

**SP CORPORATION LIMITED
AND SUBSIDIARIES
(Registration No. 195200115K)**

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2014**

SP CORPORATION LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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SP CORPORATION LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS

The Directors present their report to the members together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Mr Peter Sung
Mr Boediman Gozali (alias Tony Wu)
Mr Cheng Hong Kok
Mr Chong Chou Yuen
Mr William Nursalim alias William Liem
Mr Tan Lye Huat

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act as at 31 December 2014 and 21 January 2015.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or has become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

SP CORPORATION LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS

5 SHARE OPTIONS

(a) Option to take up unissued shares

During the financial year, there was no option to take up unissued shares of the Company or any corporation in the Group.

(b) Unissued shares under option and options exercised

During the financial year, no shares of the Company or any corporation in the Group were allotted and issued by virtue of the exercise of option to take up unissued shares of the Company or any corporation in the Group. At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 AUDIT COMMITTEE

The Audit Committee of the Company, consists of three non-executive directors, two of whom are independent directors. At the date of this report, the members of the Audit Committee are:

Mr Cheng Hong Kok (Chairman)	(Independent and Non-Executive)
Mr Chong Chou Yuen	(Non-Independent and Non-Executive)
Mr Tan Lye Huat	(Independent and Non-Executive)

The Audit Committee performed the functions specified in Section 201B(5) of the Singapore Companies Act and the Singapore Code of Corporate Governance.

The Audit Committee has met four times during the financial year and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the Directors of the Company and external auditors' report on those financial statements;
- (d) The quarterly, half-yearly and annual announcements on the results and financial position of the Company and the Group;
- (e) The co-operation and assistance given by management to the Group's external auditors; and
- (f) The re-appointment of the external auditors of the Group.

SP CORPORATION LIMITED AND SUBSIDIARIES

REPORT OF THE DIRECTORS

6 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its functions 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 Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



.....
Peter Sung
Chairman



.....
Boediman Gozali (alias Tony Wu)
Chief Executive Officer

28 January 2015

SP CORPORATION LIMITED AND SUBSIDIARIES

STATEMENT OF DIRECTORS

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 7 to 64 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS



.....
Peter Sung
Chairman



.....
Boediman Gozali (alias Tony Wu)
Chief Executive Officer

28 January 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SP Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 64.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SP CORPORATION LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 January 2015

SP CORPORATION LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
<u>Assets</u>					
Non-current assets					
Plant and equipment	5	305	436	78	120
Investments in subsidiaries	6	-	-	17,629	17,216
<i>Total non-current assets</i>		<u>305</u>	<u>436</u>	<u>17,707</u>	<u>17,336</u>
Current assets					
Inventories	7	1,219	1,747	-	-
Trade receivables, other receivables and refundable deposit	8	47,404	44,366	17,831	14,330
Cash and bank balances	11	19,823	24,736	2,991	5,954
<i>Total current assets</i>		<u>68,446</u>	<u>70,849</u>	<u>20,822</u>	<u>20,284</u>
Total assets		<u>68,751</u>	<u>71,285</u>	<u>38,529</u>	<u>37,620</u>
<u>Equity and Liabilities</u>					
Equity					
Share capital	12	58,366	58,366	58,366	58,366
Translation account	2(q)	(490)	(1,459)	-	-
Accumulated losses		(10,278)	(12,409)	(21,225)	(22,103)
<i>Total equity</i>		<u>47,598</u>	<u>44,498</u>	<u>37,141</u>	<u>36,263</u>
Non-current liability					
Deferred tax	13	26	35	5	13
Current liabilities					
Trade and other payables	14	20,830	26,339	1,343	1,334
Income tax payable		297	413	40	10
<i>Total current liabilities</i>		<u>21,127</u>	<u>26,752</u>	<u>1,383</u>	<u>1,344</u>
Total equity and liabilities		<u>68,751</u>	<u>71,285</u>	<u>38,529</u>	<u>37,620</u>

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 December 2014**

		Group	
	Note	2014 \$'000	2013 \$'000
Revenue	15	131,913	152,591
Cost of sales		<u>(124,573)</u>	<u>(143,698)</u>
Gross profit		7,340	8,893
Other operating income	16	99	95
Distribution costs		(2,378)	(2,591)
Administrative expenses		(3,394)	(4,229)
Other operating expenses	17	(76)	(194)
Finance income	18	740	575
Finance costs	19	<u>(28)</u>	<u>-</u>
Profit before tax		2,303	2,549
Income tax expense	20	<u>(172)</u>	<u>(146)</u>
Profit for the financial year attributable to Owners of the Company	21	<u>2,131</u>	<u>2,403</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		969	670
Translation account reclassified to profit or loss on liquidation of a subsidiary		<u>-</u>	<u>46</u>
Other comprehensive income for the financial year, net of tax, attributable to Owners of the Company		<u>969</u>	<u>716</u>
Total comprehensive income for the financial year attributable to Owners of the Company		<u>3,100</u>	<u>3,119</u>
Earnings per share (cent)			
Basic	22	<u>0.61</u>	<u>0.68</u>
Diluted	22	<u>0.61</u>	<u>0.68</u>

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY For the financial year ended 31 December 2014

	Attributable to Owners of the Company			
	Share capital \$'000	Translation account \$'000	Accumulated losses \$'000	Total equity \$'000
Group				
At 1 January 2014	58,366	(1,459)	(12,409)	44,498
<i>Total comprehensive income for the financial year</i>				
Profit for the financial year	-	-	2,131	2,131
Other comprehensive income for the financial year	-	969	-	969
Total	-	969	2,131	3,100
At 31 December 2014	58,366	(490)	(10,278)	47,598
At 1 January 2013	58,366	(2,175)	(14,812)	41,379
<i>Total comprehensive income for the financial year</i>				
Profit for the financial year	-	-	2,403	2,403
Other comprehensive income for the financial year	-	716	-	716
Total	-	716	2,403	3,119
At 31 December 2013	58,366	(1,459)	(12,409)	44,498
Company				
At 1 January 2014	58,366	-	(22,103)	36,263
Profit for the financial year, representing total comprehensive income for the financial year	-	-	878	878
At 31 December 2014	58,366	-	(21,225)	37,141
At 1 January 2013	58,366	-	(23,746)	34,620
Profit for the financial year, representing total comprehensive income for the financial year	-	-	1,643	1,643
At 31 December 2013	58,366	-	(22,103)	36,263

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Group	
	2014	2013
	\$'000	\$'000
Operating activities		
Profit before tax	2,303	2,549
Adjustments for:		
Depreciation of plant and equipment	166	135
Gain on disposal of plant and equipment	-	(2)
Plant and equipment written off	-	2
Write-back of doubtful trade receivables	(7)	(44)
Allowance for inventory obsolescence	76	18
Inventories written off	-	2
Interest expense	28	-
Interest income	(740)	(575)
Loss on liquidation of a subsidiary	-	46
Operating cash flows before movements in working capital	1,826	2,131
Inventories	452	(43)
Trade receivables, other receivables and refundable deposit	(1,705)	6,543
Restricted bank balances	13	1,712
Trade and other payables	(6,615)	(2,517)
Cash (used in) generated from operations	(6,029)	7,826
Interest paid	(28)	-
Interest received	1,107	1,292
Income tax paid, net	(301)	(190)
Net cash (used in) from operating activities	(5,251)	8,928
Investing activities		
Proceeds on disposal of plant and equipment	-	3
Payments for acquisition of plant and equipment	(35)	(360)
Net cash used in investing activities	(35)	(357)
Financing activities		
Proceeds from borrowings	14,997	-
Repayment of borrowings	(14,997)	-
Net cash from financing activities	-	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	386	261
Net (decrease) increase in cash and cash equivalents	(5,286)	8,571
Cash and cash equivalents at the beginning of financial year	23,041	14,209
Cash and cash equivalents at the end of financial year (Note 11)	18,141	23,041

See accompanying notes to financial statements.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1 GENERAL

SP Corporation Limited (the “Company”) (Registration No. 195200115K) is domiciled and incorporated in Singapore with its registered office at 9 Oxley Rise, #03-02 The Oxley, Singapore 238697 and principal place of business at 6 Shenton Way, OUE Downtown 1, #41-03, Singapore 068809. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars which is also the functional currency of the Company.

The immediate and ultimate holding company is Tuan Sing Holdings Limited, a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The principal activity of the Company is that of investment holding, which includes the provision of management services to related parties. The principal activities of subsidiaries are set out in Note 27 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the “Group”) and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 28 January 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) ADOPTION OF NEW AND REVISED STANDARDS

On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current financial year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance. The application of these Standards, which are relevant to the Group, has no material effect on the Group's consolidated financial statements for the current or prior financial years.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New FRS and INT FRS yet to be adopted

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Amendments to FRS 19 (2011) *Defined Benefit Plans: Employee Contributions*
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)
- New Standard FRS 115 *Revenue from Contracts with Customers*

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of initial adoption except for the following:

Amendments to FRS 19 (2011) Defined Benefit Plans: Employee Contributions

The Amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not solely linked to current year service are required to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

Management does not expect any impact from applying the new amendment.

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised the following. Amendments are applicable for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
<i>FRS 103 Business Combinations</i>	Accounting for contingent consideration in a business combination	Clarified that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Standard	Topic	Key amendment
<i>FRS 108 Operating Segments</i>	Aggregation of operating segments Reconciliation of the total of the reportable segments' assets to the entity's assets	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
<i>FRS 24 Related Party Disclosures</i>	Key management personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

Improvements to Financial Reporting Standards (February 2014)

Standards included in this cycle of improvement project comprised the following. Amendments are applicable for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
<i>FRS 113 Fair Value Measurement</i>	Scope of portfolio exception	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32. Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New Standard FRS 115 *Revenue from Contracts with Customers*

<i>FRS 115 Revenue from Contracts with Customers</i>	Revenue	<p>In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 <i>Revenue</i>, FRS 11 <i>Construction Contracts</i> and the related Interpretations when it becomes effective.</p> <p>The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none">• Step 1: Identify the contract(s) with a customer.• Step 2: Identify the performance obligations in the contract.• Step 3: Determine the transaction price.• Step 4: Allocate the transaction price to the performance obligations in the contract.• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.</p>
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Management is currently evaluating the impact of the above Improvements to Financial Reporting Standards (January 2014) on the financial statements of the Group and the Company.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. 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 subsidiaries. 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 Company.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS **31 December 2014**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSS). The fair value of any investment 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 FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

(d) BUSINESS COMBINATION

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value of at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) *FINANCIAL INSTRUMENTS*

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specific categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

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

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in "other operating income" line in the statement of profit or loss. Fair value is determined in the manner described in Note 26.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is measured on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured on the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset, such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

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.

Ordinary share are classified as equity, incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

Dividends are deducted from shareholders' equity or recorded as a liability when declared payable. Proposed dividends which are subject to shareholders' approval are not deducted from shareholders' equity and are not recorded as liabilities

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- on initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other operating expenses" line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 26.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis except for short-term payables when the effect of discounting is immaterial. Items classified within trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is of short-term in nature.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate 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.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The significant interest rate risk arises from short-term borrowings such as bills payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(g) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, director 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. Allowance is made where necessary for obsolete, slow-moving items and defective inventories.

(h) CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and fixed deposits with banks but exclude restricted bank balances. These are subject to an insignificant risk of changes in value.

(i) PLANT AND EQUIPMENT

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

	<u>Number of years</u>
Plant and equipment	1 to 10
Motor vehicles	5 to 10

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. Fully depreciated assets in use are retained in the financial statements.

(j) IMPAIRMENT OF TANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

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.

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 financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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.

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.

(l) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when the specific criteria for each of the Group's activities are met as set out below.

Revenue from sale of products comprises revenue earned from the sale of the products net of returns, trade allowances and duties and taxes paid. Revenue from sale of products is recognised when all of the following conditions are satisfied: (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the products; (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services that are of short duration is recognised when the services are rendered.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(m) BORROWING COSTS

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. 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.

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

(n) RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(o) EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(p) INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each Group entity are measured and presented in the currency of the 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 dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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.

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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. 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, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation account.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation account.

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

As described in Note 2 to the financial statements, it is the Group's policy to recognise revenue to the extent that it is probable that the economic benefits will flow to the Group. In making this judgement, management has considered the detailed criteria for the recognition of revenue from the sale of goods, set out in FRS 18 *Revenue* which includes the primary responsibility for providing the goods, inventory risk, latitude in establishing prices, and credit risk.

Management is of the view that the Group acted as a principal as it has exposure to the significant risks and rewards associated with the sale of coal. Accordingly, the sales value of these transactions was recognised as revenue which is approximately \$23.2 million (2013: \$35.0 million) for the financial year.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

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

Allowance for inventories

In determining the net realisable value of the Group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly or indirectly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year. Details of the allowance for inventories are disclosed in Note 7 to the financial statements.

Allowance for impairment loss on receivables

Management assesses at the end of each reporting period whether there is any objective evidence that receivables are impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognised in profit or loss. Where the loss subsequently reverses, the reversal is recognised in profit or loss. Details of the allowance for impairment loss on receivables are disclosed in Notes 9 and 10 to the financial statements.

Recoverability of refundable deposit

Management assesses at the end of each reporting period whether there is any evidence that the refundable deposit of US\$6,000,000 (equivalent to \$7,939,000) is impaired. A considerable amount of judgement is required in assessing the ultimate realisation of this deposit, including current credit worthiness, past collection history and ongoing dealings with the coal mine whom the Group has placed the deposit with. If the financial condition of the coal mine was to deteriorate, resulting in an impairment of its ability to make payments, an allowance may be required. The carrying amount and details of the refundable deposit are disclosed in Note 8 to the financial statements.

Income taxes

The Group has exposure to income tax in different jurisdictions. Significant assumption is required in determining the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 amount of income tax payable and deferred tax position are disclosed in the statements of financial position.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

4 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their products and services. This forms the basis of identifying the operating segments of the Group under FRS 108.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristics, such as long-term average gross margins, and are similar in respect of nature of products and services, and/or their reported revenue.

The Group's reportable operating segments under FRS 108 are as follows:

<i>Segment</i>	<i>Principal activities</i>
Commodities Trading	Trades and markets a broad range of products including coal, rubber, chemicals, oil and metals used by manufacturers in the energy, rubber, automotive and petrochemical industries. It also distributes consumer products.
Tyre Distribution	Markets and distributes tyres and auto-products and retreading of tyres.
Corporate and Others #	General corporate activities and others.

The Geotechnical and soil investigation segment has been presented as part of Corporate and Others segment for the financial years ended 31 December 2014 and 31 December 2013, following the decision by the Group not to continue pursuing business opportunities within this segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue represents revenue generated from external and internal customers. Segment profit represents the profit earned by each segment after allocating finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources, the chief operating decision maker monitors the financial assets attributable to each segment. Assets, if any, used jointly by reportable segments are allocated on the basis of the revenue earned by individual operating segments.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

4 SEGMENT INFORMATION (cont'd)

Segment revenue and results

Information regarding the Group's reportable segments is presented in the tables below.

	Commodities Trading \$'000	Tyre Distribution \$'000	Corporate and Others \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
Financial year ended 31 December 2014					
Revenue					
- External customers	104,106	27,807	-	-	131,913
- Inter-segment	-	-	3,040	(3,040)	-
Total segment revenue	<u>104,106</u>	<u>27,807</u>	<u>3,040</u>	<u>(3,040)</u>	<u>131,913</u>
Result					
Segment result	1,426	(143)	308	-	1,591
Finance income	686	27	183	(156)	740
Finance costs	<u>(184)</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>(28)</u>
Profit before tax	1,928	(116)	491	-	2,303
Income tax expense					<u>(172)</u>
Profit after tax					<u>2,131</u>
Assets					
Segment assets	53,582	10,538	4,608	-	68,728
Unallocated assets					23
Total assets					<u>68,751</u>
Liabilities					
Segment liabilities	13,415	6,185	1,230	-	20,830
Unallocated liabilities					323
Total liabilities					<u>21,153</u>
Other information					
Capital expenditure	-	24	11	-	35
Depreciation of plant and equipment	4	109	53	-	166
Write-back of doubtful trade receivables	-	(3)	(4)	-	(7)
Allowance for inventory obsolescence	<u>-</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

4 SEGMENT INFORMATION (cont'd)

	Commodities Trading \$'000	Tyre Distribution \$'000	Corporate and Others \$'000	Inter- segment Eliminations \$'000	Consolidated \$'000
Financial year ended 31 December 2013					
Revenue					
- External customers	115,542	37,021	28	-	152,591
- Inter-segment	-	-	3,190	(3,190)	-
Total segment revenue	<u>115,542</u>	<u>37,021</u>	<u>3,218</u>	<u>(3,190)</u>	<u>152,591</u>
Result					
Segment result	1,837	189	(52)	-	1,974
Finance income	570	27	144	(166)	575
Finance costs	(166)	-	-	166	-
Profit before tax	2,241	216	92	-	2,549
Income tax expense					(146)
Profit after tax					<u>2,403</u>
Assets					
Segment assets	50,363	12,402	8,502	-	71,267
Unallocated assets					18
Total assets					<u>71,285</u>
Liabilities					
Segment liabilities	17,274	7,852	1,213	-	26,339
Unallocated liabilities					448
Total liabilities					<u>26,787</u>
Other information					
Capital expenditure	11	204	145	-	360
Depreciation of plant and equipment	3	81	51	-	135
Gain on disposal of plant and equipment	-	-	(2)	-	(2)
Plant and equipment written off	-	2	-	-	2
Write-back of doubtful trade receivables	-	(17)	(27)	-	(44)
Allowance for inventory obsolescence	-	18	-	-	18
Inventories written off	-	2	-	-	2

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

4 SEGMENT INFORMATION (cont'd)

Geographical Information

The Group's businesses are mainly in Singapore, Europe, Indonesia and Malaysia. Revenue is based on the country in which the customer is located. Non-current assets and capital expenditure are shown by the geographical areas in which these assets are located. The Group's revenue and information about its non-current assets and capital expenditure by geographical locations are detailed below:

	Revenue from external customers		Non-current assets		Capital expenditure	
	2014	2013	2014	2013	2014	2013
<i>Based on location of customer</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	61,688	62,210	304	434	35	359
Indonesia	22,529	24,424	-	-	-	-
Malaysia	8,369	11,924	1	2	-	1
Other ASEAN countries	12,156	16,909	-	-	-	-
China including Hong Kong	12,497	4,653	-	-	-	-
Switzerland	-	30,443	-	-	-	-
Germany	13,016	-	-	-	-	-
Others	1,658	2,028	-	-	-	-
	<u>131,913</u>	<u>152,591</u>	<u>305</u>	<u>436</u>	<u>35</u>	<u>360</u>

Information about major customers

Included in the Commodities Trading revenue of \$104.1 million (2013: \$115.5 million) were sales of approximately \$36.7 million and \$13.5 million (2013: \$38.9 million and \$30.4 million) to the Group's two largest customers.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2014

5 PLANT AND EQUIPMENT

Group	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost:			
At 1 January 2014	1,278	335	1,613
Translation difference	(1)	-	(1)
Additions	35	-	35
Disposals	(2)	-	(2)
Write-offs	(226)	-	(226)
At 31 December 2014	1,084	335	1,419
At 1 January 2013	1,062	307	1,369
Additions	332	28	360
Disposals	(8)	-	(8)
Write-offs	(108)	-	(108)
At 31 December 2013	1,278	335	1,613
Accumulated depreciation:			
At 1 January 2014	958	219	1,177
Translation difference	(1)	-	(1)
Depreciation for the financial year	141	25	166
Disposals	(2)	-	(2)
Write-offs	(226)	-	(226)
At 31 December 2014	870	244	1,114
At 1 January 2013	961	194	1,155
Depreciation for the financial year	110	25	135
Disposals	(7)	-	(7)
Write-offs	(106)	-	(106)
At 31 December 2013	958	219	1,177
Carrying amounts:			
At 31 December 2014	214	91	305
At 31 December 2013	320	116	436

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2014

5 PLANT AND EQUIPMENT (cont'd)

	Plant and equipment \$'000
Company	
Cost:	
At 1 January 2014	264
Additions	11
Disposals and write-off	(47)
At 31 December 2014	<u>228</u>
At 1 January 2013	126
Additions	145
Disposals and write-off	(7)
At 31 December 2013	<u>264</u>
Accumulated depreciation:	
At 1 January 2014	144
Depreciation for the financial year	53
Disposals and write-off	(47)
At 31 December 2014	<u>150</u>
At 1 January 2013	100
Depreciation for the financial year	49
Disposals and write-off	(5)
At 31 December 2013	<u>144</u>
Carrying amounts:	
At 31 December 2014	<u>78</u>
At 31 December 2013	<u>120</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	\$'000	\$'000
Unquoted equity shares, at cost	14,049	14,049
Recognition of financial guarantee provided to subsidiaries	3,599	3,167
Less: Impairment loss	(19)	-
	<u>17,629</u>	<u>17,216</u>

Further details regarding the subsidiaries are set out in Note 27.

The Company issued financial guarantees to banks for credit facilities of its subsidiaries and recorded a deemed financial guarantee fee income in accordance with the provisions of FRS 39 *Financial Instruments: Recognition and Measurement*. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiaries. The full amount of the guarantee fee is deemed to be additional investment in the subsidiaries.

Impairment loss of \$19,000 (2013: \$Nil) in a subsidiary was recognised during the financial year after an assessment by management of its recoverable amount.

7 INVENTORIES

	At cost	At net realisable value	Total
Group	\$'000	\$'000	\$'000
2014			
Raw materials	88	-	88
Finished goods	715	416	1,131
	<u>803</u>	<u>416</u>	<u>1,219</u>
2013			
Raw materials	90	-	90
Finished goods	1,094	563	1,657
	<u>1,184</u>	<u>563</u>	<u>1,747</u>

The net realisable value of the above inventories is stated net of allowance of \$150,000 (2013: \$88,000). During the financial year, \$76,000 (2013: \$20,000) was recognised as an expense in respect of write-down of inventories to net realisable value.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

8 TRADE RECEIVABLES, OTHER RECEIVABLES AND REFUNDABLE DEPOSIT

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables (Note 9)	38,690	34,935	-	-
Other receivables (Note 10)	775	1,856	17,831	14,330
Refundable deposit with related party* [Note 23(a)(ii)]	7,939	7,575	-	-
	<u>47,404</u>	<u>44,366</u>	<u>17,831</u>	<u>14,330</u>

* Refundable deposit of US\$6,000,000 (2013: US\$6,000,000) relates to monies placed by the Group with a coal mine which is a related party to secure coal allocations. The deposit is secured by a corporate guarantee issued by the immediate holding company of the coal mine, which itself is a coal mine and a related party of the Group.

The refundable deposit (equivalent to \$7,939,000 [2013: \$7,575,000]) is repayable within 1 year subject to yearly renewal by mutual agreement between the 2 parties. It bears an effective interest of 4.58% (2013: 4.67%) per annum.

9 TRADE RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables	35,007	36,721	-	-
Amount due from related parties - trade [Note 23(a)(ii)]	3,793	693	-	-
Retention monies receivable	43	43	-	-
	<u>38,843</u>	<u>37,457</u>	<u>-</u>	<u>-</u>
Less: Allowance for doubtful trade receivables	(153)	(2,522)	-	-
	<u>38,690</u>	<u>34,935</u>	<u>-</u>	<u>-</u>

Certain trade receivables bear interest at 8% (2013: 8%) per annum, the remaining are non-interest bearing. The trade receivables are generally on 30 to 120 days (2013: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

9 TRADE RECEIVABLES (cont'd)

Allowances for doubtful debts are recognised against trade receivables for the estimated irrecoverable amounts from the sale of goods and services rendered to third parties. These allowances had been determined by assessing the profile of debtors and after considering recovery prospects.

Movement in the allowance for doubtful trade receivables

	Group	
	2014	2013
	\$'000	\$'000
At beginning of financial year	2,522	2,516
Effects of exchange rate changes on the allowance for doubtful debts denominated in foreign currencies	20	88
Amounts written off during the financial year	(2,382)	(38)
Written back during the financial year	(7)	(44)
At end of financial year	<u>153</u>	<u>2,522</u>

Included in the Group's trade receivable balance are debtors with a carrying amount of \$9,633,000 (2013: \$3,645,000) which are past due at the reporting date for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Trade receivables that are neither past due nor impaired are with creditworthy counterparties.

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	29,057	31,290	-	-
Past due but not impaired ^(a)	<u>9,633</u>	<u>3,645</u>	<u>-</u>	<u>-</u>
	<u>38,690</u>	<u>34,935</u>	<u>-</u>	<u>-</u>
Impaired receivables - collectively assessed ^(b)	153	164	-	-
Less: Allowance for doubtful receivables	<u>(153)</u>	<u>(164)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Impaired receivables - individually assessed ^{(b), (c)}	-	-	-	-
- No response to repayment demands	-	2,358	-	-
Less: Allowance for doubtful receivables	<u>-</u>	<u>(2,358)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total trade receivables, net	<u>38,690</u>	<u>34,935</u>	<u>-</u>	<u>-</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

9 TRADE RECEIVABLES (cont'd)

(a) Aging of receivables that are past due but not impaired:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
< 3 months	9,418	3,645	-	-
3 months to 6 months	215	-	-	-
	<u>9,633</u>	<u>3,645</u>	<u>-</u>	<u>-</u>

(b) These amounts are stated before any deduction for allowance for doubtful receivables.

(c) These receivables are not secured by any collateral or covered by credit enhancements.

10 OTHER RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Sundry debtors	111	44	-	-
Prepayments	95	108	31	30
Deposits	208	896	50	50
Tax recoverable	23	18	-	-
Interest receivable from a related party [Note 23(a)(ii)]	152	530	-	-
Amounts receivable from related parties (non-trade) [Note 23(a)(ii)]	186	247	-	-
Amount receivable from a related company (non-trade)	-	13	-	-
Amounts receivable from subsidiaries (Notes 6 and 27)	-	-	17,750	14,250
	<u>775</u>	<u>1,856</u>	<u>17,831</u>	<u>14,330</u>

The amounts receivable from subsidiaries are unsecured, interest-free and repayable on demand except for an amount of \$17,750,000 (2013: \$14,250,000) which bears effective interest rate of 1.1% (2013: 1.1%) per annum.

Tax recoverable of \$23,000 (2013: \$18,000) arose mainly from the prepayment of income tax by an overseas subsidiary.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

11 CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Fixed deposits	9,587	8,863	1,000	3,000
Cash at bank and on hand	10,236	15,873	1,991	2,954
Cash and bank balances	19,823	24,736	2,991	5,954
Less: Restricted bank balances (pledged fixed deposits)	(1,682)	(1,695)		
Cash and cash equivalents in the statement of cash flows	18,141	23,041		

Cash and bank balances comprise cash held by the Group and short-term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the Group amounting to \$1,682,000 (2013: \$1,695,000) are held by banks as security for facilities granted to certain subsidiaries. Fixed deposits bear interest ranging from 0.45% to 1% (2013: 0.57% to 0.82%) per annum and for tenors ranging from 31 to 186 days (2013: 33 to 366 days).

12 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Issued and paid up:				
At beginning and end of financial year	350,991,516	350,991,516	58,366	58,366

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
31 December 2014

13 DEFERRED TAX

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	35	29	13	4
(Write-back) Charged during the financial year	(9)	6	(8)	9
At end of financial year	<u>26</u>	<u>35</u>	<u>5</u>	<u>13</u>
Deferred tax at 31 December related to the following:				
<i>Deferred tax liabilities</i>				
- Differences in accounting and tax depreciation	<u>26</u>	<u>35</u>	<u>5</u>	<u>13</u>

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade creditors	13,215	16,585	45	41
Financial guarantee contracts	-	-	250	266
Accrued expenses	1,886	1,871	896	867
Foreign currency forward contracts	106	80	-	-
Sundry creditors	147	222	3	6
Amounts due to related parties - trade [Note 23(a)(ii)]	5,476	6,888	-	-
Advance billing to a related party	-	693	-	-
Amounts due to subsidiaries (Notes 6 and 27)	-	-	149	154
	<u>20,830</u>	<u>26,339</u>	<u>1,343</u>	<u>1,334</u>

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. Trade payables are generally on 14 to 120 days (2013: 14 to 90 days) credit terms.

The amounts payable to related parties and subsidiaries are unsecured, interest-free and repayable on demand.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
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15 REVENUE

	Group	
	2014	2013
	\$'000	\$'000
Sale of products	129,122	149,747
Rendering of services	2,791	2,816
Others	-	28
	<u>131,913</u>	<u>152,591</u>

16 OTHER OPERATING INCOME

	Group	
	2014	2013
	\$'000	\$'000
Foreign currency exchange gain	32	-
Gain on disposal of plant and equipment	-	2
Write-back of doubtful trade receivables	7	44
Sundry income	60	49
	<u>99</u>	<u>95</u>

17 OTHER OPERATING EXPENSES

	Group	
	2014	2013
	\$'000	\$'000
Plant and equipment written off	-	2
Allowance for inventory obsolescence	76	18
Inventories written off	-	2
Loss on liquidation of a subsidiary	-	46
Foreign currency exchange loss	-	126
	<u>76</u>	<u>194</u>

18 FINANCE INCOME

	Group	
	2014	2013
	\$'000	\$'000
Interest income:		
Bank deposits	88	39
Third parties	300	168
Related parties [Note 23(a)(ii)]	352	368
	<u>740</u>	<u>575</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

19 FINANCE COSTS

	Group	
	2014	2013
	\$'000	\$'000
Interest expense on bills payable	<u>28</u>	<u>-</u>

20 INCOME TAX EXPENSE

	Group	
	2014	2013
	\$'000	\$'000
Income tax:		
Current financial year	240	280
Withholding tax paid	28	14
Overprovision in prior financial years	<u>(87)</u>	<u>(154)</u>
	181	140
(Write-back of) Provision for deferred tax	<u>(9)</u>	<u>6</u>
	<u>172</u>	<u>146</u>

Reconciliations of the statutory income tax rate to the effective tax rate applicable to profit before tax are as follows:

	Group	
	2014	2013
	%	%
Domestic statutory tax rate	17.0	17.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.5)	(0.4)
Overprovision in prior financial years	(3.8)	(6.7)
Exempt income	(3.1)	(3.1)
Withholding tax paid	1.2	0.6
Expenses not deductible for tax purposes	0.3	3.5
Income capital in nature	(2.7)	(4.3)
Utilisation of losses and capital allowances previously not recognised	-	(0.2)
Deferred tax benefits not recognised	0.9	2.3
Effect of tax concessions	(2.1)	(2.4)
Others	<u>0.3</u>	<u>(0.6)</u>
Effective tax rate	<u>7.5</u>	<u>5.7</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

20 INCOME TAX EXPENSE (cont'd)

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

At 31 December 2014, the Group had unutilised tax losses and capital allowances of approximately \$9,001,000 (2013: \$8,889,000) and \$1,832,000 (2013: \$1,831,000) respectively available for offset against future taxable income, subject to the conditions imposed by law in the countries of incorporation where these companies operate.

Future tax benefits of \$1,842,000 (2013: \$1,822,000) arising from such unutilised tax losses and capital allowances have not been recognised as there is no reasonable certainty of their recovery in future periods.

21 PROFIT FOR THE FINANCIAL YEAR

The profit for the financial year has been arrived at after charging (crediting):

	Group	
	2014 \$'000	2013 \$'000
Salaries and wages	3,432	3,837
Employer's contribution to defined contribution plans including Central Provident Fund	236	272
Employees benefit expenses (including directors' remuneration)	3,668	4,109
Remuneration paid or payable to:		
Directors of the Company	866	859
Key management personnel* / Other Directors of subsidiaries	812	595
Cost of inventories included in cost of sales	124,565	142,999
Write-back of doubtful trade receivables	(7)	(44)
Foreign currency exchange (gain) loss	(32)	126
Loss on liquidation of a subsidiary	-	46
Fees for audit services to:		
Auditors of the Company	103	108
Other auditors	8	17
Fees for non-audit services to:		
Auditors of the Company	16	20
Other auditors ⁽¹⁾	42	75

Note:

* With effect from the financial year ended 31 December 2014, the Company identified key management personnel to include key executives of the Group, apart from directors of subsidiaries.

⁽¹⁾ The non-audit fees mainly represent tax fees paid for the provision of tax services for prior financial years and fees paid to internal auditors.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

21 PROFIT FOR THE FINANCIAL YEAR (cont'd)

The Audit Committee had undertaken a review of the non-audit services provided by the auditors, Deloitte & Touche LLP, Singapore and overseas practices of Deloitte Touche Tohmatsu Limited and in the opinion of the Audit Committee, these services would not affect the independence of the auditors.

The employees of SP Corporation Limited and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of \$236,000 (2013: \$272,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2014, contributions of \$45,000 (2013: \$45,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of reporting period.

22 EARNINGS PER SHARE (CENT)

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year:

	Group	
	2014	2013
Net profit attributable to owners of the Company (\$'000)	2,131	2,403
Weighted average number of ordinary shares in issue (in '000s)	350,992	350,992
Basic earnings per share (cent)	0.61	0.68

The Company has not granted options over shares. There are no dilutive potential ordinary shares.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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23 RELATED PARTY AND RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of the ultimate holding company's group of companies (Note 1).

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

The Company has provided financial support to one of its subsidiaries for a period of twelve months from the end of the reporting period so as to enable the subsidiary to continue to operate as a going concern and meet its contractual obligations when they fall due.

(a) Transactions with related companies and related parties

During the financial year, the following significant transactions with related companies and related parties were carried out in the normal course of business based on terms agreed between the parties:

	Group	
	2014	2013
	\$'000	\$'000
(i) Tuan Sing Holdings Limited and subsidiaries		
Rental expense	28	190
Management fee expense	150	150
(ii) Related parties		
Sales of goods and services	(9,918)	(4,653)
Purchases of goods	46,069	65,308
Interest income	(352)	(368)
Rental of warehouse	-	455
Advance billing on order placement	-	693

The Company's major shareholder is Tuan Sing Holdings Limited ("Tuan Sing"). Tuan Sing's major shareholder is Nuri Holdings (S) Pte Ltd ("Nuri"), incorporated in Singapore. Related parties are members in which the shareholders of Nuri and their family members have a controlling interest in.

The Group is reliant on two related parties for the supply of 100% (2013: 100%) of its coal within its Commodities Trading segment and another two related parties for the supply of 96% (2013: 96%) of its tyres within its Tyre Distribution segment.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised during the financial year for bad or doubtful debts in respect of the amounts owed by related parties.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS 31 December 2014

23 RELATED PARTY AND RELATED COMPANY TRANSACTIONS (cont'd)

(b) Compensation of Directors and key management personnel

The remuneration of Directors and key management personnel during the financial year were as follows:

	Group	
	2014	2013
	\$'000	\$'000
Short-term benefits	1,624	1,411
Post-employment benefits	54	43
	<u>1,678</u>	<u>1,454</u>

The remuneration of Directors and key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

24 COMMITMENTS

(a) Operating Lease Arrangements

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Rental expense - operating lease in respect of rental of office premises, warehouse and workshops	<u>608</u>	<u>867</u>	<u>184</u>	<u>202</u>

The commitments in respect of non-cancellable operating leases contracted for but not recognised as liabilities are payable as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Within one year	578	578	191	191
After one year but not more than five years	423	996	74	265
	<u>1,001</u>	<u>1,574</u>	<u>265</u>	<u>456</u>

The Group leases office premises and a warehouse under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The leases are negotiated for a term of 1 to 3 years (2013: 1 to 3 years) with rentals fixed for 1 to 3 years (2013: 1 to 3 years).

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

24 COMMITMENTS (cont'd)

(b) Derivative Financial Instruments

The Group utilises currency derivatives to hedge significant future transactions and cash flows.

At the end of the reporting period, the total notional amount of outstanding foreign currency forward contracts to which the Group is committed are as follows:

	Group	
	2014 \$'000	2013 \$'000
Foreign currency forward contracts	<u>11,400</u>	<u>11,400</u>

The change in the fair value of non-hedging currency derivative has been charged to the profit or loss.

25 CONTINGENT LIABILITIES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial guarantees to banks for facilities granted to subsidiaries	<u>-</u>	<u>-</u>	<u>57,608</u>	<u>59,143</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
<u>Loan and receivables</u>				
Trade receivables, other receivables and refundable deposit	47,404	44,366	17,831	14,330
Less : Prepayments	(95)	(108)	(31)	(30)
Tax recoverable	(23)	(18)	-	-
	<u>47,286</u>	<u>44,240</u>	<u>17,800</u>	<u>14,300</u>
Cash and bank balances	19,823	24,736	2,991	5,954
	<u>67,109</u>	<u>68,976</u>	<u>20,791</u>	<u>20,254</u>
<i>Financial Liabilities</i>				
<u>Amortised cost</u>				
Trade and other payables	20,830	26,339	1,343	1,334
Less : Foreign currency forward contracts	(106)	(80)	-	-
Advances from customer	-	(693)	-	-
	<u>20,724</u>	<u>25,566</u>	<u>1,343</u>	<u>1,334</u>
<u>Derivative instruments not designated in hedge accounting relationships</u>				
Foreign currency forward contracts	106	80	-	-

(b) Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives

The Group has documented its financial risk management framework. The Group's risk framework has formal, systematic and comprehensive guidelines and rules to identify and manage significant risks that might affect the achievement of its business objectives. The Group's overall risk management framework seeks to minimise potential adverse effects on financial performance of the Group.

Risk management is carried out by the Company and the respective subsidiaries and business units under the policies formulated by the Company and approved by the Company's Board of Directors.

The Group's activities expose it to a variety of financial risks - market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's financial instruments comprise borrowings in the form of bills payable, cash and liquid resources, trade and other receivables, trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to maintain adequate finance for the Group's operations. The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk.

The Group manages its exposure to currency and interest rate risks by using a variety of techniques and instruments. Natural hedging is preferred by matching assets and liabilities of the same currency. Derivative financial instruments are only used where it is necessary to reduce exposure to fluctuations in foreign exchange.

The Group does not contract for derivative financial instruments for speculative purposes.

There has been no major change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk during the financial year. Market risk exposures are measured using sensitivity analysis indicated below.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(i) *Currency risk management*

The Group operates mainly in Singapore, Malaysia and Indonesia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the Singapore dollar ("SGD"), Malaysian Ringgit ("RM") and United States dollar ("USD"). Currency risk arises when transactions are denominated in foreign currencies.

The Group's exposure to currency translation risk on the net assets in foreign operations is limited to the net assets of these operations. The risk is not hedged as such investments are considered to be long-term in nature.

The primary purpose of the Group's currency hedging activities is to protect against the effect of volatility in foreign currency exchange rates on foreign currency denominated assets and liabilities arising in the normal course of business. As far as possible, the Group relies on natural hedges of matching foreign currency denominated assets and liabilities of the same currency.

The Group uses foreign currency forward contracts to hedge its foreign currency risk and enters into forward exchange contracts with maturities of less than twelve months. Further details on the foreign currency forward contracts can be found in Notes 24(b) and 26(c)(v) to the financial statements.

Currency risk exposure

The Group's currency exposures for amounts not denominated in the respective functional currencies of the Company and the subsidiaries are as follows:

<i>SGD equivalent</i>	USD \$'000	SGD \$'000	Others \$'000	Total \$'000
<u>Group</u>				
<i>At 31 December 2014</i>				
<i>Financial assets</i>				
Cash and bank balances	2,541	2,595	9	5,145
Trade and other receivables	1,562	72	85	1,719
<i>Financial liabilities</i>				
Trade and other payables	(5,491)	(18,090)	-	(23,581)
	(1,388)	(15,423)	94	(16,717)
<i>Net financial liabilities</i>				
Less: Foreign currency forward contracts	-	11,400	-	11,400
Currency exposure	(1,388)	(4,023)	94	(5,317)

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

<i>SGD equivalent</i>	USD \$'000	SGD \$'000	Others \$'000	Total \$'000
<u>Group</u>				
At 31 December 2013				
<i>Financial assets</i>				
Cash and bank balances	4,185	2,662	68	6,915
Trade and other receivables	2,776	29	50	2,855
<i>Financial liabilities</i>				
Trade and other payables	(7,108)	(14,574)	(3)	(21,685)
	(147)	(11,883)	115	(11,915)
<i>Net financial liabilities</i>				
Less: Foreign currency forward contracts	-	11,400	-	11,400
Currency exposure	(147)	(483)	115	(515)

The Company's functional currency is Singapore dollar. Except for cash and bank balances of \$50,000 (2013: \$48,000) which are denominated in USD, there is no other currency exposure risk. The Company has relied on natural hedges of matching USD assets and liabilities with entities within the Group and accordingly, there was insignificant USD currency risk exposure as at 31 December 2014.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Currency sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the exchange rate of the relevant foreign currencies against the functional currency of each Group entity. The magnitude represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts the translated amount at the period end for a 10% change in foreign currency rate. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss will increase (decrease) by:

<i>SGD equivalent</i>	USD impact		SGD impact		Other currency impact	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Group</u>						
Profit or loss	<u>(139)</u>	<u>(15)</u>	<u>(402)</u>	<u>(48)</u>	<u>9</u>	<u>12</u>
<u>Company</u>						
Profit or loss	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit or loss will increase (decrease) by:

<i>SGD equivalent</i>	USD impact		SGD impact		Other currency impact	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Group</u>						
Profit or loss	<u>139</u>	<u>15</u>	<u>402</u>	<u>48</u>	<u>(9)</u>	<u>(12)</u>
<u>Company</u>						
Profit or loss	<u>(5)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(ii) Price risk management

Due to the nature of the Group's operations, performance of certain subsidiaries in the Group who trade in aluminium, coal, rubber and steel wire rods are susceptible to changes in prices of these commodities. The Group has not entered into any hedging arrangements and at present is not hedged against price risks arising from these commodities. As far as possible, the Group adopts natural hedging by making purchases only when there is a sales demand.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group mainly uses trade financing for funding. The Group's interest management policy is aimed at optimising net interest cost and reducing volatility in finance cost. A summary of quantitative data of the Group's interest-bearing financial instruments can be found in Note 26(c)(v).

Interest rate sensitivity analysis

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur material credit losses on its financial instruments.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

The maximum amount the Company could be forced to settle under the financial guarantee contracts in Note 25, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$57,608,000 (2013: \$59,143,000). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a functions of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Other than as disclosed elsewhere in the financial statements, there was no significant concentration of credit risk at the end of the reporting period. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Other receivables in Note 10 are mainly derived from Singapore and Indonesia.

The refundable deposit in Note 8 is derived from Indonesia.

The credit risk for trade receivables by geographical areas is as follows:

	Group	
	2014	2013
	\$'000	\$'000
<u>By geographical areas</u>		
Singapore	20,727	20,071
Indonesia	12,789	11,646
Malaysia	167	1,429
Other ASEAN countries	625	695
China including Hong Kong	3,798	693
Others	584	401
	<u>38,690</u>	<u>34,935</u>

(v) *Liquidity risk management*

The Group adopts prudent liquidity risk management by maintaining sufficient cash and cash equivalents and internally generated cash flows to finance its activities.

Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping adequate committed credit facilities available.

SP CORPORATION LIMITED AND SUBSIDIARIES

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Liquidity and interest risk analyses

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement.

	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Total \$'000
<u>Group</u>				
2014				
<i>Gross settled:</i>				
Foreign currency forward contracts				
Gross outflow	(106)	-	-	(106)
2013				
<i>Gross settled:</i>				
Foreign currency forward contracts				
Gross outflow	(80)	-	-	(80)

Non-derivative financial liabilities

The following tables detail the effective interest rates and the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

SP CORPORATION LIMITED AND SUBSIDIARIES

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Group	Effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
2014						
Non-interest bearing	-	20,724	-	-	-	20,724
2013						
Non-interest bearing	-	25,566	-	-	-	25,566
Company						
2014						
Non-interest bearing	-	1,093	-	-	-	1,093
Financial guarantee contracts	-	57,608	-	-	(57,358)	250
		58,701	-	-	(57,358)	1,343
2013						
Non-interest bearing	-	1,068	-	-	-	1,068
Financial guarantee contracts	-	59,143	-	-	(58,877)	266
		60,211	-	-	(58,877)	1,334

SP CORPORATION LIMITED AND SUBSIDIARIES

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**26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)**

Non-derivative financial assets

The following tables detail the effective interest rates and the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the Group's liquidity risk is managed on a net asset and liability basis. The tables have been drawn up based on the undiscounted maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the settlement of financial position.

	Effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
<u>Group</u>						
2014						
Non-interest bearing	-	42,281	-	-	-	42,281
Variable interest rate instruments	0.05 to 0.24	7,313	-	-	(11)	7,302
Fixed interest rate instruments	0.45 to 4.58	17,752	-	-	(226)	17,526
		<u>67,346</u>	<u>-</u>	<u>-</u>	<u>(237)</u>	<u>67,109</u>
2013						
Non-interest bearing	-	42,336	-	-	-	42,336
Variable interest rate instruments	0.04 to 0.49	10,229	-	-	(27)	10,202
Fixed interest rate instruments	0.57 to 4.67	16,674	-	-	(236)	16,438
		<u>69,239</u>	<u>-</u>	<u>-</u>	<u>(263)</u>	<u>68,976</u>

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

<u>Company</u>	Effective Interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
2014						
Non-interest bearing	-	62	-	-	-	62
Variable interest rate instruments	0.17	1,982	-	-	(3)	1,979
Fixed interest rate instruments	1.01	18,751	-	-	(1)	18,750
		<u>20,795</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>20,791</u>
2013						
Non-interest bearing	-	61	-	-	-	61
Variable interest rate instruments	0.18	2,948	-	-	(5)	2,943
Fixed interest rate instruments	0.96	17,254	-	-	(4)	17,250
		<u>20,263</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>20,254</u>

(vi) Fair value of financial assets and financial liabilities

As at the end of reporting period, the Group's and the Company's carrying amounts of cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

31 December 2014

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

The fair value of the foreign currency forward contracts is measured based on Level 2. The valuation technique applied is discounted cash flow and key inputs are future cash flows which are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The Company had no financial assets or liabilities carried at fair value in 2014 and 2013.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

(d) Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group consists of equity attributable to owners of the Company, in the form of issued capital, translation account and accumulated losses as disclosed in the statement of changes in equity, and limited borrowing.

The Group monitors capital based on a debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and bank balances. Adjusted capital comprises all components of equity (i.e. share capital, translation account and accumulated losses, and translation account) other than amounts recognised in equity relating to cash flow hedges, where applicable. The Group's overall strategy remains unchanged from 2013.

	Group	
	2014	2013
	\$'000	\$'000
Total debt	-	-
Less: Cash and bank balances	(19,823)	(24,736)
Net cash and bank balances	(19,823)	(24,736)
Adjusted capital	47,598	44,498

As the Group has net cash balance at the end of 2014 and 2013, debt to adjusted capital is not calculated.

The Group is not subject to any externally imposed capital requirement.

SP CORPORATION LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

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27 LIST OF SUBSIDIARIES

Name of subsidiary and country of incorporation/operation	Principal activities	Interest and voting power held by the Group	
		2014 %	2013 %
SP Resources International Pte. Ltd. (Singapore) ^(a)	Trading and marketing of industrial products	100	100
SP Global International Pte. Ltd. (Singapore) ^(a)	Distribution of consumer products	100	100
Globaltraco International Pte Ltd (Singapore) ^(a)	Distribution of tyres	100	100
SP Performance Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100
Performance Retreads Sdn. Bhd. (Malaysia) ^(b)	Retreading of tyres	100	100
SP Energy Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100
SP Mining & Engineering Pte. Ltd. (Singapore) ^(a)	Investment holding	100	100
PT. SP Mining & Engineering (Indonesia) ^(c)	Engineering contractor	100	100
Soil & Foundation (Pte) Limited (Singapore) ^{(a), #}	Geotechnical instrumentation and investigation, laboratory testing, environmental services and micro-piling.	100	100

^(a) Audited by Deloitte & Touche LLP, Singapore.

^(b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited in Malaysia.

^(c) Audited by member firm of BDO International Limited in Indonesia. 2013 financial statements were audited by overseas practice of Deloitte Touche Tohmatsu Limited in Indonesia.

The subsidiary commenced scaling down its operations since the financial year ended 31 December 2012.

Compliance with Rule 1207(6) of the SGX Listing Manual

The Board of Directors and the Audit Committee, having reviewed the adequacy of the resources and experience of Deloitte & Touche LLP, the audit engagement partner assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, were satisfied that the Group had complied with rules 712 and 715 of the SGX Listing Manual.