disclosure of that fact should be considered in order to address the disclosure requirements.

15. Leases

Nature of leasing activities (in the capacity of lessee)

SFRS(I) 16:51, 59, B48

The Group leases a number of properties (i.e. office building and warehouses) in Singapore. It is customary for lease contract to provide payment to increase each year by inflation, to be reset periodically to market rental rates or fixed payments.

The Group also leases certain items of machinery and equipment with only fixed payments over the lease terms. Certain lease of equipment contains a purchase option. The Group has included this option in determining the lease liability as it is reasonably certain that the option will be exercised.

Some of the leases contain extension or termination option held and exercisable by the Group, the judgement used in determining the lease term is disclosed under Note 3.1 to the financial statements.

SFRS(I) 16:60

Certain IT equipment of the Group are qualified for low value assets and the Group also leases certain machinery on the short-term basis (i.e. 3 to 6 months) in order to support the production deadlines. The election of short-term leases is made by class of underlying assets with similar nature and use in the Group's operation whereas the low-value lease exemption is made on lease-by-lease basis.

SFRS(I) 16:B49

The percentages in the table below reflect the current proportions of lease payment that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the reporting date to lease payments that are variable.

	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity $'000
31 December 2022				
Property leases with:				
- payments linked to inflation	1	-	20%	±390
- periodic uplift to market rentals	2	-	35%	±655
- fixed payments	3	24%	-	-
Leases of machinery and equipment	6	21%	-	-
	11	44%	55%	±1,045
31 December 2021				
Property leases with:				
- payments linked to inflation	1	-	20%	±415
- periodic uplift to market rentals	1	-	44%	±798
- fixed payments	2	20%	-	-
Leases of machinery and equipment	5	16%		-
	9	36%	64%	±1,213

SFRS(I) 16:59(c)

Certain leases of the Group are secured over the right-of-use assets. The right-of-use machinery and equipment with a carrying amount of $1,033,000 (2021: $933,000) are secured over the lease liabilities of $1,334,000 (2021: $1,139,000). These assets will be seized and returned to lessor in the event of default by the Group.

SFRS(I) 16:55

As at 31 December 2022, the Group has approximately $669,000 (2021: $510,000) of aggregate undiscounted commitments for short-term leases.

15. Leases (Continued)

SFRS(I) 16:47 **Right-of-use assets**

		Land and buildings $'000	Machinery and equipment $'000	Total $'000
	Group			
	At 1 January 2022	13,977	2,443	16,420
SFRS(I) 16:53(h)	Additions	-	250	250
SFRS(I) 16:53(a)	Amortisation charge	(2,672)	(712)	(3,384)
	Exchange difference	-	12	12
SFRS(I) 16:53(j)	At 31 December 2022	11,305	1,993	13,298
	At 1 January 2021	15,560	3,193	18,753
SFRS(I) 16:53(h)	Additions	-	351	351
SFRS(I) 16:53(a)	Amortisation charge	(2,593)	(918)	(3,511)
	Modifications to lease terms	-	(195)	(195)
	Variable lease payment adjustments	1,010	-	1,010
	Exchange difference	-	12	12
SFRS(I) 16:53(j)	At 31 December 2021	13,977	2,443	16,420

For the purposes of consolidated statement of cash flows, the additions above comprise of a cash payment of $50,000 (2021: $Nil) for initial direct costs incurred.

15. Leases (Continued)

Lease liabilities

		Land and buildings $'000	Machinery and equipment $'000	Total $'000
	Group			
	At 1 January 2022	14,565	2,721	17,286
	Additions	-	200	200
SFRS(I) 16:53(b)	Interest expenses (Note 6)	376	62	438
SFRS(I) 16:53(g)	Lease payments			
	- Principal portion	(2,264)	(1,194)	(3,458)
	- Interest portion	(376)	(62)	(438)
	Exchange difference	-	14	14
	At 31 December 2022	12,301	1,741	14,042
	At 1 January 2021	15,560	3,405	18,965
	Additions	-	351	351
SFRS(I) 16:53(b)	Interest expense (Note 6)	406	84	490
SFRS(I) 16:59(b)	Modifications to lease terms	-	(195)	(195)
SFRS(I) 16:59(b)	Variable lease payment adjustments	1,010	-	1,010
	Lease payments			
	- Principal portion	(2,099)	(742)	(2,841)
	- Interest portion	(406)	(84)	(490)
	Exchange difference	-	(4)	(4)
	At 31 December 2021	14,565	2,721	17,286

SFRS(I) 16:53(g) The total cash outflows for all leases including low value and short-term leases were $5,451,000 (2021: $4,862,000).

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

SFRS(I) 16:58
SFRS(I) 7:39, B11

	Group 2022 $'000	Group 2021 $'000
Contractual undiscounted cash flows		
- Not later than a year	3,592	3,718
- Between one and two years	3,340	4,043
- Between two and five years	8,002	10,865
	14,934	18,626
Less: Future interest expense	(892)	(1,340)
Present value of lease liabilities	14,042	17,286
Presented in consolidated statement of financial position		
- Non-current	10,572	13,830
- Current	3,470	3,456
	14,042	17,286

15. Leases (Continued)

Lease liabilities (Continued)

SFRS(I) 7:31, 34(a)

The currency profiles of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
Singapore	13,021	16,378
Chinese Yuan	1,021	908
	14,042	17,286

Commentary

Disclosure

SFRS(I) 16:52

Entity, as a lessee, shall disclose information about its leases either in a single note or separate section in its financial statements. However, entity need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.

ABC Singapore Limited has disclosed amounts in compliance with SFRS(I) 16:53(a), (b), (g), (h) and (j) in a reconciliation of both right-of-use assets and lease liabilities rather than a standalone amounts in a table. This is considered more appropriate as it facilitates a clearer picture of what has given rise to changes in carrying amount of these items as well as enables ease of cross references to other parts of the financial statements.

Providing the disclosures in the form of a reconciliation results in voluntary disclosure for the effect of lease modifications, adjustments from revising variable lease payments linked to index or rate, and foreign exchange movements on the carrying amount of both right-of-use assets and lease liabilities. Entity may use another format in fulfilling the disclosure requirements of SFRS(I) 16:53.

ABC Singapore Limited has not sub-leasing its right-of-use assets hence, disclosure under SFRS(I) 16:53(f) is not illustrated. For entity that sub-leases its right-of-use assets, income from sub-leasing is required to be disclosed.

Revaluation model for right-of-use assets

SFRS(I) 16:57

Entity which measures its right-of-use assets at revalued amounts shall also disclose the information required by paragraph 77 of SFRS(I) 1-16. ABC Singapore Limited has not measured its right-of-use assets at revalued amounts. Therefore, please refer to Note 11 for reference.

15. Leases (Continued)

Commentary

Variable lease payments not included in the measurement of lease liabilities

SFRS(I) 16:27(b)
SFRS(I) 16:53(e)

Lease contracts of ABC Singapore Limited only has variable lease payments that depend on index or rate hence, will be included in the measurement of lease liability. Entity that has any other variable lease payments not included in the measurement of lease liabilities, is required to disclose such expense separately in profit or loss.

SFRS(I) 16:59(b)(i)

In addition to the disclosure on amounts recognised for the financial year, entity shall disclose additional information about its leasing activities that helps users of financial statements to assess the future cash outflows to which the entity is potentially exposed, as a lessee, and not reflected in the measurement of lease liabilities. Entity may consider the following disclosure if applicable:

Some property leases of the Group contain variable lease payment that are linked to the sales generated from the retail store. For these retail stores, the lease payments are on the basis of fixed and variable payment terms. Variable lease payments are common in the retail business of the country where the Group operates as it uses to minimise the fixed costs base for newly established stores. Such variable lease payments are recognised in profit or loss in the period in which the condition triggers the payment occurs. Fixed and variable payments for the year ended 31 December 2022 are summarised in table below. If there is an 5% increase in annual sales, the impact on variable lease payments is as follows:

	Lease contracts Number	*Fixed payments $'000*	*Variable payments $'000*	*Estimated impact $'000*
Leases with variable payments based on sales	*10*	*1,258*	*628*	*315*

Sale and leaseback transactions

ABC Singapore Limited has not entered into any sale and leaseback transactions in the current or prior period. If entity has entered into such transaction in prior years, the effect on adoption of SFRS(I) 16 shall be incorporated in Note 2.1 to the financial statements on changes in accounting policies.

SFRS(I) 16:59(d), B52

For any sale and leaseback transactions entered, entity is expected to disclose qualitative and quantitative information about the transaction, for example:

(a) lessee's reasons for sale and leaseback transactions and the prevalence of those transactions;
(b) key terms and conditions of individual sale and leaseback transactions;
(c) payments not included in the measurement of lease liabilities; and
(d) the cash flow effect of sale and leaseback transactions in the financial year.

16. Investments in subsidiaries

		Company	
		2022	2021
		$'000	$'000
SFRS(I) 1-27:10 (a)	Unquoted equity shares, at cost	17,150	14,150

SFRS(I) 1-27:17(b)
SFRS(I) 12:12(a)-(c)
SGX 715, 716

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		31 December		31 December	
		2022	2021	2022	2021
		%	%	%	%
ABC (Thailand) Co., Ltd.[1] (Thailand)	Manufacturing and sales of plasma screens	100	100	-	-
XXX Thailand Co., Ltd.[1] (Thailand)	manufacturing and sale of LED screens	100	100	-	-
YYY (Thailand) Co., Ltd.[1] (Thailand)	Customisation of audio system and trading	100	100	-	-
ZZZ (Philippines) Co., Ltd[1] (Philippines)	Manufacturing and sales of audio systems	100	100	-	-
XXX (Singapore) Pte. Ltd. (Singapore)	Distribution and trading of speaker products	75	75	25	25
XXX System Pte. Ltd. (Singapore)	Customisation of audio system	100	100	-	-
ABC Pte. Ltd. (Singapore)	Investment holdings	100	100	-	-
XXX (China) Co., Ltd.[2] (PRC)	Manufacturing and sales of LED screens	49	49	51	51
DEF (PRC) Ltd[1] (PRC)	Customisation of audio system and trading	100	100	-	-
XYZ Co., Ltd[1] (PRC)	Customisation of audio system and trading	100	-	-	-

SGX 715, 716, 717

(1) Audited by overseas member firms of the BDO network in the respective countries.
(2) Audited by another firm of auditors, XXX.

16. Investments in subsidiaries (Continued)

Commentary

In these illustrative financial statements, impairment or reversal has not been considered. If entity has made impairment loss or reversal to its investments in subsidiaries, the following disclosure shall be considered.

Movements in the allowance for impairment loss are as follows:

		Company	
		2022	2021
		$'000	$'000
	At 1 January		
SFRS(I) 1-36:126(a)	Impairment loss recognised in the year *		
SFRS(I) 1-36:126(b)	Reversal of impairment loss during the year *		
	At 31 December		

* This is included in the "Other expenses" in the Company's profit or loss for the financial year then ended.

SFRS(I) 1-36:130(a)(b)(c)(e)(g)

During the year, the Group carried out a review of the recoverable amount of the investment in DEF (PRC) Ltd in the China manufacturing segment due to the losses reported by this subsidiary as a result of increased raw material and component prices. The review led to the recognition of an impairment loss of $[•] that has been recognised in profit or loss. The recoverable amount of the investment of $[•] has been determined on the basis of its value in use. The discount rate used in measuring value in use was [•%]. The discount rate used when the recoverable amount of the investment was previously estimated in $[•] was [•%].

SFRS(I) 1-36:130(a)(b)(c)(e)(g)

A reversal of an allowance for impairment loss of $[•] (2020: $[•]) was recognised relating to the investment in YYY Thailand Co. Ltd in the Thailand manufacturing segment following an improvement in market conditions that resulted in an increase in the projected value in use of this investment. The recoverable amount of the investment of $[•] has been determined on the basis of its value in use. The discount rate used in measuring value in use was [•%]. The discount rate used when the recoverable amount of the investment was previously estimated in $[•] was [•%].

16. Investments in subsidiaries (Continued)

Commentary

Listing rules

SGX 717, 718

(i) Where significant subsidiaries are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically, i.e. giving the full name of each such firm. A subsidiary is considered significant under the SGX-ST Listing Manual if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more the issuer's consolidated pre-tax profits.

SGX 716

(ii) Under the SGX-ST Listing Manual, an issuer may appoint different auditors for its significant subsidiaries or associates provided the Board and audit committee are satisfied it would not compromise the standard and effectiveness of the audit; or if the subsidiary or associate is listed on a stock exchange. An example of suitable disclosure in such as case would be:

In accordance with Rule 716 to the SGX-ST Listing Rules, the audit committee and Board have confirmed that they are satisfied the appointment of different auditors for its subsidiaries would not comprise the standard and effectiveness of the audit of the Company.

SFRS(I) 12 Disclosure of Interests in Other Entities

SFRS(I) 12:10(a)

(i) Disclosures are required about:
- the composition of the group and
- the extent of interests non-controlling interests have in the group.

SFRS(I) 12:12(b)
SFRS(I) 1-27:17(b)(ii)

(ii) The principal place of business of each subsidiary should be disclosed and also the country of incorporation, if different.

SFRS(I) 12:12(d)
SFRS(I) 1-27:17(b)(iii)

(iii) The proportion of voting rights held by the Group and non-controlling interests should be disclosed, if different from the proportion of ownership interests held.

SFRS(I) 12:11

(iv) Where a subsidiary's financial statements have a different reporting date from the Company's and the financials are consolidated, the following illustrative disclosure may be considered:

The financial statements of [Name of Subsidiary] are made up to [30 September] each year. This was the financial reporting date established when the subsidiary was incorporated, and a change of reporting date is not permitted/made because [state reason]. For the purpose of consolidation, the financial statements of [Name of Subsidiary] for the year ended [30 September 2022] have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and [31 December 2022].

16. Investments in subsidiaries (Continued)

Non-controlling interests

SFRS(I) 12:12(g)

XXX (Singapore) Pte. Ltd., a 75% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

SFRS(I) 12:B10, B11

Summarised financial information in relation to XXX (Singapore) Pte. Ltd., before intra-group eliminations, is presented below together with amounts attributed to NCI:

		2022	2021
		$'000	$'000
	For the financial year ended		
	Revenue	7,160	5,490
	Profit before tax	1,850	1,360
	Income tax expense	(250)	(160)
	Profit after tax	1,600	1,200
SFRS(I) 12:12(e)	Profit allocated to NCI	400	300
	Total comprehensive income allocated to NCI	400	300
	Dividends paid to NCI	-	-
	Net cash flows from operating activities	1,120	980
	Net cash flows from investing activities	650	480
	Net cash flows from financing activities	100	80
	Net cash inflows	1,870	1,540
	At 31 December		
	Assets:		
	Property, plant and equipment	7,800	5,880
	Trade and other receivables	10,400	7,800
	Cash and cash equivalents	5,120	3,600
	Liabilities:		
	Trade and other payables	(5,880)	(3,280)
	Loans and other borrowings	(2,000)	-
	Provisions	(2,000)	(2,000)
SFRS(I) 12:12(f)	Accumulated non-controlling interests	(3,360)	(3,000)

16. Investments in subsidiaries (Continued)

Commentary

Summarised financial information of subsidiaries with material NCI

SFRS(I) 12:B12

SFRS(I) 12 *Disclosure of Interests in Other Entities* does not prescribe specific line items that must be presented, rather it prescribes that an entity shall present adequate information for users of the financial statements to understand the interest that non-controlling interests have in the entity's activities and cash flows. The above disclosures therefore serve strictly as an illustration of what these disclosures may look like.

Significant restrictions

SFRS(I) 12:10(b)(i)
SFRS(I) 12:13

The nature and extent of any significant restrictions on the group's ability to access or use assets and settle liabilities of the group should be disclosed, for example as illustrated below.

Cash and bank balances of $[●] held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

Other restrictions to disclose include guarantees and 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, or the protective rights of non-controlling interests.

Other disclosures that may be applicable include:

- Nature of, and changes in, the risks associated with the entity's interests held in consolidated structured entities
- The consequences of changes in ownership interests that do not result in a loss of control
- The consequences of losing control of a subsidiary
- Interests in unconsolidated subsidiaries (investment entities)
- Interests in unconsolidated structured entities

16. Investments in subsidiaries (Continued)

Commentary (Continued)

SFRS(I) 12:18

Transactions with non-controlling interests

For any changes in its ownership interest in a subsidiary that do not result in loss of control, a schedule showing the effects on the equity attributable to owners of the parent is to be disclosed.

Please refer to the following for an illustrative guide on the necessary disclosures:

(a) Acquisition of additional interest in a subsidiary

On 12 May 2022, the Company acquired the remaining 5% equity interest in WWW Pte Ltd, which is now wholly owned by the Group. The carrying value of the net assets of WWW Pte Ltd as at 12 May 2022 was $[●]. The changes in the ownership interest of WWW Pte Ltd had the following effect on the equity attributable to owners of the parent during the financial year:

	2022 $'000	2021 $'000
Carrying amount of non-controlling interests acquired		
Consideration paid to non-controlling interests		
Excess of consideration paid recognised in equity		

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

On 16 November 2022, the Company disposed of a 10% equity interest out of the 80% equity interest held in BBB Pte. Ltd. The changes in the ownership interest of BBB Pte. Ltd. had the following effect on the equity attributable to owners of the parent during the financial year:

	2022 $'000	2021 $'000
Carrying amount of non-controlling interests disposed of		
Consideration received from non-controlling interests		
Excess of consideration received recognised in equity		

(c) Effects of transactions with non-controlling interest on the equity attributable to owners of the parent for the financial year:

	2022 $'000	2021 $'000
Changes in equity attributable to owners of the parent arising from:		
- Acquisition of additional interests in a subsidiary		
- Disposal of interests in a subsidiary without loss of control		
Total effect on equity of the parent		

16. Investments in subsidiaries (Continued)

Commentary (Continued)

Transactions with non-controlling interests (Continued)

SFRS(I) 12:19

When the Group loses control of a subsidiary during the financial year, required disclosures include the gain or loss, if any, calculated in accordance with paragraph 25 of SFRS(I) 10, and:

(a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and
(b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Investment entities

SFRS(I) 12:19A

When the Company meets the definition of an investment entity, the Company is required to apply the exception to consolidation under SFRS(I) 10 and instead account for its investment in a subsidiary at fair value through profit or loss. That fact is to be disclosed.

SFRS(I) 12:19B

For each unconsolidated subsidiary, an investment entity is to disclose:
- the subsidiary's name
- the principal place of business and country of incorporation if different
- the proportion of ownership interest and, the proportion of voting rights held, if different
- SFRS(I) 12:19D any significant restrictions
- any current commitments or intentions to provide financial or other support
- SFRS(I) 12:19E, F, G if, without a contractual obligation to do so, financial or other support has been provided to disclose details and the reason

16. Investments in subsidiaries (Continued)

Acquisition of subsidiary

SFRS(I) 3:B64 (a)(b)(c)(d)

On 24 April 2022, the Company acquired 100% equity interest in XYZ Co., Ltd. Upon the acquisition, XYZ Co., Ltd became a subsidiary of the Group. The Company has acquired XYZ Co., Ltd to strengthen its position in China, and to reduce costs through economies of scale.

The fair values of the identifiable assets and liabilities of XYZ Co., Ltd as at the date of acquisition are as follows:

SFRS(I) 3:B64(i)

	Fair value recognised on date of acquisition
	$'000
Property, plant and equipment	3,976
Trademark & licenses	1,800
Non-contractual customer lists and relationships	200
Trade and other receivables	40
Cash and cash equivalents	400
	6,416
Trade and other payables	(231)
Bank borrowings	(3,100)
Deferred tax liability (Note 19)	(480)
Income tax payable	(20)
	(3,831)
Net identifiable assets at fair value	2,585

SFRS(I) 3:B64(h)

The fair value of trade and other receivables is $40,000 of which it includes trade receivables of $20,000. The gross contractual amounts of trade and other receivables are $25,000 and $20,000 respectively, of which $5,000 of trade receivables are expected to be uncollectible.

SFRS(I) 3:B64(f)

	$'000
Consideration for acquisition of 100% equity interest	
- Cash paid	3,000
Total consideration transferred	3,000
Goodwill (Note 14)	415

16. Investments in subsidiaries (Continued)

Acquisition of subsidiary (Continued)

SFRS(I) 3:B64(q)

From the date of acquisition, XYZ Co., Ltd has contributed $8,895,000 and $521,000 to the revenue and profit net of tax of the Group respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profits, net of tax would have been $178,219,000 and $10,438,000 respectively.

SFRS(I) 3:B64(e)

Goodwill of $415,000 arising from the acquisition is attributable to the distribution and trading segment in China and the expected synergies from combining the operations of the Group with those of XYZ Co., Ltd. It also includes the value of a customer list, which has not been recognised separately as it does not meet the criteria for recognition as an intangible asset under SFRS(I) 1-38.

SFSR(I) 3:B64(k)

None of the goodwill is expected to be deductible for tax purposes.

SFRS(I) 3:B64(m)

Transaction costs related to the acquisition of $32,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2022.

The effects of the acquisition of the subsidiary on cash flows are as follows:

		$'000
SFRS(I) 1-7:40(a)(b)	Total consideration for 100% equity interest acquired	3,000
SFRS(I) 1-7:40(c)	Less: Cash and cash equivalents of subsidiary acquired	(400)
	Net cash outflow on acquisition	2,600

Commentary

SFRS(I) 3:B64(f)(iv)

Consideration transferred include equity interest of the acquirer

Where the acquirer's equity interests are issued or issuable as part of the purchase consideration, the following is to be disclosed:

In connection with the acquisition of the 49% equity interest in XXX (China) Co., Ltd, ABC Singapore Limited issued [●] ordinary shares with a fair value of $[●] per share. The fair value of these shares is the published price of the shares at the acquisition date.

The attributable cost of the issuance of the shares as consideration of $[●] has been recognised directly in equity as a deduction from share capital.

SFRS(I) 3:27, B64(g)

Contingent consideration arrangements and indemnification assets

For contingent consideration arrangements and indemnification assets, acquirer shall disclose the following information for each business combination that occurs during the financial year:

(a) the amount recognised as of the acquisition date;
(b) a description of the arrangement and the basis for determining the amount of the payment; and
(c) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, disclose that fact.

16. Investments in subsidiaries (Continued)

Commentary

Contingent consideration arrangements and indemnification assets (Continued)

Illustrative disclosure of contingent consideration arrangements:

As part of the purchase agreement, the Company agreed to pay the former owners of [acquiree] a consideration of $[●] if the entity achieves a cumulative net profit of $[●] for a period of [●] months after the acquisition date.

The fair value of the contingent consideration as at the acquisition date was $[●] and this was based on an estimated cumulative net profit of [acquiree] ranging from $[●] to $[●] for the relevant period, discounted at 5% per annum.

As at 31 December 2022, the fair value of the contingent consideration is estimated to have increased by $[●] to $[●], as the estimated net profit for the relevant period has been revised to be in the region of $[●] to $[●]. The increase in the fair value of the contingent consideration has been recognised in the "Administrative expense" in the profit or loss of the Group for the financial year ended 31 December 2021.

SFRS(I) 3:19, B64(o)(ii)

Measurement of non-controlling interest at the date of acquisition

In this illustration, the Group has elected to measure the non-controlling interest arising for the acquisition of XXX (China) Co., Ltd at the non-controlling interest's proportionate share of entity's identifiable net assets.

If the entity chooses to measure non-controlling interest arising in a business combination at fair value, SFRS(I) 3:B64(o)(ii) requires the entity to disclose, for each of such business combination, the valuation technique and significant inputs used for determining that value.

See below for illustrative disclosure:

The fair value of the non-controlling interest in [acquiree] of $[●] was estimated by applying the income approach that is corroborated by market approach. The fair value was determined based on the following:

(a) assumed discount rates ranging from [●%] to [●%] per annum;
(b) an assumed terminal value, calculated based on the long term sustainable growth rate for the industry ranging from [●%] to [●%], which has been used to determine income for the future years' and
(c) assumed adjustments because of the lack of control and marketability that participates would consider when estimating the fair value of the non-controlling interest.

SFRS(I) 3:42, B64(p)

Step acquisitions

When business combination was achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. SFRS(I) 3 requires the following disclosure:

(a) the acquisition-date fair value of equity interest in the acquiree held by the acquirer immediately before the acquisition date; and
(b) the amount of any gain or loss recognised as a result of remeasuring to fair value of previously held equity interest and the line item in the statement of comprehensive income in which that gain or loss is recognised.

16. Investments in subsidiaries (Continued)

Commentary

Provisional fair values and measurement period adjustments

SFRS(I) 3:45

If the initial accounting for a business combination is incomplete by the end of the financial year in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about the facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about the facts and circumstances that existed as of the acquisition date and if known, would have resulted in the recognition of those assets and liabilities as of that date.

SFRS(I) 3:B67(a)

The measurement period shall not exceed one year from the acquisition date. If the initial accounting for a business combination is incomplete, entity shall disclose:

i. the reasons why the initial accounting is incomplete;
ii. the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and
iii. the nature and amount of any remeasurement period adjustments recognised during the financial year by revising the comparative information for prior periods presented in the financial statements.

For example:

As the valuation report is yet to be finalised, the fair value of acquired brands of $[●] has been accounted for at provisional amounts.

Loss of control

SFRS(I) 10:25

If entity loses control of a subsidiary through disposal, the entity derecognises the assets and liabilities of the former subsidiary from the consolidate statement of financial position, recognises any investment retained in former subsidiary at fair value and subsequently accounts for it in accordance with relevant SFRS(I)s, and recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

SFRS(I) 1-7:40

Entity is also expected to disclose the effects of losing control of subsidiary on cash flows, the disclosure will be similar with acquisition of subsidiary or other business as above. Disclosure as below may be considered:

On [●], the Company disposed its entire interest in XXX (Thailand) Co., Ltd for a cash consideration of $[●]. The effects of disposal as at the date of disposal were:

[Tailor accordingly to include the amount of assets and liabilities other than cash and cash equivalents in the subsidiary or other business over which the control is lost, summarised by each major category]

16. Investments in subsidiaries (Continued)

Commentary

Considerations for business combinations occurring subsequent to effective of SFRS(I) 9, 15 and 16

Fair value is the default measurement basis for assets and liabilities acquired in a business combination within the scope of SFRS(I) 3. However, SFRS(I) 9, 15 and 16 affect business combinations regardless of any consequential amendments as the basis for recording fundamental transactions have changed. In this illustrative FS, we assumed that there is no impact arising from the adoption of these standards to the business combination.

Below are some of the possible areas that entity may be consider, if relevant:

Classification and provisions of ECL requirements

The classification of financial assets under SFRS(I) 9 occurs at their initial recognition. For financial assets acquired in a business combination, initial recognition occurs at the date of business combination.

Entity may have to segregate those financial assets acquired in a business combination from those originated by entity, especially for those financial assets that subject for three-stage general ECL model. The relative change in credit risk since initial recognition is the mechanism for migration between stages of ECL. For an acquirer, the "initial recognition" is the date of business combination. For example, acquiree determined a loan to employee under stage 2 of ECL based on relative movement in credit risk. From acquirer's perspective, the loan must be categorised into stage 1 at the time of business combination occurring.

Accounting for contracts with satisfied performance obligations

Entity that acquires entity with completed performance obligations for which revenue recognition remains outstanding will have to carefully examine the contractual terms of the contracts. For example, acquiree has a contract to develop a website for a customer within the scope of SFRS(I) 15, where the revenue is based on the number of website visits over the next 5 years. Prior to the business combination, acquiree completed its performance obligation but revenue has not been entirely recognised due to the variable amount of transaction price being constrained. Revenue will continue to be recognised as the constraint is 'released' over the 5 year period.

Upon acquisition, the acquirer accounts for the contract acquired using SFRS(I) 3, include measuring the outstanding performance obligations at their fair value. However, there was no outstanding performance obligation as at acquisition date. In substance, acquirer acquired a stream of future cash flows that vary depending on website traffic, with no further obligation to satisfy under SFRS(I) 15. Therefore, the stream of future cash flows that are expected to be received is accounted for in accordance with SFRS(I) 9 instead of SFRS(I) 15.

Measurement of lease contracts for lessee

Since almost all lease contracts will be recorded 'on balance sheet' under SFRS(I) 16, leases acquired in business combinations will require specific measurement consideration. Lease liabilities will be recorded based on present value of the remaining lease payments with a corresponding right-of-use assets (adjusted for favourable or unfavourable terms compared to market).

SFRS(I) 3 will no longer result in separate intangibles being recognised for favourable lease terms, entity must identify any favourable lease entered by acquiree and adjust the value of right-of-use assets recognised at the acquirer's consolidated financial statements.

17. Investments in associates

SFRS(I) 12:21(a)(i)(iii)

The details of the Group's associates are as follows:

Name of associate (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group 2022 %	2021 %
Held by ABC Pte. Ltd.			
ZZZ (Thai) Co., Ltd. [(1)] (Thailand)	Manufacturing and sales of speaker products	35	35
AAA Malaysia Sdn. Bhd. [(2)] (Malaysia)	Manufacturing and sales of speaker products	17	17

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

(1) Audited by overseas member firms of the BDO network in the respective countries.
(2) Audited by another firm of auditors, XXX.

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

ZZZ (Thai) Co., Ltd.'s primary business is in alignment with the Group's distribution and trading segments. AAA Malaysia Sdn. Bhd. is a strategic partnership for the Group, providing access to new markets in Malaysia.

Commentary

SFRS(I) 12:22(c)

Unrecognised share of losses

Where applicable, the following disclosure shall be considered:

The Group has not recognised losses relating to certain associates where its share of losses exceed the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses were $[●] (2021: $[●]) of which $[●] (2021: $[●]) was the share of the current year's losses. The Group has no obligation in respect of those losses.

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

Fair value of joint venture or associate accounted using the equity method, the fair value of its investment in the joint venture or associate, if there is a quoted market price for the investment.

Where applicable, the following disclosure shall be considered:

As at 31 December 2022, the fair value of the Group's investment in [name of associate], which is listed on the [name of Stock Exchange], was $[●] (2021: $[●]). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's investment in the associate was $[●] (2021: $[●]).

17. Investments in associates (Continued)

SFRS(I) 12:21(b)(ii)
SFRS(I) 12:B12

Summarised financial information (material associate)

	2022 $'000	2021 $'000
<u>**ZZZ (Thai) Co., Ltd**</u>		
Summarised statement of financial position as at		
Current assets	2,250	1,800
Non-current assets	900	800
Current liabilities	1,190	1,250
Non-current liabilities	500	500
Net assets	1,460	850
Summarised statement of comprehensive income for the financial year ended 31 December		
Revenue	1,450	1,120
Profit or loss from continuing operations	910	690
Other comprehensive income	-	309
Total comprehensive income	910	999
Dividends received from associate	-	-

SFRS(I) 12:B14(a)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the associate.

SFRS(I) 12:B14(b)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the associate, is as follows:

	2022 $'000	2021 $'000
Net assets	1,460	850
Investment in associate (35%)	511	298
Goodwill	500	500
Carrying value	1,011	798
Add:		
Carrying value of individually immaterial associate	779	332
Carrying value of the Group's investments in associates	1,790	1,130

* Less than $1,000

17. Investments in associates (Continued)

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

Summarised financial information (immaterial associate)

	2022	2021
	$'000	**$'000**
AAA Malaysia Sdn. Bhd		
Profit from continuing operations	228	64
Total comprehensive income	228	64

Commentary

SGX 717, 718

(i) Where significant associates are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically. An associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits.

SFRS(I) 12:21(a)(b)

(ii) For each material associate, disclose:
- the name
- the nature of relationship to the entity
- the principal place of business, and the country of incorporation, if different
- the proportion of ownership interests held and the proportion of voting rights, if different
- if there is a quoted market price for the investment, the fair value (if equity accounted)
- the summarised financial information

SFRS(I) 12:22(a)
SFRS(I) 12:22(b)
SFRS(I) 12:22(c)
SFRS(I) 12:23(a)(b)

(iii) Other disclosures that may be applicable include details of:
- any significant restrictions
- different reporting dates
- unrecognised losses
- commitments and contingent liabilities

Significant restrictions

SFRS(I) 12:22(a)

When there are significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity, the nature and extent of such significant restrictions is required to be disclosed. Please refer to the following illustrative disclosure:

[name of Associate] is restricted by regulatory requirements from paying dividends greater than 90% of the annual profit.

Different reporting dates

SFRS(I) 12:22(b)

Where an associate's financial statements have a different reporting date from the Company's and the financials are consolidated using the equity method, please refer to the following for an illustrative guide on the necessary disclosures:

The financial statements of [Name of Associates] are made up to [30 September] each year. This was the financial reporting date established when the associate was incorporated, and a change of reporting date is not permitted/made because [state reason]. For the purpose of applying the equity method of accounting, the financial statements of [Name of Associates] for the year ended [30 September 2022] have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2022.

18. Investment in a joint venture

The details of the joint venture are as follows:

SFRS(I) 12:21(a)(i)(iii)

Name of joint venture (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group	
		2022	2021
		%	%
Held by ABC Pte. Ltd.			
ABC (M) Sdn. Bhd. [1] (Malaysia)	Manufacturing and sales of audio systems	33	33

[1] Audited by another firm of auditors, XXX.

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

The principal activities of ABC (M) Sdn. Bhd. are in line with the Group's strategy to expand the audio systems division.

SFRS(I) 12:21(b)(ii)
SFRS(I) 12:B12, B13

Summarised financial information in relation to the joint venture is presented below:

		2022	2021
		$'000	$'000
	Summarised statement of financial position as at		
SFRS(I) 12:B12	Current assets	1,800	1,750
	Non-current assets	349	300
	Current liabilities	500	600
	Non-current liabilities	500	600
	Net assets (100%)	1,149	850
SFRS(I) 12:B13	*Included in the above amounts are:*		
	Cash and cash equivalents	230	300
	Non-current financial liabilities (excluding trade and other payables and provisions)	145	105

18. Investment in a joint venture (Continued)

		2022	2021
	Summarised statement of comprehensive income for the financial year ended 31 December	**$'000**	**$'000**
SFRS(I) 12:B12	Revenue	2,200	1,960
	Profit from continuing operations	300	331
	Total comprehensive income	300	331
	Dividends received from joint venture	-	-
SFRS(I) 12:B13	*Included in the above amounts are:*		
	Depreciation and amortisation	90	100
	Interest income	(10)	(25)
	Interest expense	50	50
	Income tax expense	21	26

SFRS(I) 12:B14(a)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the joint venture.

Commentary

SGX 717, 718

(i) Where significant joint ventures are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically. Guidelines similar to those applicable for associates (see Note 17) may be used to determine if a joint venture is significant.

SFRS(I) 12:21, 22

(ii) The disclosure requirements and illustrative guidance set out for associates in the guidance commentary in Note 17 are also applicable to joint ventures.

SFRS(I) 12:B12, B13

(iii) The disclosure requirements for summarised financial information include certain additional requirements for joint ventures, in addition to those applicable to both associates and joint ventures, as illustrated above.

(iv) In this illustration, ABC Singapore Limited has considered the investment in its only joint venture to be material, and thus provided the summarised financial information for ABC (M) Sdn. Bhd.

An entity is also required to disclose, in aggregate, the carrying amount of its investments in all individually immaterial joint ventures that are accounted for using the equity method. In this regard, the Group shall also disclose separately the aggregate amount of its share of those joint ventures':

- profit or loss from continuing operations,
- post-tax profit or loss from discontinued operations,
- other comprehensive income, and
- total comprehensive income.

SFRS(I) 12:B14(b)

(i) Reconciliation of summarised financial information

The entity shall provide a reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture or associate, which is not illustrated in this note.

18. Investment in a joint venture (Continued)

Commentary (Continued)

SFRS(I) 12:23

(ii) Risks associated with an entity's interests in joint ventures and associates

Where applicable, the following disclosure shall be considered:

The Group's share of ABC (M) Sdn. Bhd.'s contingent liabilities and capital commitments is $[●] (2021: $[●]) and $[●] (2021: $[●]) respectively.

A supplier has licensed the use of certain intellectual property to ABC (M) Sdn. Bhd. The supplier has agreed to defer receipt of the amount due until ABC (M) Sdn. Bhd. begins to sell a product being developed with the use of that intellectual property, but not beyond 31 December 2022. The joint venturers have jointly and severally agreed to underwrite the amount owed. As at 31 December 2022, the cumulative amount owed by ABC (M) Sdn. Bhd. to the supplier was $[●] (2021: $[●]). The Group's share of this liability is therefore $[●] (2021: $[●]), although it could be liable for the full amount in the unlikely event that the other 2 venturers were unable to pay their share.

The joint venturers have each agreed to inject a further $[●] (2021: $[●]) of capital if ABC (M) Sdn. Bhd. successfully develops a prototype by 31 December 2023, the money to be used principally for marketing and ABC (M) Sdn. Bhd.'s working capital needs.

SFRS(I) 12:22(b)(iii)

(iii) Unrecognised share of losses of a joint venture, both for the financial year and cumulatively, if the entity has stopped recognising its share of losses of the joint venture when applying the equity method.

Where applicable, the following disclosure shall be considered:

The Group has not recognised losses relating to the joint venture where its share of losses exceed the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were $[●] (2021: $[●]) of which $[●] (2021: $[●]) was the share of the current year's losses. The Group has no obligation in respect of those losses.

SFRS(I) 12:21(a)

Disclosure requirements for joint operations

When the entity has investments in joint operations, the following disclosures are required:

(a) the name of the joint operation
(b) the nature of the entity's relationship with the joint operations, (for example, by describing the nature of the activities of the joint operation and whether it is strategic to the entity's activities)
(c) the principal place of business and country of incorporation, if applicable and different
(d) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held

Other disclosures required for joint ventures are not applicable for joint operations.

19. Deferred tax

	Group 2022 $'000	Group 2020 $'000
Deferred tax assets	287	368
Deferred tax liabilities	882	1,147

The movements in deferred tax position are as follows:

	Group 2022 $'000	Group 2021 $'000
At 1 January	(779)	(566)
Exchange translation differences	46	2
Acquisition of subsidiary (Note 16)	(485)	-
Credit/(Charge) to profit or loss	(139)	57
Credit/(Charge) to OCI:		
- Changes in fair value for financial assets at FVOCI	59	(386)
- Share of associates' OCI	-	(63)
- Revaluation of property	703	177
At 31 December	(595)	(779)

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the year.

SFRS(I) 1-12:81(g)

Deferred tax liabilities

	Accelerated tax depreciation $'000	Revaluation of building $'000	Fair value adjustments $'000	Lease assets $'000	Others $'000	Total $'000
Group						
At 1 January 2021	(12)	(895)	(20)	(2,949)	62	(3,814)
Exchange differences	-	(6)	(5)	(8)	1	(18)
(Charge)/Credit to profit or loss	-	-	-	325	-	325
(Charge)/Credit to OCI	-	177	(386)	-	(63)	(272)
At 1 January 2022	(12)	(724)	(411)	(2,632)	-	(3,779)
Exchange differences	-	(6)	(6)	(4)	-	(16)
Acquisition of subsidiary (Note 16)	-	(365)	(120)	-	-	(485)
(Charge)/Credit to profit or loss	-	-	-	551	-	551
(Charge)/Credit to OCI	-	703	59	-	-	762
At 31 December 2022	(12)	(392)	(478)	(2,085)	-	(2,967)

19. Deferred tax (Continued)

Deferred tax assets

	Tax losses	Provisions	Lease liabilities	Total
	$'000	$'000	$'000	$'000
Group				
At 1 January 2021	198	100	2,950	3,248
Exchange differences	-*	-*	20	20
Charge to profit or loss	(23)	(20)	(225)	(268)
At 1 January 2022	175	80	2,745	3,000
Exchange differences	30	22	10	62
Charge to profit or loss	(65)	(30)	(595)	(690)
SFRS(I) 1-12:81(f) At 31 December 2022	140	72	2,160	2,372

* Less than $1,000

SFRS(I) 1-12:81(f)

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $30,759,000 (2021: $25,985,000). The Group determined that these profits will not be distributed in the foreseeable future. Therefore, no liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

SFRS(I) 1-12:22

Commentary

Tax implications from adoption of new standards

A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. SFRS(I) 1-12 requires entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in profit or loss, if the transaction affects either accounting profit or taxable profit.

SFRS(I) 1-12:81(e)

Entity is reminded to consider any temporary difference and deferred tax implication upon adoption of SFRS(I) 16.

Unused tax losses or tax credits which no deferred tax assets is recognised

Where applicable, the following disclosure shall be considered:

Subject to the agreement by relevant taxation authorities, at the end of financial year, the Group has unutilised tax losses of $[•] (2021: $[•]) available for offset against future profits. A deferred tax asset has been recognised in respect of $[•] (2021: $[•]) of such losses. No deferred tax asset has been recognised in respect of the remaining $[•] (2021: $[•]) due to the unpredictability of profit streams. These losses may be carried indefinitely subject to the conditions imposed by law.

SFRS(I) 7:31, 34

20. Equity instruments at FVOCI

	Group 2022 $'000	Group 2021 $'000
At 1 January	4,083	2,489
Additions	-	430
SFRS(I) 7:20(a)(ii), (vii) Fair value recognised in OCI (Note 26)	(299)	1,156
Disposal	(200)	-
Exchange differences	(11)	8
	3,573	4,083

SFRS(I) 7:11A(a), (c)

Details of the investments are as follows:

	Group 2022 $'000	Group 2021 $'000
Listed equity instruments		
- Singapore Exchange	2,500	2750
- Bursa Malaysia	523	480
- New York Stock Exchange	480	788
Unlisted equity instruments		
- Investment in A Co Pte Ltd	70	65
	3,573	4,083

SFRS(I) 7:11A(b)

The Group has designated all equity instruments to be measured at fair value through other comprehensive income ("FVOCI"). The Group intends to hold these investments for long-term for appreciation in value as well as strategic investments purposes. Dividend income recognised for these investments are included in "Other income".

SFRS(I) 7:11A(e), 11B(a), (b)

During the year, the Group has disposed some of these investments as part of the strategic investments decision. The fair value of these equity instruments at the date of derecognition amounted to $200,000. The cumulative gain or loss associated with this investment was transferred within equity.

SFRS(I) 13:93

The investments in listed equity instruments have no fixed maturity date nor coupon rate. The fair values of these equity instruments are based on closing quoted market prices on the last market day of the financial year.

The fair values of unlisted equity instruments were derived using cash flows discounted at rates based on the market interest rates and adjusted for risk premiums specific to the instruments at 3.5% (2021: 3.7%).

SFRS(I) 12:9(d)

One of the Group's strategic investments is a 22% interest in Jacks & Co Limited, which listed in New York Stock Exchange. This investment is not accounted for using equity method (as an associate) as the Group does not have the power to participate in the entity's operating and financing policies, evidence by the lack of any direct and indirect involvement at the board level and a contractual agreement which enable the board to take all operational and strategic decisions without consultation with shareholders owning less than 30% of share capital of Jacks & Co Limited.

20. Equity instruments at FVOCI (Continued)

SFRS(I) 7:34(a)

The currency profiles of the Group's investments in equity instruments as at 31 December are as follows:

	Group	
	2022	2021
	$'000	$'000
Singapore Dollar	2,570	2,815
United States Dollar	480	788
Malaysia Ringgit	523	480
	3,573	4,083

Commentary

Unlisted equity instruments

SFRS(I) 9:B5.2.5

Entity is expected to fair value these unlisted equity instruments. Entity shall use **all information** about the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any such relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the entity must determine the fair value for these unlisted equity instruments.

Investments in equity instruments designated at FVOCI

SFRS(I) 7:11A

If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by SFRS(I) 9:5.7.5, it shall disclose:

(a) which investments in equity instruments have been designated to be measured at FVOCI.
(b) the reason for using this presentation alternative.
(c) the fair value of each such investment at the end of the financial year.
(d) dividends recognised during the period, showing separately those related to investments derecognised during the financial year and those related to investments held at the end of the financial year.
(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.

Debt instruments measured at either amortised cost or FVOCI

SFRS(I) 9:4.1.2

SFRS(I) 9:4.1.2A

For instrument that meets the solely payment of principal and interest contractual cash flow characteristic test, entity shall measure this instrument at amortised cost if the investment is held within hold to collect business model. However, if this investment is held within a business model whose objective is achieved by both holding the financial assets in order to collect the contractual cash flows and selling the financial assets ("hold to collect and sell business model"), the investment will then be measured at FVOCI. This business model typically involves greater frequency and volume of sales than hold to collect business model.

SFRS(I) 1-1:122

Where the classification of financial assets involve significant judgement in identifying the relevant business model and the relevant amount is material, the entity should disclose the rationale for such classification. ABC Singapore Limited does not use such significant judgement as most of its debt instruments are held within hold to collect business model.

20. Equity instruments at FVOCI (Continued)

Commentary

Business model and reclassification

See below for the disclosure on significant judgements on business model assessment:

SFRS(I) 1-1:122 *The classification of financial asset is depends on the Group's business model for managing the financial asset and the contractual cash flows characteristics of the financial asset. The Group determines the business model based on the intention or objective of holding the financial asset. The determination involves judgement as well as relevant evidence including reason for disposal or derecognition prior to maturity, frequency and volume of such disposal. The Group continuously monitors the appropriateness of business model for the remaining financial assets held and determines whether there is a prospective change on business model required.* SFRS(I) 7:12B *On 1 May 20XX, the Group has reclassified its listed debt instruments of $[•] from amortised cost to FVOCI due to the increase in market prices, management intends to dispose these debt instruments prior to its maturity. The fair value of these debt instruments as at 1 May 20XX amounted to $[•].*

SFRS(I) 7:12C For financial asset that was reclassified out from FVTPL to either amortised cost or FVOCI due to change in business model, entity is required to disclose effective interest rate determined on the date of reclassification and the interest revenue recognised for each financial year following reclassification until derecognition.

SFRS(I) 7:12D Entity is required to disclose the fair value of the financial asset at the end of the financial year and fair value gain or loss that would have been recognised in profit or loss (or other comprehensive income) during the period if the financial asset has not been reclassified. This disclosure is also applicable to financial asset reclassified out of FVOCI to either amortised cost or FVTPL.

Financial assets measured at FVTPL

SFRS(I) 9:4.1.4, 4.1.5 Financial asset is measured at FVTPL, unless it is measured at amortised cost or FVOCI. Financial asset at FVTPL is a residual category of financial assets under SFRS(I) 9. Entity may make irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Entity also has an option to irrevocably designate a financial asset as measured at FVTPL to eliminate accounting mismatch.

SFRS(I) 7:8(a) Entity is expected to disclose the carrying amount of financial assets designated at FVTPL and those mandatorily measured at FVTPL separately either in the consolidated statement of financial position or in the notes to the financial statements.

SFRS(I) 7:9 If entity has designated a financial asset as measured at FVTPL, it shall disclose:

(a) the maximum exposure to credit risk at the end of financial year
(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk
(c) the amount of change, during the period and cumulatively, in the fair value that is attributable to changes in credit risk determined
(d) the amount of change in fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated

SFRS(I) 1-1:77, 78(c)

21. Inventories

		Group 2022 $'000	2021 $'000
SFRS(I) 1-2:36(b)	Raw materials and consumables	4,404	3,552
	Work in progress	231	315
	Finished goods	7,876	6,924
		12,511	10,791

SFRS(I) 1-2:36(d) The cost of inventories recognised as expense and included in "cost of sales" amounted to $18,290,000 (2021: $17,497,000).

SFRS(I) 1-2:36(e) During the financial year, the Group has written down approximately $293,000 (2021: $476,000) of its audio accessories. The written down has been included in "cost of sales".

SFRS(I) 1-2:36(b) Finished goods include inventories of $95,000 (2021: $84,000) measured at net realisable value.

Commentary

Reversal of any written-down recognised in prior years

SFRS(I) 1-2:36(f)(g) The entity is required to disclose the amount of reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense and the circumstances or events leading to such reversals. Please refer to an illustrative disclosure below for guidance:

The Group has recognised a reversal of $[●] (2021: $[●]), being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2022.

Pledged or restrictions

SFRS(I) 1-2:36(h) Entity is required to disclosure the carrying amount of inventories pledged as security for liabilities. Please refer to an illustrative disclosure below for guidance:

Inventories with carrying amounts of $[●] (2021: $[●]) are held as security by way of a floating charge for certain of the Group's borrowings.

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

22. Trade and other receivables

		Group		Company	
		2022	2021	2022	2021
		$'000	$'000	$'000	$'000
	Trade receivables				
	- Third parties	2,294	2,093	-	-
SFRS(I) 1-24:18(b), 19(d)	- Associates	417	425	-	-
SFRS(I) 1-24:18(b), 19(e)	- Joint venture	429	393	-	-
		3,140	2,911	-	-
	Less: Loss allowance (Note 35)	(559)	(596)	-	-
	Sub-total	2,581	2,315	-	-
	Other receivables				
	- Deposits	450	358	130	65
SFRS(I) 1-24:18(b), 19(c)	- Subsidiaries	-	-	2,193	1,399
	- GST receivables	54	51	20	15
	Sub-total	504	409	2,343	1,479
	Total	3,085	2,724	2,343	1,479
	Less:				
	GST Receivables	(54)	(51)	(20)	(15)
	Add:				
	Cash and bank balances (Note 23)	27,212	25,437	8,138	9,980
SFRS(I) 7:6	Financial assets at amortised costs	30,243	28,110	10,461	11,444

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

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

SFRS(I) 7:31, 34(a)

The currency profiles of the Group's and Company's trade and other receivables at each reporting date are as follows:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Chinese Yuan	558	583	-	-
Singapore dollar	2,589	2,064	2,323	1,464
Thai baht	315	489	-	-
Ringgit Malaysia	551	503	-	-
	4,013	3,639	2,323	1,464

23. Cash and bank balances

		Group		Company	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
SFRS(I) 1-7:45	Cash at bank available on demand	17,212	12,837	3,138	3,980
SFRS(I) 1-7:45	Short-term deposits	10,000	12,600	5,000	6,000
		27,212	25,437	8,138	9,980

SFRS(I) 7:14

Short-term deposits of the Group amounting to $5,000,000 (2021: $5,000,000) were pledged to banks to secure credit facilities granted to the subsidiaries (Note 27).

SFRS(I) 7:31, 34(a)

The currency profiles of the Group's and Company's cash and bank balances at each reporting date are as follows:

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Chinese Yuan	7,986	6,992	-	-
Singapore dollar	13,526	13,824	8,138	9,980
Thai baht	2,078	2,218	-	-
Ringgit Malaysia	3,129	1,756	-	-
Others	493	647	-	-
	27,212	25,437	8,138	9,980

SFRS(I) 1-7:45

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

	Group	
	2022 $'000	2021 $'000
Cash and bank balances as above	27,212	25,437
Less: short-term deposits pledged	(5,000)	(5,000)
Cash and cash equivalents per consolidated statement of cash flows	22,212	20,437

23. Cash and bank balances (Continued)

Commentary

Cash equivalents for the purpose of presenting statement of cash flows

SFRS(I) 1-7:7

Cash equivalents are defined as "short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value". Short-term deposits and other investments which mature in three months or less would normally qualify.

SFRS(I) 1-7:48, 49

Any deposits pledged or otherwise restricted should be excluded from cash and cash equivalents in the consolidated statement of cash flows. Additionally, entity shall disclose the amount of significant cash and cash equivalent balances held that are not available for use by the Group.

Bank overdraft

SFRS(I) 1-7:8

Bank borrowings are generally considered to be financing activities. However, in some countries, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents.

A characteristic of such bank arrangements is that the bank balance often fluctuates from being positive to overdrawn. If the balance does not often fluctuate from negative to positive, then this indicates that the arrangement is a financing activity.

24. Share capital

SFRS(I) 1-1:78(e), 79(a)

	Group and Company			
	2022	**2021**	**2022**	**2021**
	Number of ordinary shares		**Share capital**	
	'000	**'000**	**$'000**	**$'000**
Issued and paid up :				
At 1 January	12,634	12,634	25,568	25,568
Issued during the financial year	500	-	2,000	-
At 31 December	13,134	12,634	27,568	25,568

The ordinary shares have no par value, carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company. On 6 July 2022, the Company issued 500,000 new ordinary shares for total consideration of $2,000,000.

25. Treasury shares

SFRS(I) 1-1:78(e), 79(a)

SFRS(I) 1-32:33,34

	Group and Company			
	2022	**2021**	**2022**	**2021**
	Number of ordinary shares		**$'000**	**$'000**
At 1 January	(1,055)	(605)	(2,543)	(1,243)
Acquired during the year	-	(450)	-	(1,300)
At 31 December	(1,055)	(1,055)	(2,543)	(2,543)

The Company acquired 450,000 of its own shares through purchases on the SGX-ST during the financial year ended 31 December 2021. The total amount paid to acquire the shares was $1,300,000 and has been deducted from shareholders' equity.

26. Other reserves

SFRS(I) 1-1:78(e)

	Group	
	2022	2021
	$'000	$'000
Fair value reserve	1,017	1,516
Revaluation reserve	892	4,326
Statutory reserve fund	1,254	1,080
Foreign exchange reserve	6,519	4,435
	9,682	11,357

Fair value reserve

SFRS(I) 1-1:79(b)

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at FVOCI until they are derecognised. Upon derecognition, the cumulative fair value changes will be transferred to retained earnings.

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

	Group	
	2022	2021
	$'000	$'000
At 1 January	1,516	360
Net fair value (losses)/ gains	(299)	1,156
Transfer to retained earnings upon disposal	(200)	-
At 31 December	1,017	1,516

Revaluation reserve

SFRS(I) 1-1:79(b)

The revaluation reserve represents increases in the fair value of freehold land and building, other than investment properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

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

	Group	
	2022	2021
	$'000	$'000
At 1 January	4,326	4,882
Net valuation losses	(3,434)	(865)
Share of associates' other comprehensive income	-	309
At 31 December	892	4,326

Statutory reserve fund

SFRS(I) 1-1:79(b)

In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

26. Other reserves (Continued)

Statutory reserve fund (Continued)

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 1-1:106(d)	At 1 January	1,080	976
	Transfer from retained earnings	174	104
	At 31 December	1,254	1,080

Foreign exchange reserve

SFRS(I) 1-1:79(b) The foreign exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 1-1:106(d)	At 1 January	4,435	3,411
SFRS(I) 1-21:52(b)	Exchange differences arising from translation of foreign operations	2,084	1,024
	At 31 December	6,519	4,435

27. Bank borrowings

		Group	
		2022	2021
SFRS(I) 7:7		$'000	$'000
SFRS(I) 1-1:61(b)	**Non-current**		
	Bank loans		
	- Secured	10,000	6,000
	- Unsecured	2,128	1,113
		12,128	7,113
SFRS(I) 1-1:61(a)	**Current**		
	Bank loans		
	- Secured	4,500	4,921
	- Unsecured	800	600
		5,300	5,521
		17,428	12,634

The above borrowings are exposed to interest rate changes and have a maturity dates between 2023 and 2025.

SFRS(I) 7:14

(a) The Group's secured bank loans are secured as follows:

(i) legal charges on the leasehold land and buildings of certain subsidiaries (Note 11);
(ii) guarantees from the Company, certain subsidiaries, related parties and directors of certain subsidiaries; and
(iii) pledge over short-term deposits (Note 23).

27. Bank borrowings (Continued)

(b) The fair value of non-current borrowings at each reporting date is as follows:

SFRS(I) 7:25

	Group	
	2021	**2020**
	$'000	**$'000**
Non-current		
Bank loans		
- Secured	9,940	5,850
- Unsecured	2,115	1,101
	12,055	6,951

SFRS(I) 13:93(b), (d), 97

The fair values above are determined based on cash flows analyses, discounted at market borrowing rates of a similar instrument which management expects to be available to the Group. At 31 December 2022, market borrowing rates of 4% (2021: 3.5%) has been applied. The fair values are within level 2 of the fair value hierarchy.

SFRS(I) 7:31, 34(a)

(c) The currency profiles of bank borrowings of the Group at each reporting date are as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
Singapore	10,761	6,326
Chinese Yuan	4,612	4,418
Thai baht	2,055	1,890
	17,428	12,634

Commentary

Fair value of borrowings

SFRS(I) 7:25, 29(a)

SFRS(I) 7 *Financial Instruments: Disclosures* requires entity to disclose the fair value of financial instruments in a way that permits it to be compared with its carrying amount. However, the disclosure of fair values are not required when the carrying amount is reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables. In such situation, entity may consider the following disclosure:

The average effective borrowing rates range from [●%] to [●%] (2021: [●%] to [●%]) per annum and have maturity dates between 2023 and 2025. The fair value of borrowings were approximate to its carrying amount.

SFRS(I) 1-1:77, 78(d)
SFRS(I) 1-37:84(a)-(c)

28. Provisions

	Group		
	Costs of dismantlement, removal or restoration	Warranties	Total
	$'000	$'000	$'000
2022			
At 1 January	755	550	1,305
Provisions made	-	543	543
Provisions utilised	-	(289)	(289)
At 31 December	755	804	1,559
Less: Current portion (SFRS(I) 1-1:61)	-	(256)	(256)
Non-current portion	755	548	1,303
2021			
At 1 January	255	325	580
Provisions made	500	460	960
Provisions utilised	-	(235)	(235)
At 31 December	755	550	1,305
Less: Current portion	-	(375)	(375)
Non-current portion	755	175	930

The provision for costs of dismantlement, removal or restoration are the estimated costs of dismantlement, removal or restoration of leased properties to its original conditions as stipulated in the terms and conditions of lease contract.

The provision for warranty claims represents management's best estimate of the present value of the future outflow of economic benefits that will be required under the Group's warranty program for its products. The Group offers warranty ranged from 1 to 2 years depending on the products. The estimate has been made on the basis of historical warranty trends (Note 3).

29. Trade and other payable

		Group		Company	
		2022	2021	2022	2021
		$'000	$'000	$'000	$'000
	Trade payables				
SFRS(I) 1-24:18(b), 19(c)	- Third parties	1,422	1,371	-	-
	- Related parties	1,301	1,097	-	-
		2,723	2,468	-	-
	Other payables	745	669	628	991
	Accrued expenses	608	548	410	546
	Total	4,076	3,685	1,038	1,537
	Add:				
	Bank borrowings (Note 27)	17,428	12,634	-	-
	Lease liabilities (Note 15)	1,877	1,618	-	-
SFRS(I) 7:6, 8(f)	Financial liabilities at amortised cost	23,381	17,937	1,038	1,537

SFRS(I) 1-24:18(b) The trade amounts due to related parties are transacted on normal commercial terms and repayable within the credit terms of 30 days.

SFRS(I) 7:31, 34(a) The currency profiles of the Group's and Company's trade and other payables at each reporting date are as follows:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Chinese Yuan	820	764	-	-
Singapore dollar	1,998	1,969	1,038	1,537
Thai baht	558	401	-	-
Ringgit Malaysia	700	551	-	-
	4,076	3,685	1,038	1,537

30. Dividends

SFRS(I) 1-1:107

During the financial year ended 31 December 2022, the Company declared and paid a final one-tier tax exempt dividend of 19.03 cents (2021: 15.83 cents) per ordinary share of the Company totalling $2,500,000 (2021: $2,000,000) in respect of the financial year ended 31 December 2021 (2020: financial year ended 31 December 2020).

SFRS(I) 1-1:137(a)

The Company did not recommend any dividend in respect of the financial year ended 31 December 2022.

Commentary

Dividend in specie or non-cash distributions

SFRS(I) INT 17:11, 13, 14, 16

Sometimes entity may distribute assets other than cash (non-cash assets) as dividend to its owners in accordance with SFRS(I) INT 17 *Distributions of No-cash Assets to Owners*. Where applicable, the following disclosure shall be considered:

The dividend in specie was approved by shareholders at the Extraordinary General Meeting of the Company held on 21 November 2022. Shareholders are given a choice for receiving either shares or a cash alternative. The dividend was measured at fair value of each alternative and the associated probability. Dividend payable of $[•] was accounted for as at 31 December 2022. On the settlement date, difference between carrying amount of the assets distributed and carrying amount of dividend payable is recognised in profit or loss.

31. Commitments

__Lease commitment (in the capacity of lessor)__

SFRS(I) 16:92

The Group has entered into commercial property leases on its investment properties (Note 12). These non-cancellable leases have remaining lease terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

SFRS(I) 16:97

At each reporting date, maturity analysis of lease income receivables based on undiscounted lease payments to be received on an annual basis are as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
Within a year	1,450	1,350
Between one and five years	2,960	3,800
	4,410	5,150

31. **Commitments** (Continued)

Capital commitments

At each reporting date, commitments in respect of capital expenditure, [excluding those relating to joint ventures or associates, if applicable], are as follows:

		Group	
		2022	**2021**
		$'000	**$'000**
	Capital expenditure contracted but not provided for		
SFRS(I) 1-16:74(c)	- Property, plant and equipment	359	-
SFRS(I) 1-38:122(e)	- Intangibles	50	35
		409	35

32. **Contingent liabilities**

SFRS(I) 1-37:86

The Group has been informed that a former employee has started legal proceedings against the Group for unfair dismissal. The Group vigorously denies that it was at fault and is intending to defend itself against any such action. Legal advice received supports the director's belief that the claim is without merit. It is anticipated the case will be concluded by the end of 2023. In the event that the Group is found to be liable, the directors have been advised that the compensation payable is highly unlikely to exceed $25,000. The directors note that in the event of an unfavourable judgement the Group would not be able to recoup the loss from another party.

33. Significant related party transactions

SFRS(I) 1-24:9, 18, 19, 21

During the year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Rental received from subsidiaries	-	-	50	48
Sale of goods to:				
- Associates	590	652	-	-
- Companies controlled by Directors	130	115	-	-
Purchases from:				
- Associates	105	138	-	-
- Fellow subsidiaries	3,258	3,051	-	-
Management fees received from subsidiaries	-	-	2,159	2,025
Purchase commitments from fellow subsidiaries	1,518	1,249	-	-

The outstanding balances as at 31 December with related parties are disclosed in Notes 22 and 29 to the financial statements and are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members.

As at 31 December 2022, the Company had given guarantees amounting to $5,000,000 (2021: $4,500,000) to certain banks in respect of banking facilities granted to the subsidiaries (Note 27). At each reporting date, the total amount of loans outstanding covered by the guarantees is $4,856,000 (2021: $3,859,000).

Key management personnel remuneration

Key management personnel of the Group comprise the directors and other key management personnel. The details of their remunerations are as follows:

		Group	
		2022	2021
		$'000	$'000
SFRS(I) 1-24:17(a)	Salaries and bonuses	4,729	4,432
SFRS(I) 1-24:17(b)	Employer's contribution to defined contribution plan	345	316
SFRS(I) 1-24:17(c)	Other long-term benefits	215	198
		5,289	4,946
	Comprised amounts paid to:		
	- Directors of the Company	2,913	2,667
	- Directors of subsidiaries	1,559	1,524
	- Other key management personnel	817	755
		5,289	4,946

33. Significant related party transactions (Continued)

Commentary

SFRS(I) 1-24:18

If there have been transactions between related parties, the nature of the related party relationship as well as information about the transactions and outstanding balances, including commitments, shall be disclosed. The disclosures are to include:

(a) the amount of the transactions
(b) the amount of outstanding balances, including commitments including: (i) the terms and conditions, including whether they are secured and the nature of consideration to be provided in settlement, and (ii) details of any guarantees given or received;
(c) provisions for doubtful debts; and
(d) the expense in respect of bad and doubtful debts due from related parties.

SFRS(I) 1-24:18A

Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

SFRS(I) 1-24:19

Related party transactions must be disclosed separately for each of the following categories:

(a) the parent;
(b) entities with joint control or significant influence over the entity;
(c) subsidiaries;
(d) associates;
(e) joint ventures in which the entity is a venture;
(f) key management personnel of the entity or its parent; and
(g) other related parties.

SFRS(I) 1-24:21

Examples of transactions that are disclosed if they are with a related party are:

(a) purchases or sales of goods;
(b) purchases or sales of property or other assets;
(c) rendering or receiving of services;
(d) leases;
(e) transfers of research and development;
(f) transfers under licence agreements;
(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
(h) provision of guarantees or collateral;
(i) commitments to do something if a particular event does or does not occur in the future; and
(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

SFRS(I) 1-24:17(d)(e)

In addition to the items presented in the illustrative disclosures, key management remuneration disclosure should include termination benefits and share-based payments where applicable.

SFRS(I) 8:20, 21

34. Segment information

SFRS(I) 8:22(b)

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.24).

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Thailand, China and Malaysia. All these locations are engaged in the manufacturing, distribution and trading of audio systems and speaker products.

The Group has two reportable segments being customised audio system, distribution and trading segments.

SFRS(I) 8:22(aa)

The customised audio system segment customises audio systems its customer. The customisation involves designing the layout of the sound system and the products to be used.

The distribution and trading segment manufacture and sells audio speaker and other audio accessories to other segment, whole-sale distributors and retailers.

"Other" segments includes the Group's remaining minor trading and investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

SFRS(I) 8:22(a)

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

SFRS(I) 8:23(h)

Income taxes are managed on a Group basis.

SFRS(I) 8:27(b)(c)(d)

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

SFRS(I) 8:27(e)

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss[1].

SFRS(I) 8:27(a)

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

34. Segment information (Continued)

Commentary

SFRS(I) 8:27(e)

[1] The Group does not need to restate segment information if there is a change in the measure of profit or loss. The Group is however required to disclose the nature of any change from prior periods in the measurement methods used to determine the reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.

SFRS(I) 8:29

However, the Group will need to restate their figures if there has been a change in the composition of the segments resulting from changes in the structure of an entity's internal organisation unless the information is not available and the cost to develop it would be excessive.

34. **Segment information** (Continued)

		Customised audio system	Distribution and trading	Others	Total
		$'000	$'000	S'000	S'000
	2022				
	Revenue				
	Total revenue	31,201	50,063	-	81,264
SFRS(I) 8:23(b)	Inter-segmental revenue	-	(5,986)	-	(5,986)
SFRS(I) 8:23(a)	Revenue from external customers	31,201	44,077	-	75,278
SFRS(I) 8:23(f)	Rental income	-	-	1,283	1,283
SFRS(I) 8:23(e)	Depreciation and amortisation	(5,182)	(8,365)	-	(13,547)
	Fair value changes of investment property	-	-	2,637	2,637
SFRS(I) 8:23(i)	Impairment of goodwill	-	(100)	-	(100)
SFRS(I) 8:23(i)	Impairment of property, plant and equipment	-	(1,000)	-	(1,000)
	Segment profit	5,611	5,162	383	11,156
SFRS(I) 8:23(c)	Interest income				200
SFRS(I) 8:23(d)	Interest expenses				(1,220)
SFRS(I) 8:23(g)	Share of profit of associates				660
SFRS(I) 8:23(g)	Share of profit of joint venture				100
SFRS(I) 8:23(h)	Income tax expenses				(2,794)
	Profit from continuing operations				8,102
	Profit from discontinued operations				374
	Profit for the year				8,476
	Reportable segment assets	45,511	63,658	3,884	113,053
SFRS(I) 8:24(a)	Investments in associates				1,790
SFRS(I) 8:24(a)	Investments in joint ventures				383
	Deferred tax assets				287
	Corporate office's property				12,093
	Total Group's assets				127,606
	Included in the segment assets:				
SFRS(I) 8:24(b)	Additions:				
	- Property, plant and equipment	2,355	18,621	-	20,976
	- Intangibles	-	3,065	-	3,065
	- Right-of-use assets	-	250	-	250
	Reportable segment liabilities	15,028	22,286	1,125	38,439
	Income tax payables				2,644
	Deferred tax liabilities				882
	Total Group's liabilities				41,965

34. Segment information (Continued)

		Customised audio system $'000	Distribution and trading $'000	Others S'000	Total S'000
	2021				
	Revenue				
	Total revenue	30,891	40,647	-	71,538
SFRS(I) 8:23(b)	Inter-segmental revenue	-	(5,021)	-	(5,021)
SFRS(I) 8:23(a)	Revenue from external customers	30,891	35,626	-	66,517
SFRS(I) 8:23(f)	Rental income	-	-	1,203	1,203
SFRS(I) 8:23(e)	Depreciation and amortisation	(5,902)	(7,184)	-	(13,086)
	Fair value changes of investment property	-	-	1,228	1,228
SFRS(I) 8:23(i)	Impairment of goodwill	-	(500)	-	(500)
SFRS(I) 8:23(i)	Impairment of property, plant and equipment	-	(1,000)	-	(1,000)
	Segment profit	4,340	3,642	363	8,345
SFRS(I) 8:23(c)	Interest income				250
SFRS(I) 8:23(d)	Interest expenses				(842)
SFRS(I) 8:23(g)	Share of profit of associates				600
SFRS(I) 8:23(g)	Share of profit of joint venture				110
SFRS(I) 8:23(h)	Income tax expenses				(3,340)
	Profit from continuing operations				5,123
	Profit from discontinued operations				(410)
	Profit for the year				4,713
SFRS(I) 8:27(c)	**Reportable segment assets**	41,835	52,148	4,921	98,904
SFRS(I) 8:24(a)	Investments in associates				1,130
SFRS(I) 8:24(a)	Investments in joint ventures				283
	Deferred tax assets				368
	Corporate office's property				18,076
	Total Group's assets				118,761
	Included in the segment assets:				
SFRS(I) 8:24(b)	Additions:				
	- Property, plant and equipment	1,250	5,700	-	6,950
	- Intangibles	-	895	-	895
	- Right-of-use assets	-	351	-	351
SFRS(I) 8:27(d)	**Reportable segment liabilities**	17,028	17,789	1,141	35,958
	Income tax payables				2,342
	Deferred tax liabilities				1,147
	Total Group's liabilities				39,447

34. Segment information (Continued)

Commentary

SFRS(I) 8:23

(i) Interest revenue

The Group can only report net interest revenue if a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue.

SFRS(I) 1-1:86

(ii) Material items of income and expenses

These are material items of income and expense disclosed in accordance with FRS 1:86.

SFRS(I) 8:23

(iii) Segment assets and segment liabilities

An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

SFRS(I) 8:28

(iv) Other material reconciling items

Other material reconciling items should also be separately identified and described.

Geographic information

Revenues from external customers

SFRS(I) 8:32
SFRS(I) 8:34

The breakdown of the Group's revenue by products and services are disclosed in Note 4 to the financial statements. Revenue of approximately $4,018,000 (2021: $3,985,000) are derived from a single external customer. These revenues are attributable to Singapore's distribution and trading segment.

Commentary

The Group is required to provide information about the extent of its reliance on major customers. If revenues from transactions with a single external customer amount to 10% or more of the Group's revenues, the Group shall disclose this fact, the total amount of revenues from each such customer and the identity of the segment(s) reporting the revenues.

The entity needs not disclose the identity of a major customer but it needs to disclose the amount of revenues that each segment reports from that customer.

A group of entities known to the Group to be under common control shall be considered a single customer.

34. Segment information (Continued)

Locations of non-current assets

SFRS(I) 8:31, 33(b)

Non-current assets consist of property, plant and equipment, investment properties, intangible assets, right-of-use assets, investments in associates and investment in joint venture.

	Group	
	2022	**2021**
	$'000	**$'000**
Singapore	34,390	36,626
China	24,735	23,339
Thailand	5,894	5,374
Malaysia	6,017	5,882
Other countries	1,250	1,713
	72,286	72,934

Commentary

SFRS(I) 8:31

The geographic information is required to be disclosed even where there is only one reportable segment. In the case where the necessary information is not available for disclosure and the cost to develop it would be excessive, that fact shall be disclosed.

SFRS(I) 8:33(a)

The entity is required to disclose the revenues from external customers attributed to the Company's country of domicile as well as all foreign countries in total from which the Group derives the revenues if such revenues attributed to an individual foreign country are not material enough to warrant separate disclosures. The basis for attributing revenues from external customers to individual countries shall also be disclosed.

SFRS(I) 8:33(b)

Similarly, the entity is required to disclose the non-current assets located in the Company's country of domicile and all foreign countries in total if the non-current assets located in individual foreign countries are not material enough to warrant separate disclosures.

The information provided shall be based on the financial information that is used to produce the Group's financial statements.

35. Financial instruments and financial risks

SFRS(I) 7:31, 32, 33

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group uses financial instruments such as foreign currency forward contracts and interest rate swaps to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the management. The trading team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the management and the Board of Directors.

SFRS(I) 7:33(c), 40(c)

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

Credit risks

SFRS(I) 7:33(a)(b)

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. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Trade receivables and contract assets

SFRS(I) 7:35B(a)(b), 35F

The Board of Directors 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 Board of Directors.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of the Board of Directors, otherwise payment in advance is required.

SFRS(I) 7:34(c), 35B(c)

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics, except for the amount due from subsidiaries of $2,193,000 (2021: $1,399,000) which included in the standalone financial statements of Company.

SFRS(I) 7:14, 35K

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that financial instruments presented in the respective statements of financial position, except for the financial guarantee issued to financial institutions for loans provided to subsidiaries.

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Trade receivables and contract assets (Continued)

SFRS(I) 7:34(a)

The exposure to credit risk for trade receivables and contract assets at each reporting date is as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
By type of customers		
Customised audio system		
Theatre and cinema	928	752
Institutions and corporates	727	809
Others	578	354
	2,233	1,915
Distribution and trading		
Wholesalers	845	865
Retailers	1,044	1,097
	1,889	1,962
Trade receivables and contract assets	4,122	3,877
By geographical areas		
Customised audio system		
Singapore	528	648
Thailand	500	394
China	783	714
Others	422	159
	2,233	1,915
Distribution and trading		
Singapore	433	396
Thailand	228	311
China	967	914
Others	261	341
	1,889	1,962
Trade receivables and contract assets	4,122	3,877

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Trade receivables and contract assets (Continued)

SFRS(I) 7:35F(c)

The Group applies the simplified approach, using a provision matrix, to measure the expected credit losses for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

SFRS(I) 7:35G

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Board of Directors has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

SFRS(I) 7:35M, 35N
SFRS(I) 7:IG20D

The lifetime expected credit losses, on collective basis, for the Group's trade receivables and contract assets at each reporting date are as follows:

	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 120 days past due $'000	Total $'000
31 December 2022					
Customised audio system					
Expected loss rate	1%	3%	10%	50%	
Gross carrying amount					
- Trade receivables	500	256	118	279	1,153
- Contract assets	992	-	-	-	992
	1,492	256	118	279	2,145
Loss allowance					
- Trade receivables	5	8	12	140	165
- Contract assets (Note 4)	10	-	-	-	10
Distribution and trading					
Expected loss rate	1%	2%	9%	50%	
Gross carrying amount					
- Trade receivables	691	247	479	462	1,879
Loss allowance	7	5	43	231	286
Total					
Gross carrying amount					
- Trade receivables	1,191	503	597	741	3,032
- Contract assets	992	-	-	-	992
	2,183	503	597	741	4,024
Loss allowance					
- Trade receivables (Note 22)	12	13	55	371	451
- Contract assets (Note 4)	10	-	-	-	10
	22	13	55	371	461
Net carrying amount					
- Trade receivables	1,179	490	542	370	2,581
- Contract assets	982	-	-	-	982
	2,161	490	542	370	3,563

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

SFRS(I) 7:35M, 35N
SFRS(I) 7:IG20D

Trade receivables and contract assets (Continued)

	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 120 days past due $'000	Total $'000
31 December 2021					
Customised audio system					
Expected loss rate	1%	3%	8%	50%	
Gross carrying amount					
- Trade receivables	151	139	203	280	773
- Contract assets	976	-	-	-	976
	1,127	139	203	280	1,749
Loss allowance					
- Trade receivables	1	4	16	140	161
- Contract assets (Note 4)	10	-	-	-	10
Distribution and trading					
Expected loss rate	1%	2%	9%	50%	
Gross carrying amount					
- Trade receivables	701	441	408	412	1,962
Loss allowance	7	9	37	206	259
Total					
Gross carrying amount					
- Trade receivables	852	580	611	692	2,735
- Contract assets	976	-	-	-	976
	1,828	580	611	692	3,711
Loss allowance					
- Trade receivables (Note 22)	8	13	53	346	420
- Contract assets (Note 4)	10	-	-	-	10
	18	13	53	346	430
Net carrying amount					
- Trade receivables	844	567	558	346	2,315
- Contract assets	966	-	-	-	966
	1,810	567	558	346	3,281

SFRS(I) 7:35G, 35M(b)(iii)

As at 31 December 2022, trade receivables of $108,000 (2021: $176,000) had lifetime expected credit losses of the full value of the receivables. These receivables due at the end of financial year relate to two of the customers in the China, whose offices and production facilities were partially destroyed by fire during the year. The main factors considered in determining the lifetime expected credit losses are that the customers are unlikely to be able to recommence trading for some time, the debts are past due more than 6 months and there was currently uncertainty over whether the insurance claim related to the fire will be paid.

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Trade receivables and contract assets (Continued)

SFRS(I) 7:20(a)(vi)
SFRS(I) 7:35H

Movement in the loss allowance for trade receivables and contract assets are as follows:

	Group	
	2022	**2021**
	$'000	**$'000**
At 1 January	606	374
Loss allowance recognised during the year	219	430
Receivable written off as uncollectible	(244)	(198)
Reversal of unused amounts	(12)	-
At 31 December	569	606

SFRS(I) 7:35F(e), 35L

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery such as debtor is under liquidation. When receivables are written off, the Group continues to engage in enforcement activity in order to recover the receivables due. If the receivables are subsequently recovered, such recovery is recognised in profit or loss as "other income". As at 31 December 2022, trade receivables of $244,000 (2021: $198,000) were written off during the year.

Other receivables including amount due from subsidiaries

SFRS(I) 7:35B(a)(b), 35F

For amount due from subsidiaries (Note 22), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries has been measured based on 12-month expected credit loss model and subject to immaterial credit loss.

SFRS(I) 7:35B(b)

For other receivables, the Board of Directors adopts a policy of dealing with high credit quality counterparties. Board of Directors monitors and assess at each reporting date on any indicator of significant increase in credit risk on these other receivables. As at 31 December 2022, there is no indication that credit risk on these receivables have increased significantly hence, these receivables are measured at 12-month expected credit loss model and subject to immaterial credit loss.

Financial guarantee contracts

SFRS(I) 7:B10(c)

In addition, the Group and Company are exposed to credit risk in relation to financial guarantees given to banks on subsidiaries' borrowings. The Group's and Company's maximum exposure are the maximum amount the Group and the Company could have to pay if the guarantee is called on. As at 31 December 2022, subsidiaries borrowings of $5,000,000 (2021: $4,500,000) was guaranteed by the Group and the Company. For the financial guarantee issued, the Group and the Company have assessed that these subsidiaries have sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Cash and bank balances

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

SFRS(I) 7:33

A significant amount of cash and bank balances are held with the financial institutions with the following credit ratings:

	Group			Company		
	Rating	Bank balances	Short-term deposits	Rating	Bank balances	Short-term deposits
		$'000	$'000		$'000	$'000
31 December 2022						
[INSTITUTION A]	AAA	8,010	3,500	AAA	2,008	-
[INSTITUTION B]	AA	6,381	6,500	AA	1,130	5,000
[INSTITUTION C]	A	2,821	-	A	-	-
	Note 23	17,212	10,000		3,138	5,000
31 December 2021						
[INSTITUTION A]	AAA	5,888	4,550	AAA	2,008	1,000
[INSTITUTION B]	AA	5,918	8,050	AA	1,972	5,000
[INSTITUTION C]	A	1,031	-	A	-	-
	Note 23	12,837	12,600		3,980	6,000

SFRS(I) 7:35M

The credit rating above are derived from [Rating Agency]. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any credit losses from non-performance by the counterparties.

Commentary

Financial guarantee contracts

If entity has provided a loss allowance on financial guarantee contracts issued, the following disclosure is applicable:

As at 31 December 2022, the Company has recognised a loss allowance of $[•] on the financial guarantee provided.

Cash and bank balances

The above disclosure on cash and bank balances are for illustration purposes. Entity shall consider its own credit risk management policy on cash and bank balances and provide the relevant and sufficient disclosure in accordance with SFRS(I) 7.

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Commentary

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable date about the following events:

- significant financial difficulty of the issuer or the borrower;
- breach of contract, such as default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflect the incurred credit losses.

This illustrative financial statements has not included any disclosure relating to credit-impaired financial assets.

If entity has credit-impaired trade receivables and contract assets, besides accounting policy, the following disclosure may be applicable:

SFRS(I) 7:35H

Movement in the loss allowance for trade receivables and contract assets are as follows:

	Non-credit impaired			
	Collective	Individual	Credit-impaired	Total
	$'000	$'000	$'000	$'000
31 December 2022				
At 1 January				
Transfer				
Loss recognised in profit or loss				
Reversal				
Written-off				
At 31 December				
31 December 2021				
At 1 January				
Transfer				
Loss recognised in profit or loss				
Reversal				
Written-off				
At 31 December				

35. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Commentary

Collateral and other credit enhancements

SFRS(I) 7:36(b)

Where the Group holds collateral as security and other credit enhancements, please provide a description of these instruments and their financial effect (e.g. 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 for each class of such financial instruments.

SFRS(I) 7:38

Where the Group obtains collaterals and other credit enhancements during the financial period and continues to hold them as at the reporting date, please disclose the following:

(a) nature and carrying amount of the assets; and
(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Please refer to the following as an illustrative guide:

During the financial year, the Group obtained assets by taking possession of collateral held as security. Those assets which are not yet derecognised as of 31 December 2022 are as follows:

Nature of assets	*Carrying amount*
	$'000
Inventories	
Property, plant and equipment	

Repossessed items are sold as practicable, with the proceeds used to reduce outstanding receivables.

Market risks

SFRS(I) 7:31, 33,34

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), interest rates (interest rate risk) or other market factors (other price risk).

Foreign currency risks

Foreign exchange risk arises when individual entities within the Group enters into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow individual entities within the Group to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Where individual entities within the Group have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

These risks also being managed either by foreign currency forward contracts in respect of actual or forecast currency exposures or through natural hedges arising from a matching of sales and purchases or a matching of assets and liabilities of the same currency and amount.

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

SFRS(I) 7:31, 34

At each reporting date, the Group net exposure to foreign currency risks are as follows:

	Group Functional currency of individual entities within the Group			
	SGD	[Currency B]	[Currency C]	Total
	$'000	$'000	$'000	$'000
31 December 2022				
Net foreign currency financial assets/ (liabilities)				
SGD	-	1,015	1,025	2,040
[Currency B]	783	-	(1,446)	(663)
[Currency C]	929	500	-	1,429
Total net exposure	1,712	1,515	(421)	2,806
31 December 2021				
Net foreign currency financial assets/ (liabilities)				
SGD	-	387	1,399	1,786
[Currency B]	549	-	(700)	(151)
[Currency C]	782	1,001	-	1,783
Total net exposure	1,331	1,388	699	3,418

The Company is not exposed to foreign currency risk since all its financial assets and liabilities at each reporting date are denominated in Singapore Dollar.

SFRS(I) 7:40, IG36, B17-B28

Foreign currency sensitivity analysis

The effect of a 20% strengthening of the [CURRENCY B] against SGD at the reporting date on the [CURRENCY B]-denominated receivables carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of $294,000 (2021: $155,000). A 20% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by $294,000 (2021: $155,000).

The effect of a 20% strengthening of the [CURRENCY C] against SGD at the reporting date on the [CURRENCY C]-denominated (payable)/ receivables carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of $324,000 (2021: $362,000). A 20% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by $324,000 (2021: $362,000).

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

Commentary

Quantitative disclosures on foreign currency risk

SFRS(I) 7 does not prescribe a specific format for these disclosures. Instead the disclosures should be based on information provided internally to key management. The amounts included for the exposures could also, where relevant, incorporate the effect of derivatives used for hedging purposes, commitments/forecast transactions, net non-financial assets of foreign subsidiaries, and certain inter-company balances that result in currency exposure for the group.

Foreign currency exposure from inter-company balances

With reference to SFRS(I) 1-21:45, inter-company balances denominated in foreign currencies create foreign currency risk in the consolidated financial statements because the foreign currency exposure is not fully eliminated even though the balances are eliminated in the preparation of the consolidated financial statements. Thus, foreign currency exposure arising from inter-company balances should be disclosed in the consolidated financial statements and included in the sensitivity analysis. Translation risk associated with inter-company balances that are part of a net investment in a foreign operation is reflected in equity and should not be included in the sensitivity analysis.

Foreign currency forward contracts

Where the Group enters into foreign currency forward contracts with third parties or with the Group Treasury as part of its hedging activities to mitigate the foreign currency risks, please describe the objective, policies and procedures of its hedging activities.

Please refer to the following as an illustrative guide:

The Group transacts business in various foreign currencies, including United States dollar, Thai baht and Ringgit Malaysia and hence is exposed to foreign currency risks. To manage foreign currency risks, individual Group entities enter into foreign currency forward contracts with the Group Treasury which in turn manages the overall currency exposure mainly through foreign currency forward contracts.

The Group Treasury's risk management policy is to hedge between [●]% and [●]% of highly probable forecast transactions (mainly export sales and import purchases) in the next 3 months and approximately [●]% of firm commitments, denominated in foreign currencies.

Sensitivity analysis

SFRS(I) 7:40 B19, B21

A sensitivity analysis should be presented based on reasonably possible changes in significant risk variables (profit or loss, and equity). The reasonably possible change is based on the economic environment, may be different for different currencies and may change from year to year.

SFRS(I) 7:42

Please include explanations for material variances between the current and previous financial year and/or increase/(decrease) in the profit or loss, and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, that fact should be disclosed together with the reasons.

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

<u>Fair value and cash flow interest rate risk</u>

SFRS(I) 7:33(a)(b)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rate. [As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rate.]

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently the Group's policy that between 50% and 75% of external group borrowings (excluding short-term overdraft facilities, if any, and finance lease payables) are fixed rate borrowings. This policy is managed centrally.

Fair value and cash flow interest sensitivity analysis

The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, if the SGD-interest rates had been higher/ lower by 0.05% (2021: 0.05%), with all variable including tax rate being held constant, the profit after tax would have been lower/ higher by $503,000 (2021: $295,000)

Commentary

SFRS(I)7:42

Please include explanations for material variances between the current and previous financial year or/and increase (decrease) in the profit or loss and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, please disclose that fact and the reason(s).

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Equity price risks

SFRS(I) 7:33(a)(b)

The Group holds some strategic equity investments in other companies where those complement the Group's operations (see Note 20 to the financial statements). The directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

SFRS(I) 7:40

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at each reporting date.

The effect of a 10% increase in the value of the equity investments held at the reporting date would, all other variables held constant, have resulted in an increase in the fair value through other comprehensive income reserve and net assets of $296,600 (2021: $338,900). A 10% decrease in their value would, on the same basis, have decreased the fair value through other comprehensive income reserve and net assets by the same amount.

Commentary

If entity has equity instruments that measured at fair value through profit or loss, the effects on profit or loss shall be included.

SFRS(I)7:42

Please include explanations for material variances between current and previous financial year or/and increase (decrease) in the profit or loss and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, please disclose that fact and the reason(s).

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Liquidity risks

SFRS(I) 7:33, 39

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section above.

SFRS(I) 7:34, 39(a)

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both expected interest and principal cash flows.

	Up to 3 months $’000	Between 3 and 12 months $’000	Between 1 and 2 years $’000	Between 2 and 5 years $’000	Over 5 years $’000
Group					
31 December 2022					
Trade and other payables	1,918	2,158	-	-	-
Bank borrowings	1,900	3,400	4,958	5,485	2,014
Lease liabilities	660	2,932	3,340	8,002	-
	4,478	8,490	8,298	13,487	2,014
31 December 2021					
Trade and other payables	1,743	1,942	-	-	-
Bank borrowings	1,870	3,651	6,616	758	-
Lease liabilities	591	3,127	4,043	10,865	-
	4,204	8,720	10,659	11,623	-
Company					
31 December 2022					
Trade and other payables	351	687	-	-	-
Financial guarantee contracts (SFRS(I) 7: B11C(c))	5,000	-	-	-	-
	5,351	687	-	-	-
31 December 2021					
Trade and other payables	527	1,010	-	-	-
Financial guarantee contracts (SFRS(I) 7: B11C(c))	4,500	-	-	-	-
	5,027	1,010	-	-	-

Commentary

Financial guarantee contract issued

SFRS(I) 7: B11C(c)

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Commentary

Maturity analysis for financial liabilities

SFRS(I) 7:B11D

The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only (i.e. gross lease liabilities or gross loan commitments). Therefore, the amounts presented in the maturity analysis differ from the carrying amount included in the statement of financial position as the amounts in statement of financial position are based on discounted cash flows.

This difference is not expected to be material for balances due within 12 months from reporting date due to its short-term nature. Nonetheless, entity may voluntarily include a reconciliation in order to agree the amounts presented in the maturity analysis with carrying amounts in statement of financial position.

Maturity analysis for derivative financial liabilities

Where applicable, the following disclosure should be included:

SFRS(I) 7:39(b)

The following table details the Group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates.

	Effective interest rate	Less than 1 year	1 to 2 years	2 to 4 years	More than 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
The Group						
Net-settled:						
Interest rate swaps						
Foreign currency forward contracts						
Gross-settled:						
Foreign currency forward contracts						
As at 31 December 2022						
The Group						
Net-settled:						
Interest rate swaps						
Foreign currency forward Contracts						
Gross-settled:						
Foreign currency forward Contracts						
As at 31 December 2021						

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Capital risk management and policies

SFRS(I) 1-1:134,135

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issues new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24 and 25 to the financial statements.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 20% (2021: 15%).

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Net debt	(3,831)	(7,500)	(7,100)	(8,443)
Total equity	85,641	79,314	26,729	24,183
Total capital	81,810	71,814	19,629	15,740
Gearing ratio	-	-	-	-

Commentary

The above example illustrates capital management disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose.

As disclosed in Note 26 to the financial statements, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group and the Company are in compliance with the above externally imposed capital requirements for the financial years ended 31 December 2022 and 2021.

Commentary

SFRS(I) 1-1:135(d)

If there is no such externally imposed capital requirement, the Company/Group should consider making a negative statement to that effect.

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Financial instruments and measurements

Financial instruments not measured at fair value

SFRS(I) 7:25

Financial instruments not measured at fair value includes cash and bank balances, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying amount of these current financial assets and financial liabilities measured at amortised costs approximates their fair value.

SFRS(I) 13:93(d), 97

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans and borrowings, refer to Note 27(b) to the financial statements.

Commentary

Fair value disclosures

SFRS(I) 7:25, 29

SFRS(I) 7 requires entity to disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount. Such disclosures of fair value are not required:

- when the carrying amount is reasonable approximation of fair value such as short-term trade receivables and payables;
- for a contract containing a discretionary participation feature (as described in SFRS(I) 4) if the fair value of that feature cannot be measured reliably; or
- for lease liabilities.

The disclosure of fair values of financial instruments not carried at fair value may be presented either in a single table, as above or in the respective notes, as also illustrated in these illustrative financial statements. Both types of disclosure are not however necessary. A statement such as the following may be considered as well:

The carrying amount of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

SFRS(I) 13 requires specific disclosures for items measured or disclosed at fair value, depending on:

- The level of fair value measurement, and
- Whether the fair value measurement is **recurring** or non-recurring

SFRS(I) 13:97

Financial instruments are example of recurring fair values as fair valuation is required at each reporting date.

For financial assets and liabilities that are not carried at fair value, but for which SFRS(I) 7 requires the disclosures of fair values, and entity must disclose:

- The fair value hierarchy level;
- A description of the valuation techniques used; and
- Significant unobservable inputs (Level 3).

However, quantitative disclosures about significant unobservable inputs for Level 3 fair value measurements are not required.

SFRS(I) 7:34

35. Financial instruments and financial risks (Continued)

Financial instruments and measurements (Continued)

Financial instruments measured at fair value

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

SFRS(I) 13:93(b)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2022				
Financial assets				
Financial assets at FVOCI	3,503	70	-	3,573
31 December 2021				
Financial assets				
Financial assets at FVOCI	4,018	65	-	4,083

SFRS(I) 13:93(c) There were no transfers between levels during the period.

SFRS(I) 13:91(a) The financial instruments included in level 1 are traded in active markets and their fair values are based on quoted market prices at the reporting date.

The financial instruments that are not traded in active markets comprise unquoted equity instruments. The fair value determination has been disclosed in Note 20 to the financial statements.

There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

Commentary

Fair value measurement

SFRS(I) 13:93 For financial assets and liabilities measured at fair value, SFRS(I) 13 requires the following to be disclosed:

- SFRS(I) 13:93(b) The fair value hierarchy level ie L1, L2 or L3
- SFRS(I) 13:93(c) Any transfers between levels (L1 and L2)
- SFRS(I) 13:93(d) A description of the valuation techniques used, any changes in the techniques and the reasons why (L2 and L3).
- Significant unobservable inputs (L3)
- SFRS(I) 13:93(g) A description of valuation processes and policies (L3, this could be in Note 3.2 or here)
- SFRS(I) 13:93(h) A narrative description and quantitative analysis of the sensitivity of changes in significant unobservable inputs to fair value (L3)
- SFRS(I) 13:93(e)(f) A reconciliation between opening and closing fair value measurement, including any unrealised fair value gains/losses L3).

35. Financial instruments and financial risks (Continued)

Commentary (Continued)

Fair value measurement (Continued)

In the case of ABC Singapore Limited, we have presumed that the valuation techniques result in **level 1 or 2** fair value measurements, being based on quoted prices or observable inputs. However, if at least one unobservable input is used in the valuation, it will be classified as level 3 and the additional disclosure requirements for level 3 above will apply.

The following illustrative disclosure can be considered for level 3 fair values of financial assets and liabilities:

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial Instrument	***Valuation techniques used***	***Significant unobservable inputs***	***Inter-relationship between key unobservable inputs and fair value***
[FINANCIAL INSTRUMENT]	*[VALUATION TECHNIQUE]* *[DESCRIPTION]* *[PROCESSES AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*	*[DESCRIBE WHETHER INCREASES OR DECREASES IN SIGNIFICANT UNOBSERVABLE INPUTS WOULD CAUSE AN INCREASE OR DECREASE IN FAIR VALUE]*
Unquoted equity investments	***Discounted cash flow***	– *Weighted average cost of capital ([•]% to [•]%; weighted average [•]%) (2020: [•]% to [•]%; weighted average X%)* – *Long term revenue growth rate ([•]% to [•]%; weighted average [•]%) (2020: [•]% to[•]%; weighted average [•]%)* – *Long-term pre-tax operating margin ([•]% to [•]%; weighted average [•]%) (2020: [•]% to [•]%; weighted average [•]%)* – *Discount for lack of marketability ([•]% to [•]%; weighted average [•]%) (2020: [•]% to [•]%; weighted average [•]%)* – *Control premium ([•]% to [•]%; weighted average [•]%) (2020: [•]% to [•]%; weighted average [•]%)*	*Increased long term revenue growth rate and long-term pre-tax operating margin by [•]% (2020: [•]%) and lower weighted average cost of capital (-[•]%) (2020: [•]%) would increase FV by $[•] (2020: $[•]); lower long term revenue growth rate and long-term pre-tax operating margin (-[•]%) (2020: [•]%) and higher weighted average cost of capital ([•]%) (2020: [•]%) would decrease FV by $[•] (2020: $[•])*

35. Financial instruments and financial risks (Continued)

Commentary (Continued)

Fair value measurement (Continued)

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	Equity investments
	$'000
At 1 January 2022	
Gains/(loss): included in 'other comprehensive income	
- Financial assets at FVOCI	
At 31 December 2022	
At 1 January 2021	
Purchases	
Disposals	
Gains/(loss): included in 'other comprehensive income	
- Financial assets at FVOCI	
At 31 December 2021	

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Profit or loss		***Other comprehensive income (net of tax)***	
	Increase	***Decrease***	***Increase***	***Decrease***
	$'000	***$'000***	***$'000***	***$'000***
2022				
[SIGNIFICANT UNOBSERVABLE INPUT #1] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #2] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #3] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
2021				
[SIGNIFICANT UNOBSERVABLE INPUT #1] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #2] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #3] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*

35. Financial instruments and financial risks (Continued)

Commentary (Continued)

Offsetting financial assets and financial liabilities

SFRS(I) 7:13A

SFRS(I) 7 requires all recognised financial instruments that are set off in accordance with paragraph 41 of SFRS(I) 1-32 as well as those financial instruments that are subject to an enforceable master netting arrangement or similar agreement to have the additional disclosure in accordance with paragraph 13C of SFRS(I) 7.

Entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. Where applicable, the following disclosure should be considered and included:

SFRS(I) 7:13C

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - presented in financial statements	Financial assets/ (liabilities)	Financial collateral received	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000
[Group/Company]						
31 December 2022						
Derivative financial assets						
Receivables						
Derivative financial liabilities						
Payables						
31 December 2021						
Derivative financial assets						
Receivables						
Derivative financial liabilities						
Payables						

36. Events subsequent to the reporting date

Commentary

SFRS(I) 1-10:21

The Group is required to disclose the nature of all material non-adjusting events that took place subsequent to the financial year end and an estimate of the corresponding financial effect, or in the event that the estimate cannot be made, a statement disclosing the fact.

37. Authorisation of financial statements

SFRS(I) 1-10:17

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors on [●].

ADDITIONAL DISCLOSURE

ADDITIONAL DISCLOSURE
APPENDIX A – SHARE OPTIONS SCHEME

SFRS(I) 2:44, 45, 50

Where the entity has in place a share option scheme(s) during the financial year, please refer to the following illustrative disclosure for such a scheme under SFRS(I) 2:

Share option scheme

[Provide a description of the share-based payment arrangement: general terms and conditions, vesting requirements, maximum term of options granted, method of settlement].

Details of share options exercised during the financial year to subscribe for ordinary shares of the Company are as follows:

	Exercise price	Number exercised		Cash consideration received	
		2022	2021	2022	2021
				$'000	$'000
Scheme					

The proceeds were used as working capital for the Company.

Details of the outstanding share options are as follows:

	Group and Company			
	2022		2021	
	Number of share options	***Weighted average exercise price***	***Number of share options***	***Weighted average exercise price***
		$		*$*
At 1 January				
Exercised during the year				
Lapsed during the year				
At 31 December				
Exercisable at 31 December				

The weighted average share price at the date of exercise for share options exercised during the year was $[●] (2021: $[●]). The options outstanding at the end of the year have a weighted remaining contractual life of [●] years (2021: [●] years).

Share option scheme (Continued)

SFRS(I) 2:46, 47

The estimated fair values of the options granted on [•] is $[•]. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2022	***2021***
	$'000	***$'000***
Weighted average sale price		
Weighted average exercise price		
Expected volatility		
Expected life		
Risk free rate		
Expected dividend yield		

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of $[•] related to equity-settled share-based payment transactions during the year ended 31 December 2022.

Commentary

Modification of share-based payments

SFRS(I) 2:47(c)

If entity modified its existing share-based payments during the year, it is required to disclose:

(a) an explanation of those modifications;
(b) the incremental fair value granted due to the modifications; and
(c) information on how the incremental fair value granted was measured, consistently with the requirements set out in paragraph 47(a) and (b), where applicable.

Cash-settled share-based payments

SFRS(I) 2:51

If entity has share-based payments that are either cash-settled or with cash alternatives, the entity is required to disclose:

(a) total expenses recognised for the period;
(b) the carrying amount of liabilities arising from share-based payment transactions at the end of the period; and
(c) the total intrinsic value at the end of the period of liabilities for which the counterparty's right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).

ADDITIONAL DISCLOSURE
APPENDIX B - RECLASSIFICATIONS

SFRS(I) 1-1:41

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements.

[Please state the nature and reason for the reclassification(s).]

The items were reclassified as follows:

	Group Previously reported 2022 $'000	Group After reclassification 2021 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets:		
Prepaid lease payment		
Non-current assets:		
Property, plant and equipment		
Prepaid lease payment		
CONSOLIDATED STATEMENT OF CASH FLOWS		
Amortisation of prepaid lease payment		
Depreciation expense		

Commentary

Reclassifications

SFRS(I) 1-1:41

Note that under SFRS(I) 1-1: 41 when there are any changes to the presentation or classification of items in the financial statements, comparatives must be reclassified. When comparatives are reclassified the nature of the reclassification, the amounts reclassified and the reasons for the reclassification must be disclosed. These disclosures should also be presented as at the beginning of the preceding period when relevant. A third statement of financial position as at the beginning of the preceding period must also be presented. If the reclassification does not have any material impact as at the beginning of the preceding period, the third statement of financial position does not need to be presented.

SFRS(I) 1-1:40A

Comparatives

For newly incorporated entities presenting their first set of accounts, please include the following illustrative note to explain the lack of comparative figures:

The financial statements cover the period since incorporation on [•] to [•]. These being the first set of accounts, there are no comparative figures.

SFRS(I) 1-1:36(a)(b)

Subsequently, for entities with unequal comparative financial periods, please include the following illustrative note to explain the difference:

The financial statements for the comparative period cover the period from [•] to [•] because the Group changed its financial year end from [•] to [•] to align with the financial year end of its holding company and therefore, the amounts in the financial statements are not comparable.

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