CROESUS RETAIL ASSET MANAGEMENT PTE. LTD. AND ITS SUBSIDIARY

Financial Statements
For the year ended 30 June 2016

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

The directors are pleased to present their statement to the member together with the audited consolidated financial statements of Croesus Retail Asset Management Pte. Ltd. (the "Company") and its subsidiary (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and the statement of changes in equity are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

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

DIRECTORS

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

Mr Lim Teck Leong David (Chairman)
Mr Jim Chang Cheng-Wen (Chief Executive Officer)
Mr Yong Chao Hsien Jeremy
Mr Eng Meng Leong
Mr Quah Ban Huat

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ultimate holding company				
Croesus Merchants International Pte. Ltd.				
Mr Jim Chang Cheng-Wen	51	51	–	–
Mr Yong Chao Hsien Jeremy	49	49	–	–
Intermediate holding company				
Croesus Partners Pte. Ltd.				
Mr Jim Chang Cheng-Wen	–	–	80	80
Mr Yong Chao Hsien Jeremy	–	–	80	80
Immediate holding company				
Evertrust Asset Management Pte. Ltd.				
Mr Jim Chang Cheng-Wen	–	–	4,800,000	4,800,000
Mr Yong Chao Hsien Jeremy	–	–	4,800,000	4,800,000
The Company				
Croesus Retail Asset Management Pte. Ltd.				
Mr Jim Chang Cheng-Wen	–	–	100,000	100,000
Mr Yong Chao Hsien Jeremy	–	–	100,000	100,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

INDEPENDENT AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Teck Leong David
Director

Jim Chang Cheng-Wen
Director

Singapore

30 August 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CROESUS RETAIL ASSET MANAGEMENT PTE. LTD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Croesus Retail Asset Management Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") set out on pages 5 to 33, which comprise the balance sheet of the Group and the Company as at 30 June 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's 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 judgment, 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 the 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet 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 financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and the 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 have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants
Singapore

30 August 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group 2016 JPY'000	Group 2015 JPY'000
Revenue	4	757,167	634,312
Cost of sale		(210,864)	(214,724)
Gross profit		546,303	419,588
Other items of income			
Dividend income from investment securities		16,114	13,158
Interest income		3	2
Other income		49	216
Other items of expense			
Employee compensation	5	(231,970)	(198,803)
Other operating expenses	6	(199,228)	(174,133)
Realised loss on sale of investment securities		(26,946)	(19,003)
Finance costs		(6,732)	(5,286)
Profit before tax		97,593	35,739
Income tax expense	7	(11,446)	(3,270)
Net profit for the year		86,147	32,469
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on investment securities	18	–	(330)
Net fair value changes on investment securities reclassified to profit or loss	18	(185)	–
Other comprehensive income for the year		(185)	(330)
Total comprehensive income for the year		85,962	32,139

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2016

	Note	Group 2016 JPY'000	Group 2015 JPY'000	Company 2016 JPY'000	Company 2015 JPY'000
Non-current assets					
Property, plant and equipment	8	53,202	46,395	22,790	8,593
Investment in a subsidiary	9	–	–	10	10
Investment securities	10	–	47,500	–	47,500
Prepayments	11	4,705	6,366	4,705	6,366
Other receivables	12	32,883	32,883	–	–
		90,790	133,144	27,505	62,469
Current assets					
Trade and other receivables	12	216,214	186,034	247,158	204,478
Prepayments	11	14,029	12,680	6,286	4,671
Cash and short-term deposits	13	225,939	112,257	209,479	99,685
		456,182	310,971	462,923	308,834
Total assets		546,972	444,115	490,428	371,303
Current liabilities					
Trade and other payables	14	133,421	128,389	108,267	109,691
Loans and borrowings	15	188,483	175,183	178,064	165,098
Income tax payable		11,427	3,040	11,357	2,971
		333,331	306,612	297,688	277,760
Non-current liabilities					
Loans and borrowings	15	38,948	49,367	–	–
Other liabilities	16	14,948	14,931	–	–
Deferred tax liabilities		2,616	2,038	2,616	2,038
		56,512	66,336	2,616	2,038
Total liabilities		389,843	372,948	300,304	279,798
Net assets		157,129	71,167	190,124	91,505
Share capital	17	6,560	6,560	6,560	6,560
Retained earnings		150,569	64,422	183,564	84,760
Fair value reserve	18	–	185	–	185
Total equity		157,129	71,167	190,124	91,505

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

Group	Note	Share Capital JPY'000	Retained earnings JPY'000	Fair value reserve JPY'000	Total JPY'000
At 1 July 2014		6,560	31,953	515	39,028
Net profit for the year		–	32,469	–	32,469
Other comprehensive income					
– Net fair value loss on investment securities	18	–	–	(330)	(330)
Total comprehensive income for the year		–	32,469	(330)	32,139
At 30 June 2015 and 1 July 2015		6,560	64,422	185	71,167
Net profit for the year		–	86,147	–	86,147
Other comprehensive income					
– Net fair value changes of investment securities	18	–	–	(185)	(185)
Total comprehensive income for the year		–	86,147	(185)	85,962
At 30 June 2016		6,560	150,569	–	157,129

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

Company	Note	Share Capital JPY'000	Retained earnings JPY'000	Fair value reserve JPY'000	Total JPY'000
At 1 July 2014		6,560	29,134	515	36,209
Net profit for the year		–	55,626	–	55,626
Other comprehensive income					
– Net fair value loss on investment securities	18	–	–	(330)	(330)
Total comprehensive income for the year		–	55,626	(330)	55,296
At 30 June 2015 and 1 July 2015		6,560	84,760	185	91,505
Net profit for the year		–	98,804	–	98,804
Other comprehensive income					
– Net fair value changes of investment securities	18	–	–	(185)	(185)
Total comprehensive income for the year		–	98,804	(185)	98,619
At 30 June 2016		6,560	183,564	–	190,124

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group 2016 JPY'000	Group 2015 JPY'000
Operating activities			
Profit before tax		97,593	35,739
Adjustment for:			
Depreciation of property, plant and equipment	8	15,859	11,167
Property, plant and equipment written off	6	6,122	–
Realised loss on sales of investment securities		26,946	19,003
Finance cost		6,732	5,286
Interest income		(3)	(2)
Management fee received in units of listed business trust		(562,598)	(506,512)
Unrealised exchange loss		2,359	5,811
Operating cash flows before changes in working capital		(406,990)	(429,508)
Changes in working capital:			
Trade and other receivables		(30,189)	(55,616)
Prepayments		312	(860)
Trade and other payables		4,838	3,126
Cash flows from operations		(432,029)	(482,858)
Interest received		3	2
Finance cost paid		(6,480)	(5,050)
Income tax paid		(2,482)	(1,336)
Net cash flows used in operating activities		(440,988)	(489,242)
Investing activities			
Purchase of property, plant and equipment	8	(28,788)	(50,778)
Proceeds from sales of investment securities		582,967	457,823
Net cash flows generated from investing activities		554,179	407,045
Financing activities			
Proceeds from loans and borrowings		20,209	60,526
Repayment of loans and borrowings		(10,419)	–
Net cash flows generated from financing activities		9,790	60,526
Increase/(decrease) in cash and cash equivalents		122,981	(21,671)
Effect of exchange rate changes on cash and cash equivalents		(9,299)	254
Cash and cash equivalents at beginning of the year		112,257	133,674
Cash and cash equivalents at end of the year	13	225,939	112,257

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

Croesus Retail Asset Management Pte. Ltd. (the "Company") is a limited liability company, which is domiciled and incorporated in Singapore. The immediate holding company is Evertrust Asset Management Pte. Ltd. ("EVT") which is incorporated and domiciled in Singapore and held by Croesus Partners Pte. Ltd, Daiwa House Industry Co. Ltd. and Marubeni Corporation in the proportions of 80.0%, 10.0% and 10.0% respectively. The ultimate holding company is Croesus Merchants International Pte. Ltd. ("CMI").

The registered office and the principal place of business of the Company is 50 Raffles Place, #25-03 Singapore Land Tower, Singapore 048623.

The principal activities of the Company are those relating to investment advisory and property fund management and the Company is the trustee-manager for Croesus Retail Trust ("CRT"), a retail business trust listed on the Singapore Exchange Securities Trading Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Japanese Yen (JPY) and all values in the tables are rounded to the nearest thousand (JPY'000) as indicated unless otherwise stated.

2.2 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception (Editorial correction in June 2015)*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Improvements to FRSs (November 2014)	
– FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
– FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– FRS 19 *Employee Benefits*	1 January 2016
– FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined[a]

[a] The mandatory effective date of this Amendment will be revised from 1 January 2016 to a date to be determined by the Accounting Standards Council

Except for FRS 115, FRS 109 and FRS 116, the Group expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective (cont'd)

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.3 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of consolidation and business combinations (cont'd)

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.4 Foreign currency

The financial statements are presented in Japanese Yen, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into JPY at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	–	10 to 15 years
Furniture and fixtures	–	5 to 8 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in a subsidiary are accounted for at cost less impairment losses.

2.8 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial instruments (cont'd)

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

2.11 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Rendering of services*

Fees from the provision of fund management services (management fee, development management fee, acquisition fee and divestment fee from CRT) are recognised when the services have been rendered.

(b) *Dividend income*

Dividend income is recognised when the Company's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit and loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Taxes (cont'd)

(c) *Sales tax*

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

– where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

2.13 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.14 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

4. REVENUE

	Group	
	2016	**2015**
	JPY'000	JPY'000
Management fee from CRT	631,837	555,112
Acquisition fee from CRT	125,330	79,200
	757,167	634,312

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

5. EMPLOYEE COMPENSATION

	Group	
	2016	**2015**
	JPY'000	JPY'000
Salaries, wages and employee benefits	157,251	122,063
Directors' fee	74,719	76,740
	231,970	198,803

6. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	Group	
	2016	**2015**
	JPY'000	JPY'000
Travel expenses	12,843	19,523
Rental and office expenses	62,386	56,411
Administrative expenses	59,078	46,715
Legal and professional fees	42,883	41,005
Property, plant and equipment written off	6,122	–
Foreign exchange losses	7,385	4,825
Others	8,531	5,654
	199,228	174,133

7. INCOME TAXES

Major components of income tax expense

The major components of income tax expense for the financial years ended 30 June 2016 and 2015 are:

	Group	
	2016	**2015**
	JPY'000	JPY'000
Income tax		
– Current income tax	10,868	3,155
– Deferred income tax	578	115
Income tax expense recognised in profit or loss	11,446	3,270

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	JPY'000	JPY'000
Profit before tax	97,593	35,739
Tax at statutory tax rate at 17% (2015:17%)	16,591	6,076
Adjustments:		
Different tax rates arising from foreign jurisdiction	(2,447)	(3,080)
Non-deductible expenses	191	1,713
Income not subject to taxation	(2,739)	(2,237)
Effect of tax incentives	(5,713)	(5,479)
Deferred tax assets not recognised	4,808	6,051
Others	755	226
Income tax expense recognised in profit or loss	11,446	3,270

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT

Group	Building and improvements JPY'000	Furniture and fittings JPY'000	Capital work-in-progress JPY'000	Total JPY'000
Cost:				
At 1 July 2014	–	–	6,784	6,784
Additions	33,430	17,348	–	50,778
Transfer	4,572	2,212	(6,784)	–
At 30 June 2015 and 1 July 2015	38,002	19,560	–	57,562
Additions	23,048	5,740	–	28,788
Written-off	(5,214)	(2,336)	–	(7,550)
At 30 June 2016	55,836	22,964	–	78,800
Accumulated depreciation:				
At 1 July 2014	–	–	–	–
Depreciation charge for the year	7,494	3,673	–	11,167
At 30 June 2015 and 1 July 2015	7,494	3,673	–	11,167
Depreciation charge for the year	10,502	5,357	–	15,859
Written-off	(910)	(518)	–	(1,428)
At 30 June 2016	17,086	8,512	–	25,598
Net carrying amount				
At 30 June 2015	30,508	15,887	–	46,395
At 30 June 2016	38,750	14,452	–	53,202

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Building and improvements	Furniture and fittings	Capital work-in-progress	Total
	JPY'000	JPY'000	JPY'000	JPY'000
Cost:				
At 1 July 2014	–	–	6,784	6,784
Additions	642	2,278	–	2,920
Transfer	4,572	2,212	(6,784)	–
At 30 June 2015 and 1 July 2015	5,214	4,490	–	9,704
Additions	17,243	4,440	–	21,683
Written-off	(5,214)	(2,336)	–	(7,550)
At 30 June 2016	17,243	6,594	–	23,837
Accumulated depreciation:				
At 1 July 2014	–	–	–	–
Depreciation charge for the year	519	592	–	1,111
At 30 June 2015 and 1 July 2015	519	592	–	1,111
Depreciation charge for the year	678	686	–	1,364
Written-off	(910)	(518)	–	(1,428)
At 30 June 2016	287	760	–	1,047
Net carrying amount				
At 30 June 2015	4,695	3,898	–	8,593
At 30 June 2016	16,956	5,834	–	22,790

Assets held under finance leases

The carrying amount of building and improvements and furniture and fittings held under finance leases at the end of the reporting period were JPY16,327,000 (2015: JPY25,813,000) and JPY7,758,000 (2015: JPY11,989,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

9. INVESTMENT IN A SUBSIDIARY

	Company	
	2016	**2015**
	JPY'000	JPY'000
Equity shares, at cost	10	10

Details of subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2016	**2015**
Croesus Retail Asset Management K.K. [1]	Japan	Investment advisory and property fund management	100	100

[1] There is no statutory requirement for the financial statement of Croesus Retail Asset Management K.K. to be audited.

10. INVESTMENT SECURITIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Available-for-sale financial assets				
Units in CRT	–	47,500	–	47,500
Total investment securities	–	47,500	–	47,500

11. PREPAYMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Non-current:				
Prepaid operating expenses	4,705	6,366	4,705	6,366
Current:				
Prepaid operating expenses	14,029	12,680	6,286	4,671
Total prepayments	18,734	19,046	10,991	11,037

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Non-current:				
Refundable deposits	32,883	32,883	–	–
Current:				
Trade receivables				
– CRT	198,064	165,418	198,064	165,418
Other receivables				
– Third parties	9,267	8,957	413	–
– Related company	2,365	9,285	–	–
– Subsidiary	–	–	42,163	36,686
Refundable deposits	6,518	2,374	6,518	2,374
	216,214	186,034	247,158	204,478
Total trade and other receivables	249,097	218,917	247,158	204,478
Add:				
Cash and short-term deposits (Note 13)	225,939	112,257	209,479	99,685
Total loans and receivables	475,036	331,174	456,637	304,163

Trade receivables are non-interest bearing and are to be settled in the form of cash and/or units in CRT as the Company elects.

As at 30 June 2016, trade receivables arising from CRT amounting to approximately JPY165,007,000 (2015: JPY129,061,000) are arranged to be settled via the issuance of units by CRT.

Other receivables are unsecured and interest-free.

Trade and other receivables denominated in foreign currencies other than the respective entities' functional currencies as at 30 June are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Singapore Dollars	6,950	7,520	6,950	7,520

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

13. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Cash at banks and on hand	225,939	112,257	209,479	99,685

Cash and short-term deposits relates to cash at banks and cash on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and bank balances denominated in foreign currencies as at 30 June are as follows.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Singapore Dollars	87,869	34,653	87,869	34,653

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Trade payables				
– Ultimate holding company	48,017	59,697	48,017	59,697
Other payables				
– Third parties	45,820	35,638	22,321	17,695
– Accrued operating expenses	39,584	33,054	37,929	32,299
Total trade and other payables	133,421	128,389	108,267	109,691
Add:				
Loans and borrowings (Note 15)	227,431	224,550	178,064	165,098
Total financial liabilities carried at amortised cost	360,852	352,939	286,331	274,789

Trade payables to ultimate holding company are unsecured, interest-free and repayable on demand in cash.

Other payables to third parties represent mainly sundry payables and goods and services tax payable.

Included in accrued operating expenses is an amount of JPY4,291,000 (2015: JPY5,112,000) that relates to directors' fees.

Trade and other payables denominated in foreign currencies as at 30 June are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Singapore Dollars	22,321	17,695	22,321	17,695

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

15. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2016	**2015**	**2016**	**2015**
		JPY'000	JPY'000	JPY'000	JPY'000
Non-current:					
Obligations under finance lease	2018	8,945	19,364	–	–
Loan from related company	2019	30,003	30,003	–	–
		38,948	49,367	–	–
Current:					
Obligations under finance lease	2016	10,419	10,085	–	–
Bank loans	2016	178,064	165,098	178,064	165,098
		188,483	175,183	178,064	165,098
Total loan and borrowings		227,431	224,550	178,064	165,098

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 8). The average discount rate implicit in the leases is 3.56% p.a. (2015: 3.56% p.a.). These obligations are denominated in Japanese Yen.

Bank loans

Bank loans amounting to JPY178,064,000 (2015: JPY165,098,000) are secured by units of CRT held by the ultimate holding company. The interest rates range from bank swap rate + 2.0% to bank offer rate + 2.0% (2015: bank swap rate + 2.0% to bank offer rate + 2.0%) per annum. The loans are repayable upon maturity.

Loan from related company

Loan from related company amounting to JPY30,003,000 (2015: JPY30,003,000) are unsecured and are repayable upon maturity with an interest rate of 3%.

Loans and borrowings denominated in foreign currencies as at 30 June are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	JPY'000	JPY'000	JPY'000	JPY'000
Singapore Dollars	74,764	61,798	74,764	61,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

16. OTHER LIABILITIES

	Group	
	2016	**2015**
	JPY'000	JPY'000
Asset retirement obligation	14,948	14,931

17. SHARE CAPITAL

	Group and Company			
	2016	**2016**	**2015**	**2015**
	No. of share	**Amount**	**No. of share**	**Amount**
		JPY'000		JPY'000
At 1 July and 30 June	100,000	6,560	100,000	6,560

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

18. FAIR VALUE RESERVE

	Group and Company	
	2016	**2015**
	JPY'000	JPY'000
At 1 July	185	515
Net fair value loss on investment securities	–	(330)
Net fair value changes on investment securities reclassified to profit or loss	(185)	–
At 30 June	–	185

Fair value reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed of or impaired.

19. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2016	**2015**
	JPY'000	JPY'000
Ultimate holding company:		
– Acquisition fees	57,500	68,000
– Management fees	45,141	48,241

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

19. RELATED PARTY TRANSACTIONS (CONT'D)

(b) *Compensation of key management personnel*

	Group	
	2016	**2015**
	JPY'000	JPY'000
Key management personnel compensation (excluding directors' fees)		
– Salaries and other short term employee benefits	119,617	114,613

20. COMMITMENTS

(a) *Operating lease commitments – as lessee*

Future minimum rental payable under non-cancellable operating leases at the end of the financial years are as follows:

	Group	
	2016	**2015**
	JPY'000	JPY'000
Not later than one year	47,190	44,426
Later than one year but not later than five years	95,084	95,009
	142,274	139,435

(b) *Finance lease commitments*

The Group has finance leases for certain items of building and improvements and furniture and fittings. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2016 Minimum lease payments	**2016 Present value of payments**	**2015 Minimum lease payments**	**2015 Present value of payments**
	JPY'000	JPY'000	JPY'000	JPY'000
Not later than one year	10,379	9,583	10,379	9,248
Later than one year but not later than five years	8,818	8,412	19,197	17,995
Total minimum lease payment	19,197	17,995	29,576	27,243
Less: Amounts representing finance chargers	(1,202)	–	(2,333)	–
Present value of minimum lease payments	17,995	17,995	27,243	27,243

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

21. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

(b) *Assets and liabilities measured at fair value*

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group and Company **2016**	**Quoted prices in active markets for identical instruments (Level 1)** JPY'000	**Significant observable inputs other than quoted prices (Level 2)** JPY'000	**Significant unobservable inputs (Level 3)** JPY'000	**Total** JPY'000
Assets measured at fair value				
Available-for-sale financial assets (Note 10)				
Quoted equity securities	–	–	–	–
Total equity securities	–	–	–	–
Financial assets as at 30 June 2016	–	–	–	–
2015				
Assets measured at fair value				
Available-for-sale financial assets (Note 10)				
Quoted equity securities	47,500	–	–	47,500
Total equity securities	47,500	–	–	47,500
Financial assets as at 30 June 2015	47,500	–	–	47,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

21. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The carrying value of other financial assets (current and non-current) and financial liabilities (current) are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of the financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by management.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other receivables, the Company deals only with high credit quality counterparties for significant transactions.

The maximum exposure to credit risk is represented by the carrying amount of that class of financial instruments presented on the balance sheet.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are receivables from CRT which represent the Company's maximum exposure to credit risk. CRT has relatively healthy financial position and management does not expect the listed trust to fail to meet its obligations.

(ii) Financial assets that are past due and/or impaired

There are no financial assets that are either past due and/or impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages liquidity risk by maintaining adequate cash balances to meet operational requirements. In addition, the Company relies on funding from its holding entity to ensure that it is able to meet its financial obligations as and when they fall due.

As at the end of the reporting period, the carrying amount of the Group's financial assets and liabilities approximate their contractual undiscounted repayment obligations.

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The details of the interest rates relating to loans and borrowings are disclosed in Note 15.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 0.1% per annum higher/lower with all other variables constant, the Group's total return before tax would have been JPY208,000 (2015: JPY195,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from its operating activities that are denominated in a currency other than the functional currency of the Group.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. Information regarding foreign currencies denominated cash and short-term deposits are disclosed in Note 13.

<u>Sensitivity analysis for foreign currency risk</u>

At the reporting date, if the Japanese Yen strengthened/weakened against Singapore Dollar by 10% (2015: 10%) with all variables constant, the Group's total return before tax would have been JPY1,930,000 (2015: JPY3,732,000) lower/higher due to exchange differences arising from appreciation/depreciation of Japanese Yen against Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

23. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains working capital requirement as well as maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group considers debt and shareholders' equity as its capital. Most of the capital requirements of the Company are financed by a bank as a working capital line. Any excess cash balances over and above the operating requirements may be used for dividends payment. There has been no change in the objectives, policies or process during the years ended 30 June 2016 and 2015.

24. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 30 August 2016.