Results Briefing

Results for the First Quarter ended 30 June 2018



Better Living
Better Prices

Agenda

1. Executive Summary
2. Financial Highlights
3. Operational Updates

EXECUTIVE SUMMARY

Better Living
Better Prices

Executive summary

1. The Group's revenue increased by 10.1% in Q1 FY18/19 over previous quarter, narrowing loss to S$2.2m in Q1 FY18/19 from S$3.0m in Q4 FY18/19

2. Singapore continues on growth trajectory, maintains PBT at S$7.2m, on the back of Tampines Megastore transformation and omni-channel strategy coming to fruition

3. Early indicators show that Malaysia business transformation is on track; LFL and sales psf sequential quarterly results have improved from Q4 FY17/18 to Q1 FY18/19

4. Indonesia focuses on managing credit collection cost; currently at 9 stores and 22 pop up stores

5. Group expects to continue to face pressure in the medium term even as it executes transformation work

FINANCIAL HIGHLIGHTS

Better Living
Better Prices

Financial summary and key financial ratios

(S$m unless otherwise stated)

Income statement	Q1 FY1819	Q1 FY1718
Revenue	179.8	186.6
Gross profit	61.0	71.4
Net (loss)/profit	(2.2)	6.1
Basic (losses)/EPS (cents)[1]	(0.43)	1.18
Fully diluted (losses)/EPS (cents)[2]	(0.42)	1.16

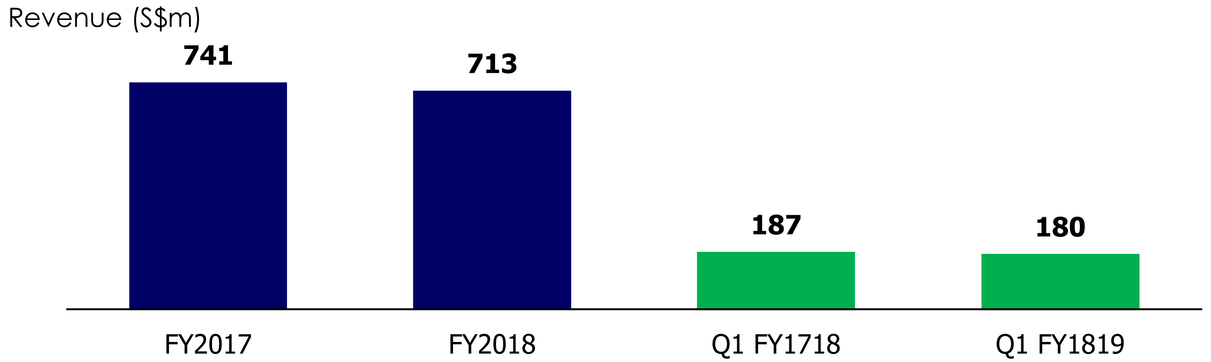
Balance sheet	As at 30 Jun 2018 (SFRS(I) 9)*	As at 31 Mar 2018 (FRS 39)*	As at 1 Apr 2018 (SFRS(I) 9)*	As at 30 Jun 2017 (FRS 39)*
Cash and bank balances	83.6	108.6	108.6	83.0
Trade and other receivables - net	428.7	469.0	432.4	505.9
- Unearned service charges (part of trade receivables)	106.8	109.9	109.9	125.6
Deferred revenue (net)	46.9	47.3	47.3	46.9
Borrowings	284.8	298.3	298.3	305.5
Net Assets	199.0	230.2	200.9	227.0
NAV per ordinary share (cents)[3]	38.6	44.7	39.0	44.2

Statement of cash flows	Q1 FY1819	Q1 FY1718
Net cash used in operating activities	(6.6)	(10.3)
Net cash used in investing activities	(0.6)	(1.0)
Net cash used in financing activities	(16.6)	(3.5)

Notes:
Q1, FY: Refers to the fourth(1st) quarter from 1 April to 30 June and financial year from 1 April to 31 March respectively
1: Basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average number of ordinary shares (excluding treasury shares) which, during the three months ended 30 June 2018 and the same period last year, were 515,144,979 and 513,722,888 respectively.
2: Diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average number of ordinary shares (excluding treasury shares and adjusting for the dilutive effect of performance shares) which, during the three months ended 30 June 2018 and the same period last year, were 524,142,279 and 522,238,988 respectively.
3: Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial year reported on and immediately preceding financial year are 515,144,979 for both period ends.
* SFRS(I) 9 is adopted from 1 April 2018 for this financial year FY18/19, please see SGXNet Q1FY1819 Note 5 for more details.

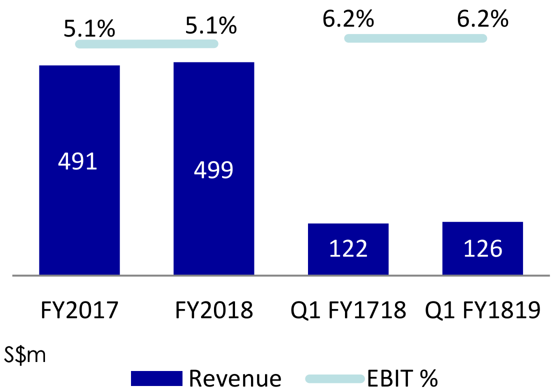
Revenue

Revenue and EBIT margin

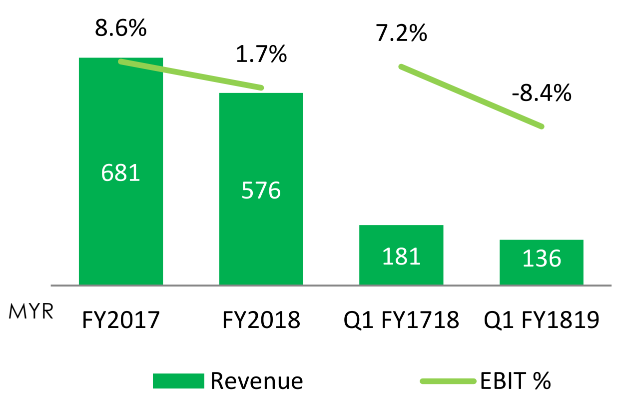


EBIT margin - %	7.1%	4.5%	6.6%	2.4%

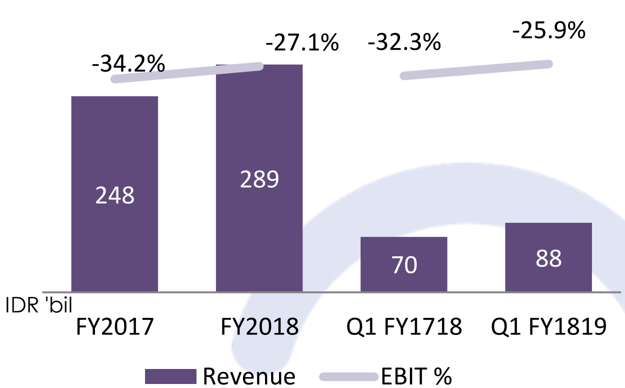
Singapore[1]



Malaysia



Indonesia[2]

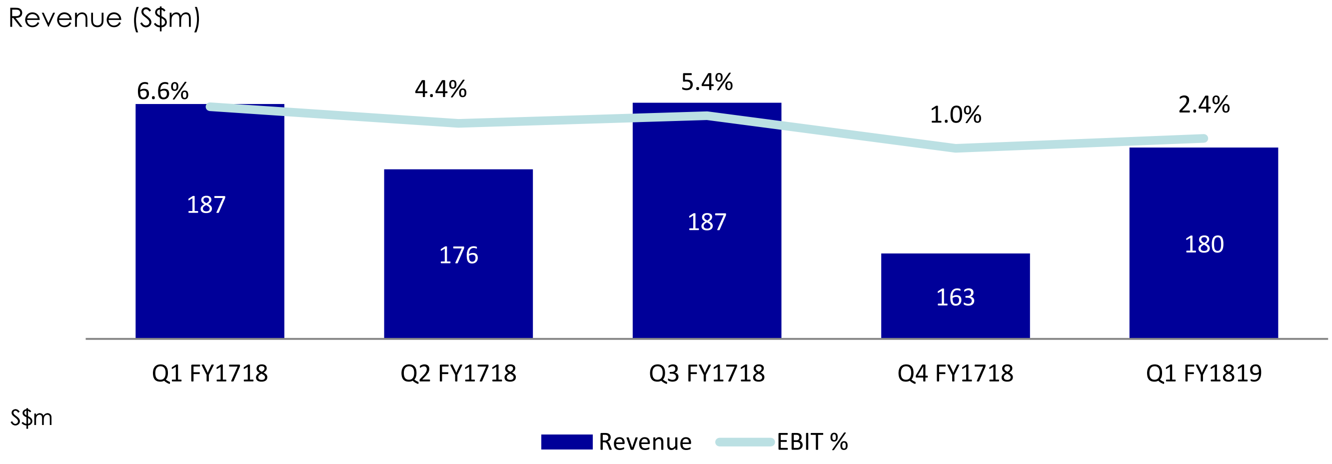


2. Indonesia has not adopted the equivalent of SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments. Above is before adjustment which is only made at Group consolidation level to be aligned with the Group's accounting standards.

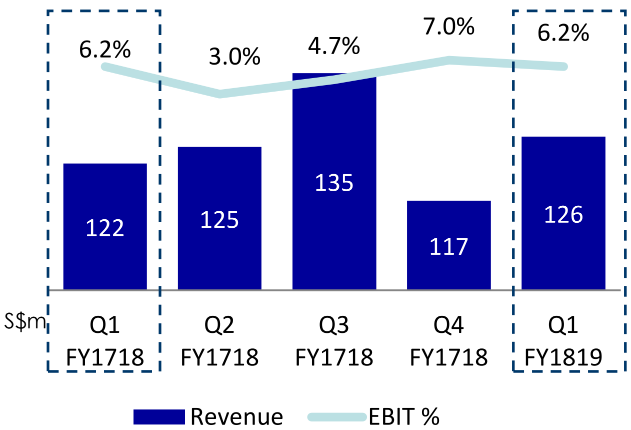
Notes:
Q1: Refers to the first(1st) quarter from 1 April to 30 June. FY: Refers to the financial year from 1 April to 31 March
1. Singapore Revenue and EBIT margin includes COURTS Singapore and Home Lifestyle

Revenue

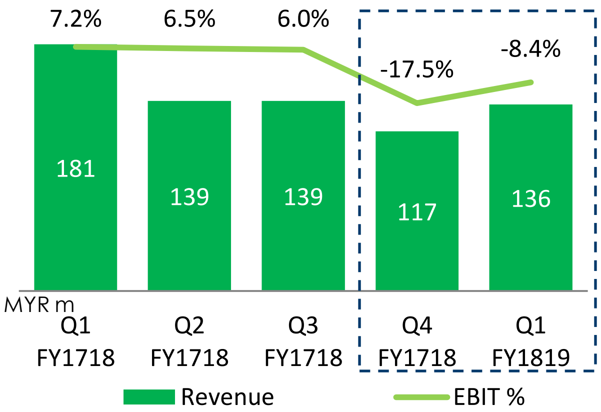
Revenue and EBIT margin



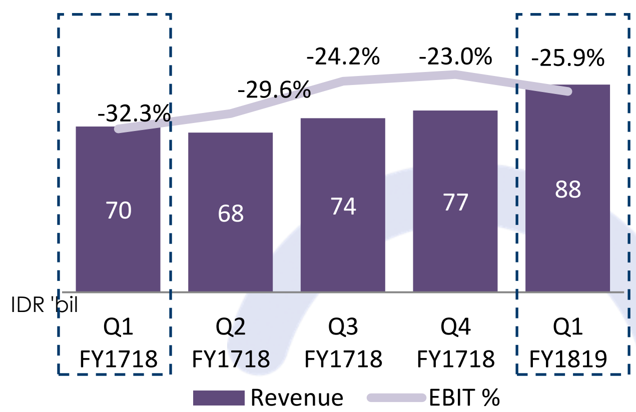
Singapore[1]



Malaysia



Indonesia[2]



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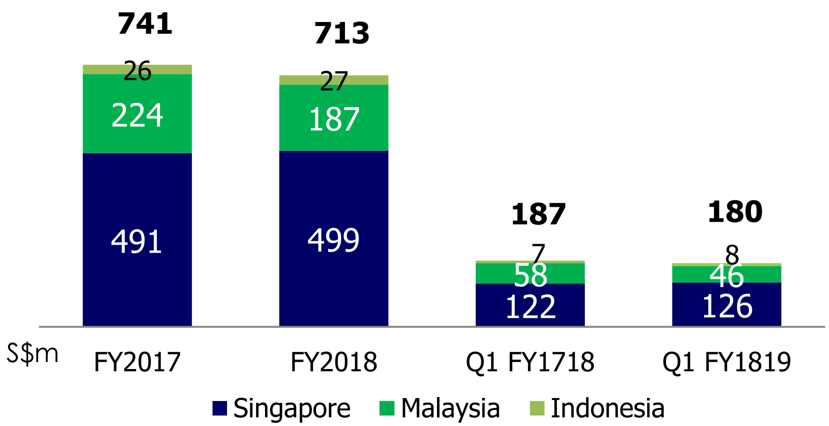
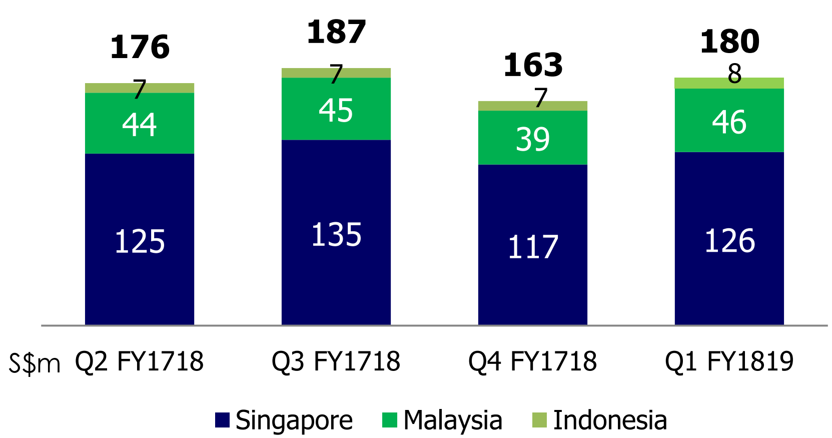
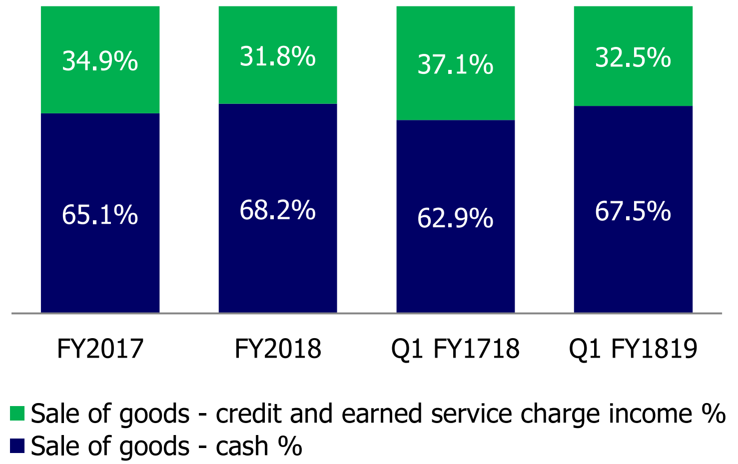
Revenue

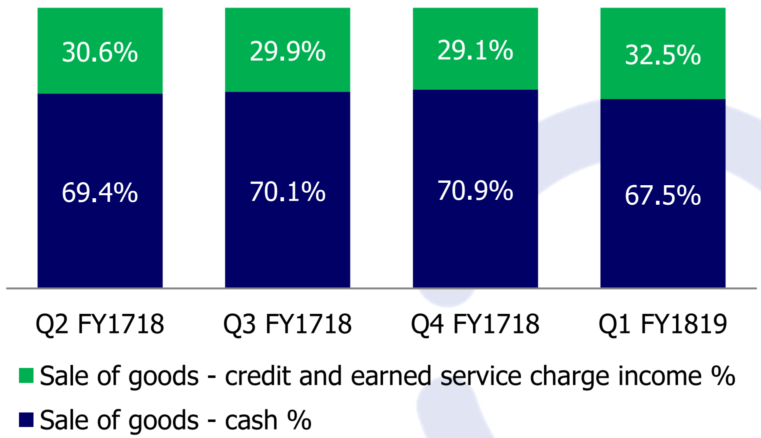
Revenue by geography





Revenue – cash/credit mix





Notes:
Q1: Refers to the first(1st) quarter from 1 April to 30 June. FY: Refers to the financial year from 1 April to 31 March

Product range focused on 4 key segments

% of Q1 FY1819 sale of goods

Electrical Products

53.6%

- Major White Goods
- Vision
- Small appliances
- Audio

IT Products

21.8%

- Computers
- Accessories
- Photography
- Mobile

Furniture

18.0%

- Mattresses
- Bedroom furniture
- Dining room furniture
- Living room furniture
- Home office products

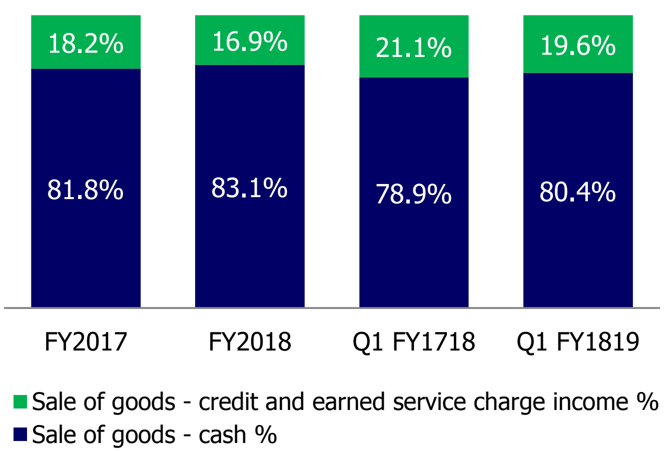
Other Services

6.6%

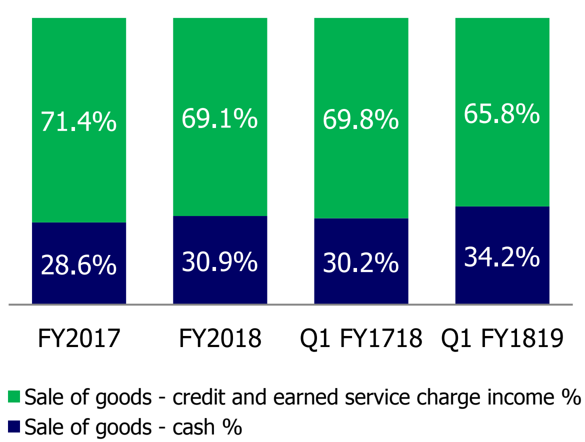
- Warranty sales
- Other services
  - Product replacement services
- Cleaning
- Repair and installation
- Smart home setup
- Interior design services

Revenue – cash/credit mix

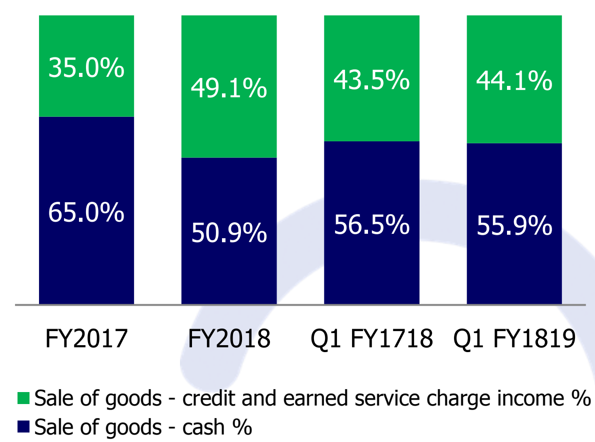
Singapore



Malaysia



Indonesia



Notes:
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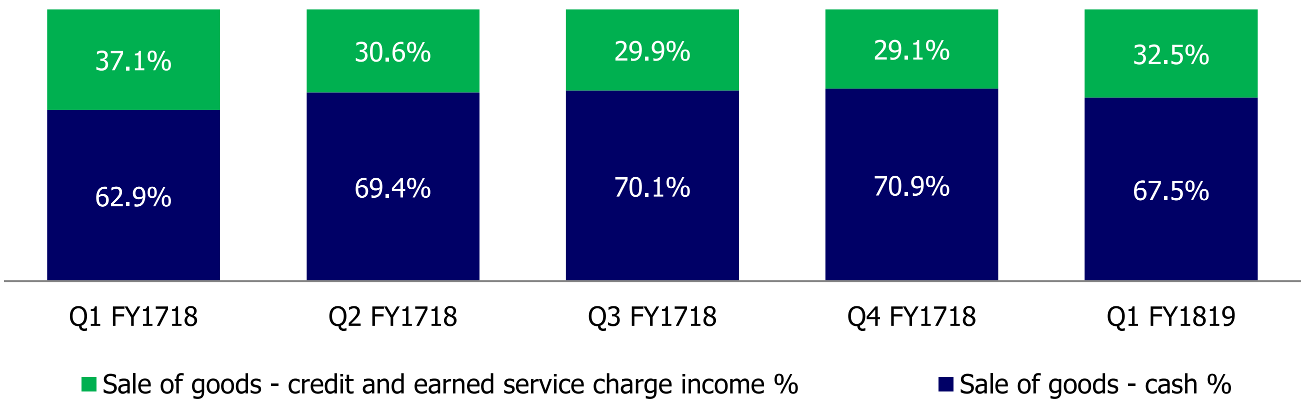
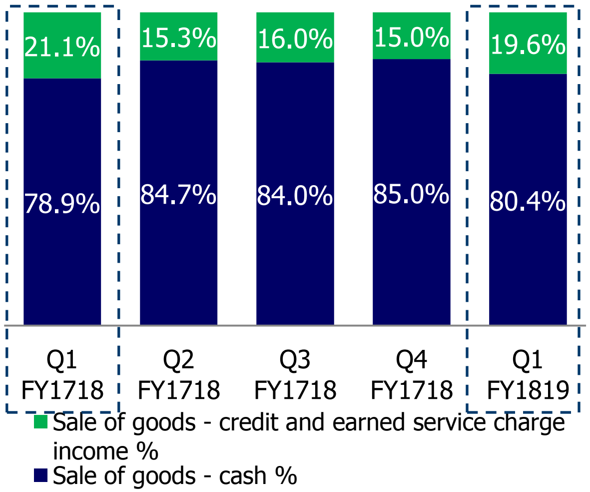
Revenue – cash/credit mix

Revenue – cash/credit mix

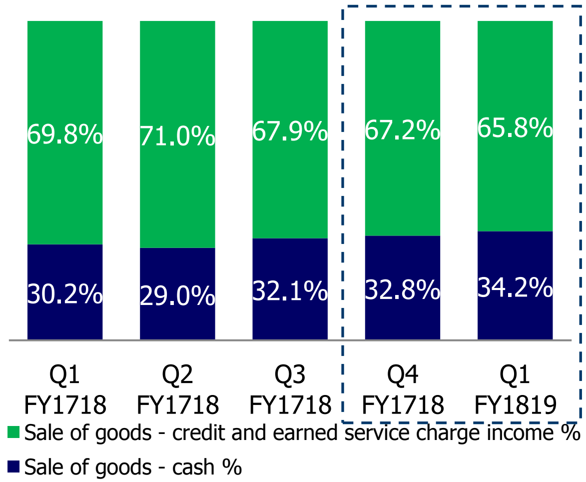
Group



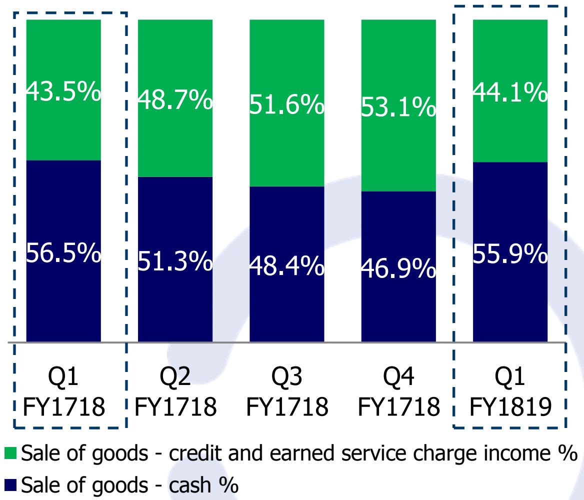
Singapore



Malaysia



Indonesia



Notes:
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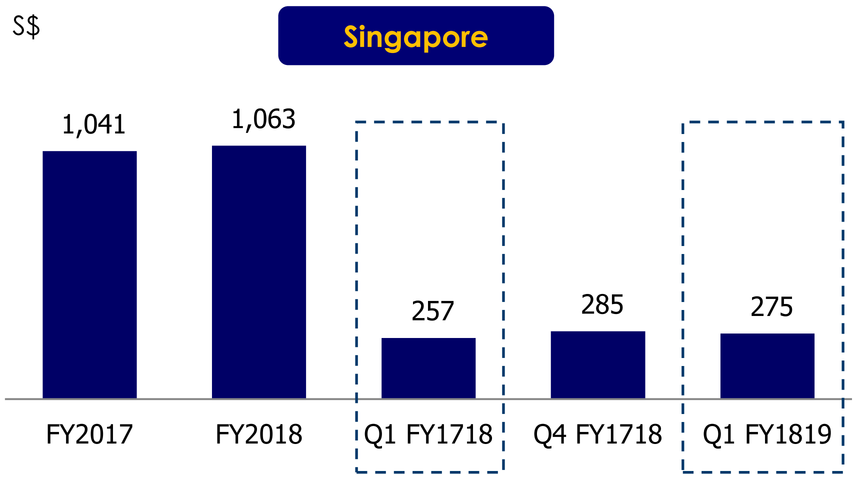
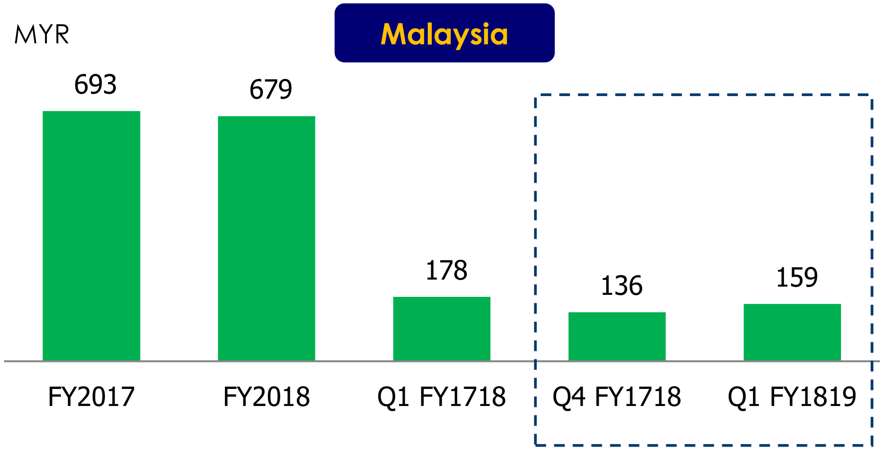
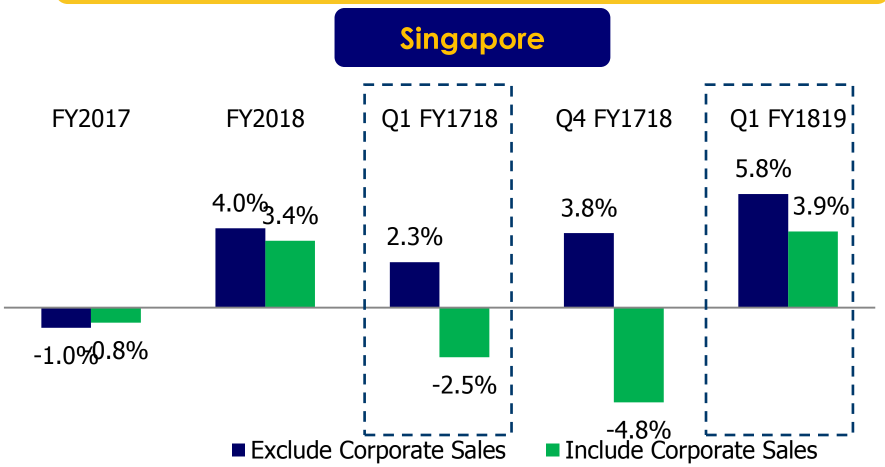
Operating metrics

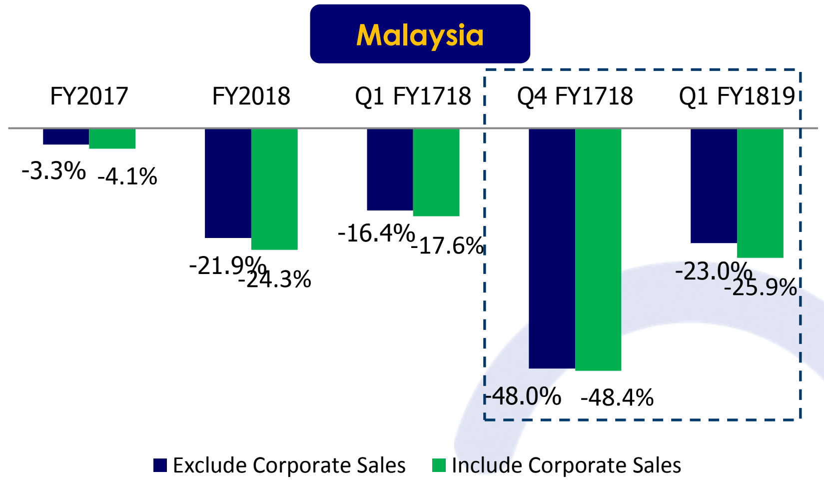
Sales per sq. ft.[1]





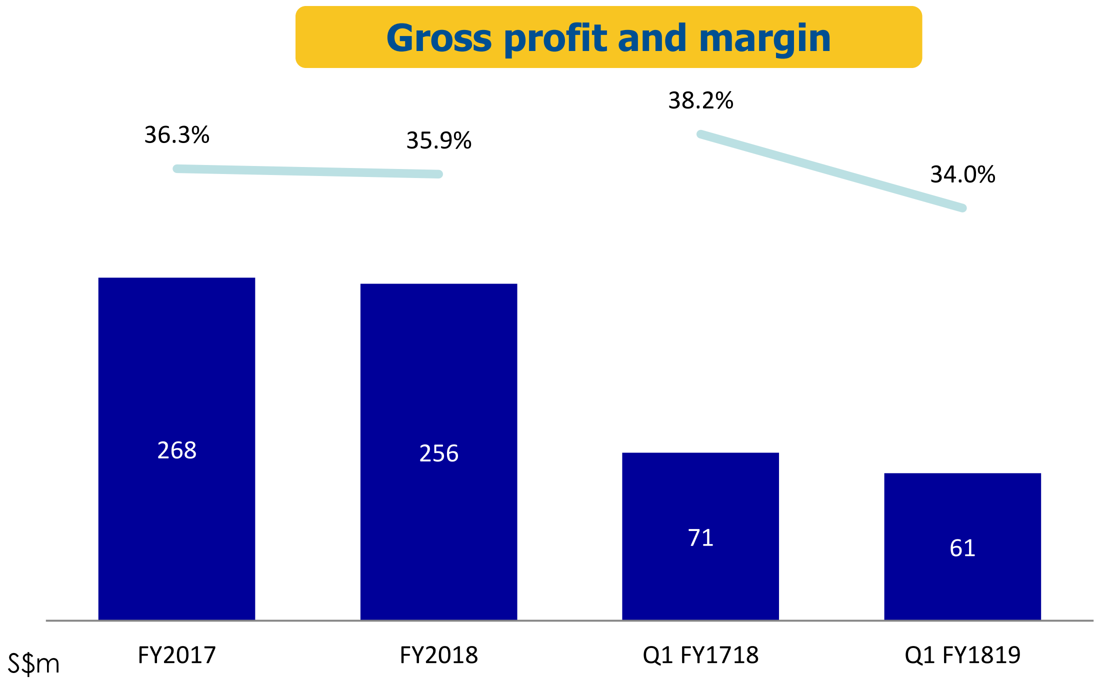
Like-for-like sales growth[2]





Notes:
Q1: Refers to the first(1st) quarter from 1 April to 30 June. FY: Refers to the financial year from 1 April to 31 March
1: Based on weighted average retail square footage and total net sale for each period
2: Like-for-like sales growth (comprising of net merchandise sales and current year service charge income generated) for a financial year is calculated based on stores which have been operating for the entire year/period over that preceding year/period. Q1 FY1718 like-for-like sales is based on previously reported sales figures of Q1FY1718 and Q1FY1617. Q1FY1819 like-for-like sales is based on sales figures of Q1 FY18/19 vs Q1 FY1718.
Indonesia – not significant

Operating metrics



Note:
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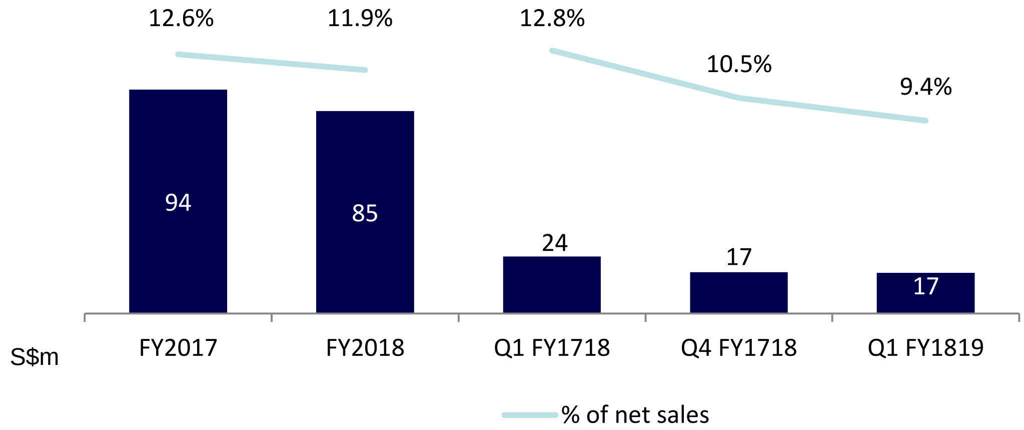
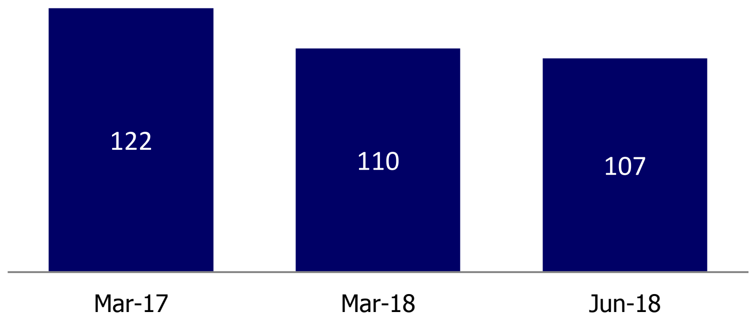
Service charge income

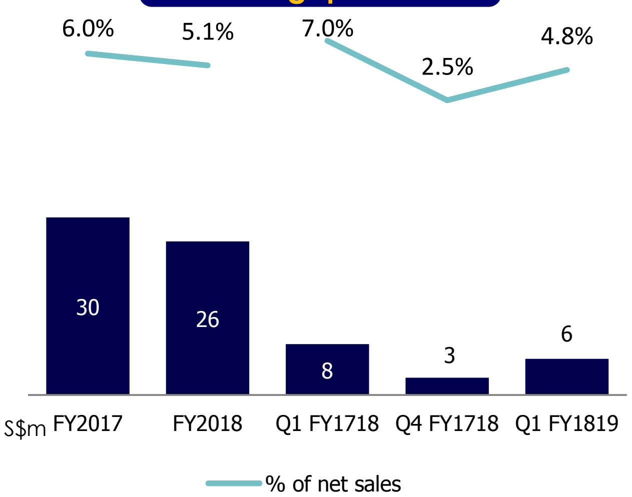
Earned SCI Group



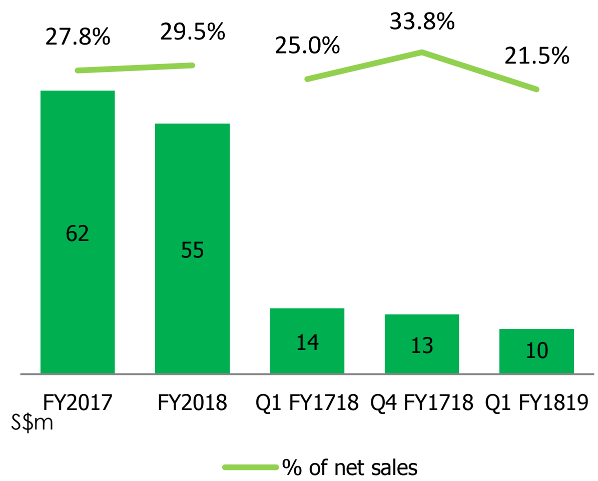
Unearned SCI Group



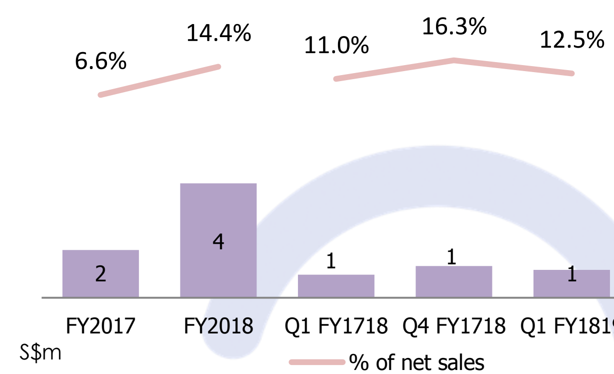
Earned SCI Singapore



Earned SCI Malaysia



Earned SCI Indonesia [1]



Notes:
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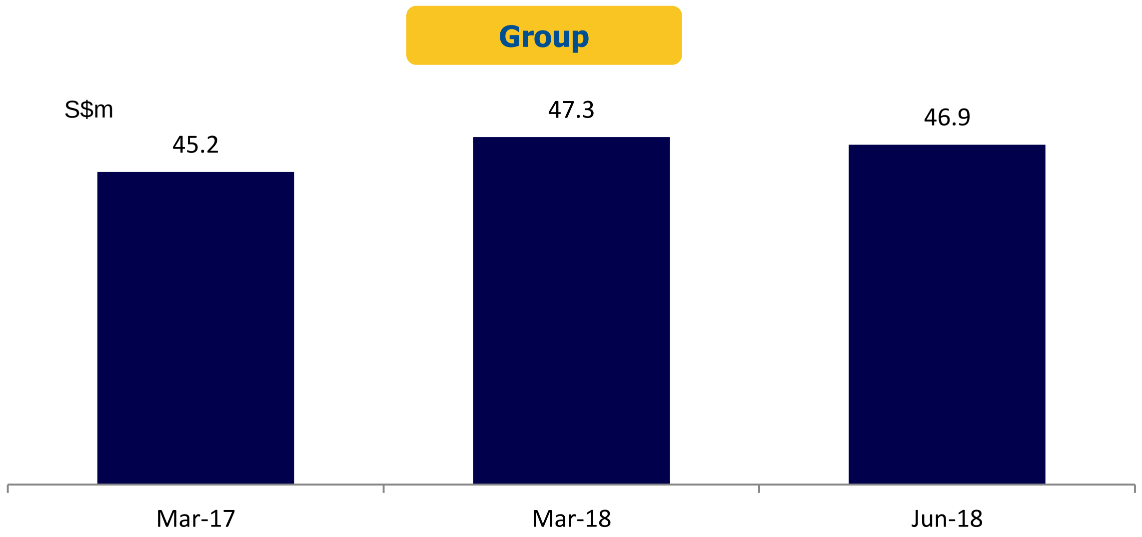
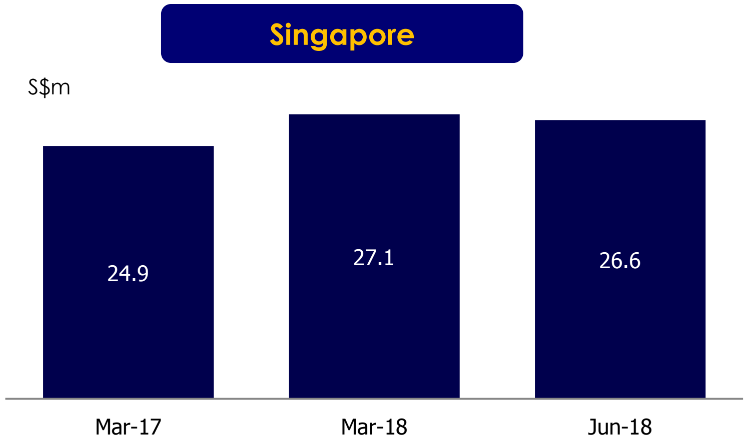
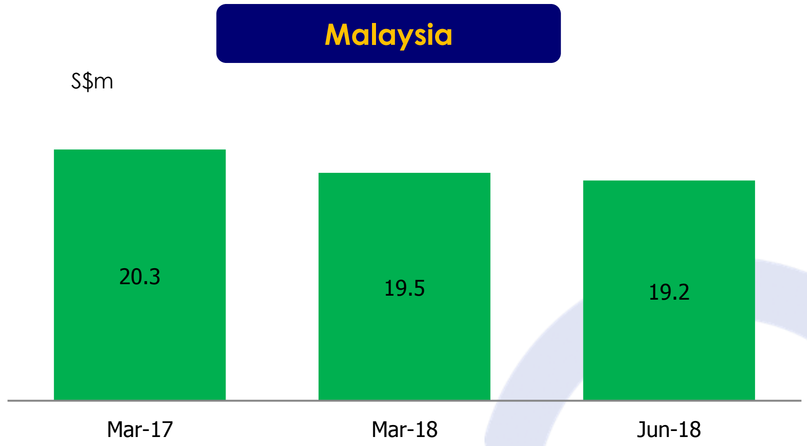
FY: Refers to the financial year from 1 April to 31 March

1. Indonesia has not adopted the equivalent of SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments. Above is after adjustment made at Group consolidation level to be aligned with the Group's accounting standards.

Deferred revenue (net)



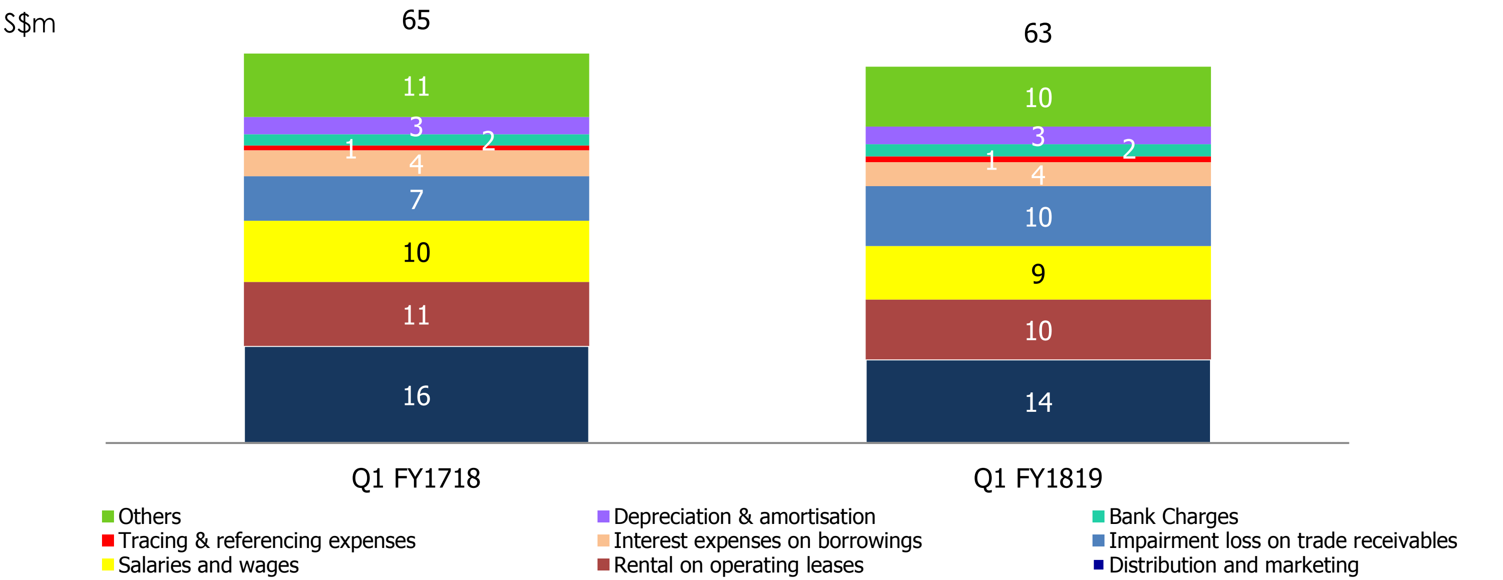




Notes:
Month-Year: Refers to the financial position of each balance sheet item as at each period end
Indonesia's deferred revenue (net) is not significant

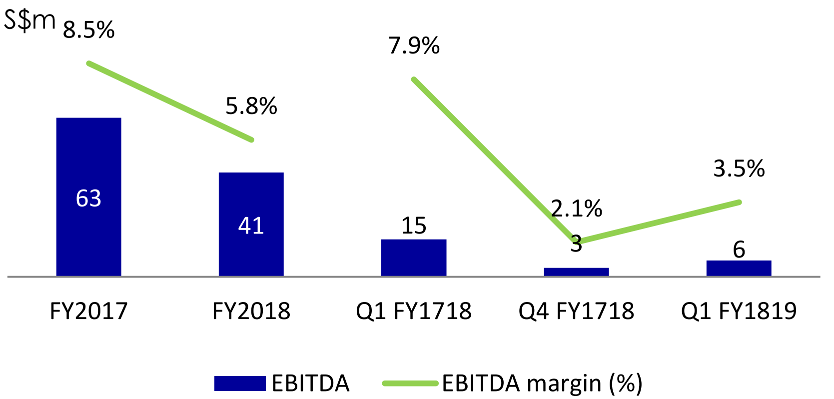
Breakdown of expenses and EBITDA

Breakdown of expenses

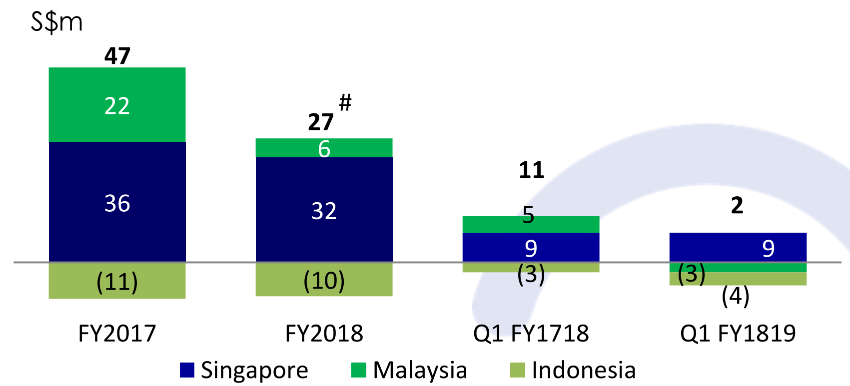


"Others" include head office costs and other expenses

EBITDA[1]



Segment result by geographical location[2]



Notes: Q1: Refers to the first(1st) quarter from 1 April to 30 June. FY: Refers to the financial year from 1 April to 31 March

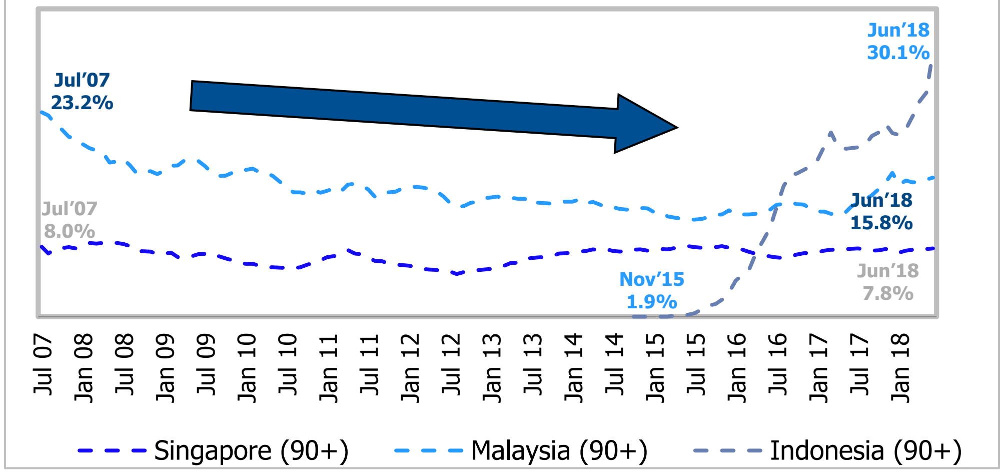
1: EBITDA calculated as profit before tax add finance expense and depreciation and amortisation expense

#: Differences due to rounding

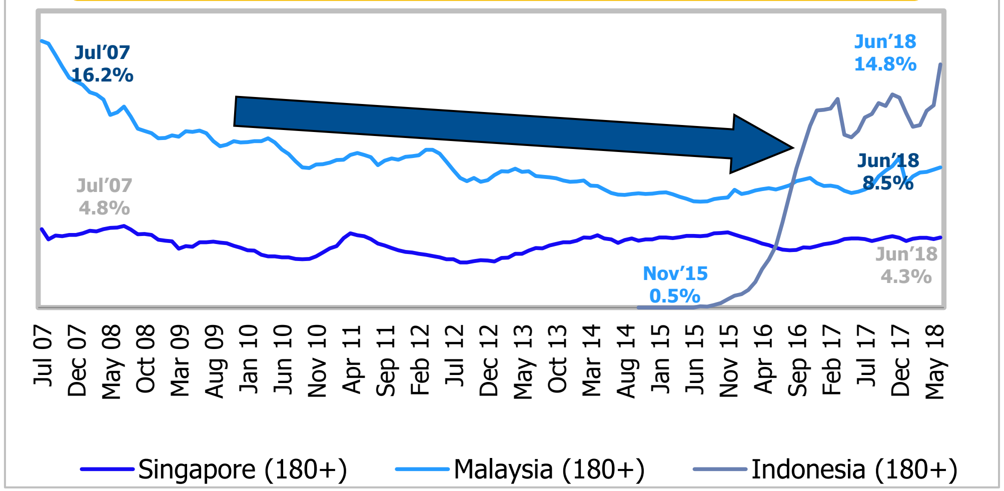
2: Segment results are profit before other income, income tax and finance expense. Indonesia has yet to announce the adoption of SFRS(I) 15 and SFRS(I) 9. Adjustment is only made at Group consolidation level to be aligned with the Group's accounting standards.

Delinquency rates and credit book assets

90+ days delinquency rates

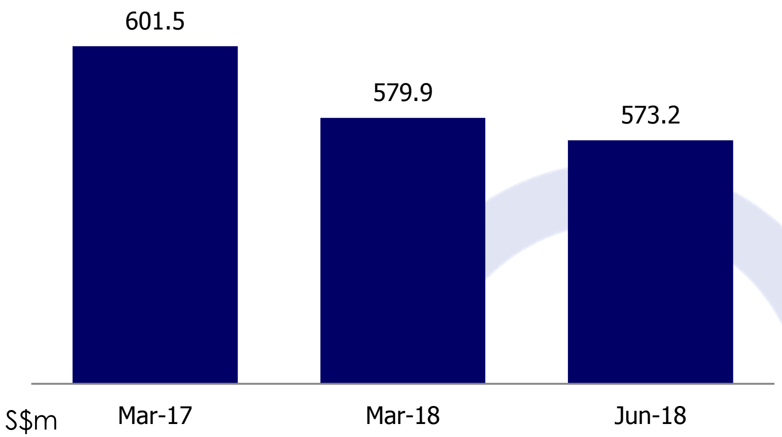


180+ days delinquency rates



The local credit environment in Malaysia and Indonesia remains challenging. We have strengthened credit collections focus and tightened credit granting policies in light of the continued challenges in credit collections to mitigate the impact from higher impairment losses.

Credit book assets - Gross

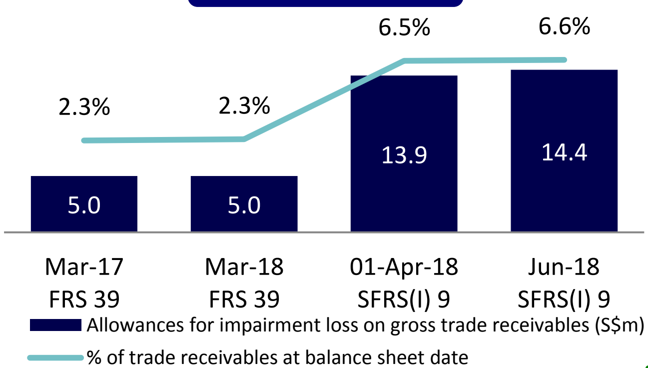


Notes:
Month-Year: Refers to the financial position of each balance sheet item as at each period end

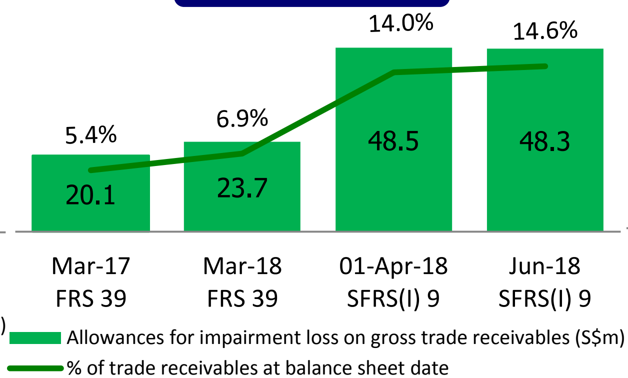
Allowance for impairment on receivables & Impairment loss on receivables charged to Income Statement – SFRS(I) 9 from 1 April 2018

Allowance for impairment loss on gross trade receivables

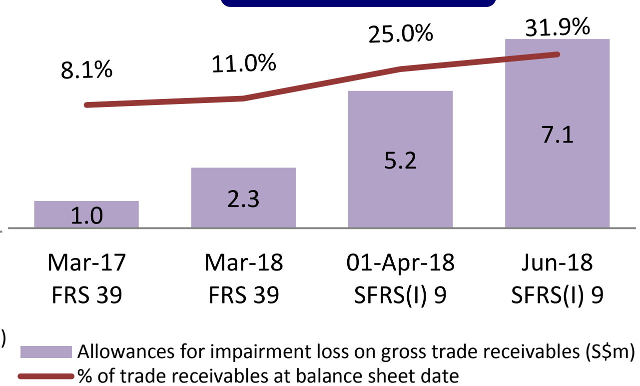
Singapore



Malaysia

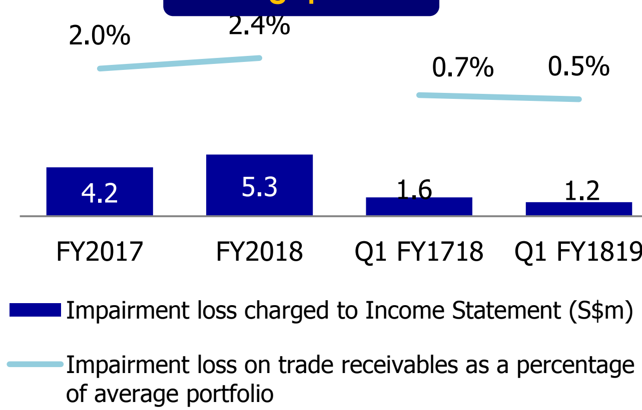


Indonesia[1]

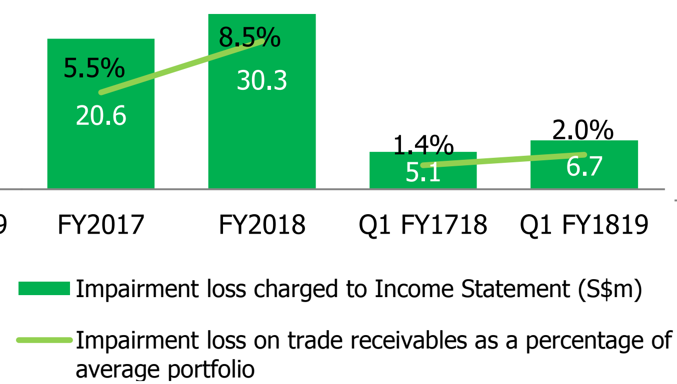


Impairment loss on trade receivables charge to Income Statement

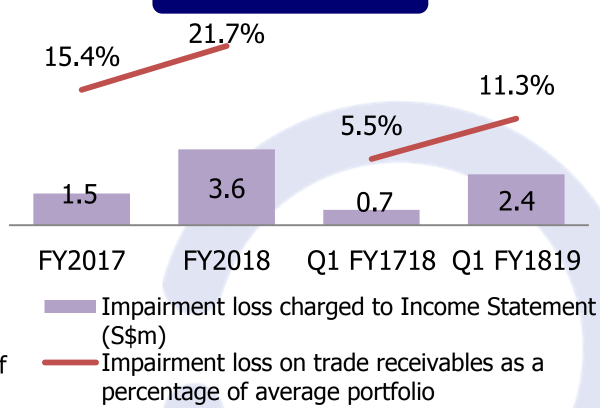
Singapore



Malaysia



Indonesia[1]



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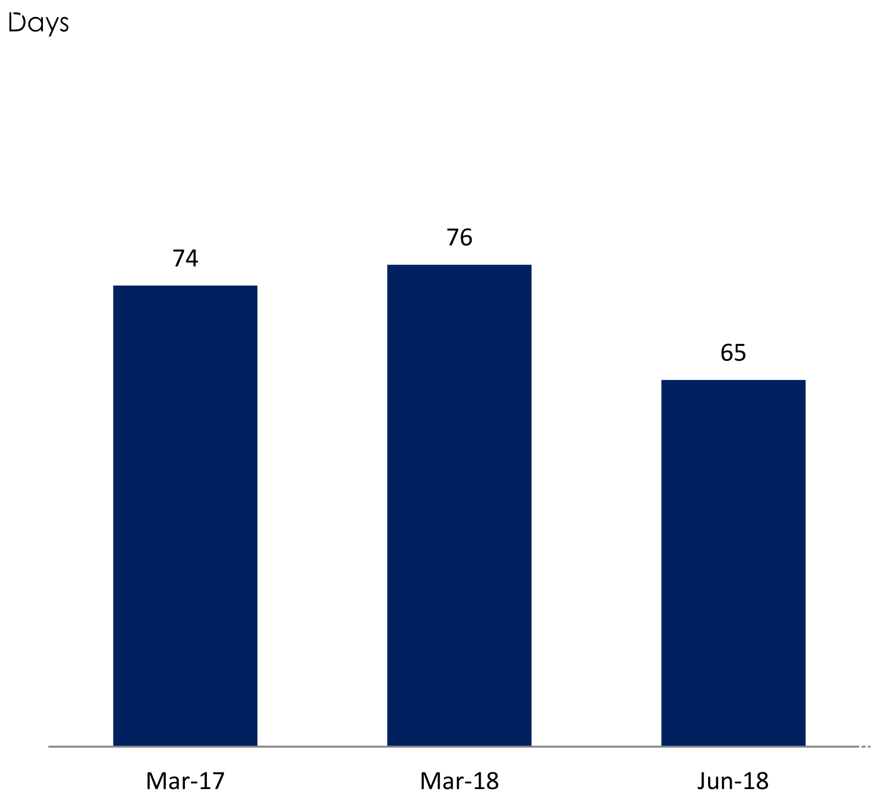
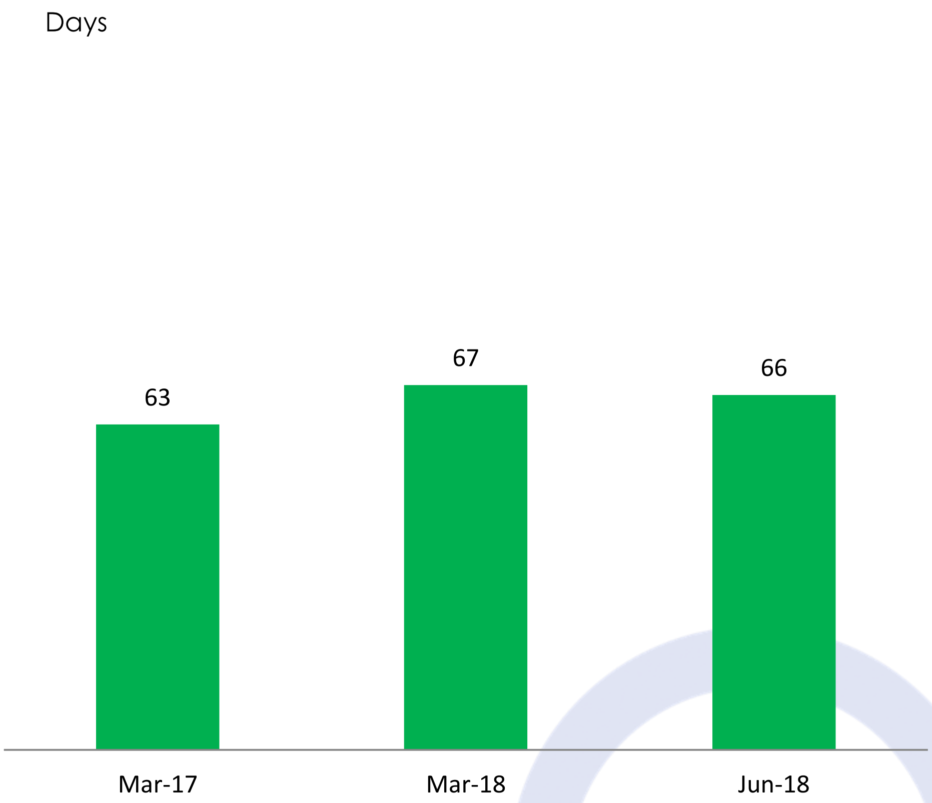
Working capital management

Trade payable days



Inventory days



Notes:
Month-Year: Refers to the turnover days for each period end

Borrowings

Facility	Facility amount	Amount drawn down as at		Amount drawn down as at	
		30 Jun 17	31 Mar 18	30 Jun 18	5 Aug 18
Multicurrency Medium Term Note (CAL) Early Redemption of full amount completed as of 2 Aug 2018	S$ 500 mil	S$ 75 mil @ 5.75%p.a.	S$ 75 mil @ 5.75%p.a.	S$ 75 mil @ 5.75%p.a.	-
Asset Securitisation Programme (CSPL) (1) Revolving Period expiring: Jan 2019 (with possibility of 1 year extension at lenders' option) Amortisation Period: 2 years after end of Revolving Period	S$ 150 mil	S$ 57.6 mil	S$ 55.3 mil	S$ 54.8 mil	S$ 98.7 mil
Syndicated Senior Loan (CMSB) (2) Revolving Period expiring: Feb 2021 (with possibility of 1 year extension at lenders' option) Amortisation Period: 3 years after end of Revolving Period	RM 553 mil	RM 460 mil	RM 425 mil	RM 385 mil	RM 378 mil
Various Term Loans (PTCRI) Various expiry dates ranging from 2019 to 2020	IDR 269.8 bil	IDR265.1 bil	IDR269.8 bil	IDR269.8 bil	IDR269.8 bil

[1] CSPL Asset Securitisation : 1-mth SOR is hedged with Interest Rate Cap (strike rate of 2.5%) for notional amount of SGD70M

[2] CMSB Syndicated Senior Loan: 1-mth KLIBOR is hedged with Interest Rate Cap (strike rate of 4.25%) for notional amount of RM230M

OPERATIONAL UPDATES

High Level of Engagement During Key Trading Season

Singapore

Malaysia

Indonesia

- Ran competitive sales campaigns in all three markets to leverage festive home shopping period ahead of Raya, with furniture and SCI as key drivers
- Conducted CSR initiatives to grow positive brand affinity and community spirit in local markets

Singapore – Driving Smart Home Adoption With Experiential Retailing

- Leading the charge as Smart Home products grow more affordable and mainstream
- One of two retailers to launch Google Home products
- Temporary pop-up Smart Home Experiential Hub at COURTS Megastore, presenting immersive voice-controlled smart home setting and compatible products

Singapore – Continued Furniture Transformation with Range Launch

Multi-functional styles for modern apartment living

Fresh styles to cater to diverse tastes and settings

Affordable furniture comes in various configurations for multiple home settings

Space-saving designs for a versatile, apartment home

Malaysia – Early indicators show transformation plan on track

- Closed five underperforming stores (April to July); store productivity increased to RM 159,000 psf in Q1 FY18/19 from RM 136,000 psf in Q4 FY17/18
- Improving LFL trend, decline narrowed to 23% decrease for store sales in Q1 FY18/19 compared to 48% decrease in store sales in Q4 FY17/18
- NAIA (New Accounts in Arrears) is trending downwards; seeing healthier sales
- Have increased quality of credit sales amongst new customers with higher ATV

Indonesia – Temporarily Slow Down Expansion to Manage Credit Cost

- Slow down expansion to consolidate growth and manage credit collection cost
- Store footprint stands at nine permanent stores and 22 pop-up stores in Greater Jakarta Region

APPENDIX

Unaudited Results for the Financial Quarter ended 30 June 2018

	Group		
	Q1 FY18/19 S$'000	Q1 FY17/18 S$'000	% Change
Revenue	179,817	186,589	(3.6)
Cost of sales	(118,768)	(115,223)	(3.1)
Gross profit	**61,049**	**71,366**	**(14.5)**
Other income and other gains/(losses) - net	1,414	1,131	25.0
Expenses			
- Distribution and marketing	(14,493)	(16,233)	10.7
- Administrative	(43,741)	(43,859)	0.3
- Finance	(4,743)	(5,129)	7.5
(Loss)/Profit before income tax	**(514)**	**7,276**	**(107.1)**
Income tax expense	(1,692)	(1,226)	(38.0)
Net (loss)/profit	**(2,206)**	**6,050**	**(136.5)**

Group's revenue $179.8 million for Q1 FY18/19 was 3.6% or $6.8 million lower than Q1 FY17/18.

Singapore revenue, which contributed 70.1% of the Group's revenue in Q1 FY18/19, reported an increase of 3.9% compared to Q1 FY17/18, mainly due to higher sales of goods from the relaunch of its online platform and the relaunch of COURTS Megastore at Tampines in November 2017.

Malaysia revenue, which contributed to 25.6% of the Group's revenue, reported a 20.6% (in presentation currency) and 24.4% (in RM currency) decrease in Q1 FY18/19 as compared to Q1 FY17/18 mainly due to lower earned service charge income.

Indonesia revenue, which contributed to 4.3% of the Group's revenue, registered a 6.4% (in presentation currency) and 15.8% (in Rupiah currency) increase in Q1 FY18/19 compared to Q1 FY17/18 mainly due to contribution from higher earned service charge income.

Gross profit Q1 FY18/19 decreased by 14.5% or $10.3 million mainly as a result of lower gross profit margins and lower revenue compared to Q1 FY17/18. Gross profit margins decreased to 34.0% in Q1 FY18/19 from 38.2% in Q1 FY17/18 mainly due to lower earned service charge in Singapore and Malaysia, offset by higher earned service charge in Indonesia.

Distribution and marketing expenses decreased to $14.5 million in Q1 FY18/19 from $16.2 million in Q1 FY17/18 mainly due to lower distribution and marketing expenses in Malaysia. As a percentage of revenue, distribution and marketing expenses decreased to 8.1% in Q1 FY18/19 from 8.7% in Q1 FY17/18.

Administrative expenses Administrative expenses were relatively stable at $43.7 million in Q1 FY18/19. Cost optimisation initiatives resulted in lower head office and branch occupancy costs in Singapore and Malaysia, but were offset by higher allowance for impairment of trade receivables.

Finance expenses decreased by $0.4 million to $4.7 million in Q1 FY18/19 from $5.1 million in Q1 FY17/18 mainly due to lower interest expenses in Malaysia and Indonesia.

Income tax expenses increased by $0.5 million to $1.7 million in Q1 FY18/19 from $1.2 million in Q1 FY17/18. This was mainly due to the recognition of net income tax credits from Indonesia's loss in Q1 FY17/18. Net income tax credits from Indonesia and Malaysia losses were not recognised in Q1 FY18/19.

Unaudited Balance Sheet as at 30 June 2018

	Group	
	30 Jun 18 S$'000	31 Mar 18 S$'000
ASSETS		
Current assets		
Cash and bank balances	83,568	108,596
Derivative financial instruments	24	30
Trade and other receivables	173,467	186,938
Deferred costs	7,704	7,883
Inventories	81,722	82,691
Current income tax recoverable	4,865	3,568
	351,350	**389,706**
Non-current assets		
Derivative financial instruments	1,668	1,009
Trade and other receivables	255,243	282,043
Deferred costs	13,813	12,360
Investments in subsidiaries	-	-
Property, plant and equipment	16,518	18,037
Intangible assets	22,658	22,768
Deferred income tax assets	30,026	23,122
	339,926	**359,339**
Total assets	**691,276**	**749,045**
LIABILITIES		
Current liabilities		
Trade and other payables	130,936	144,316
Deferred revenue	25,987	26,883
Current income tax liabilities	1,513	1,637
Borrowings	82,530	75,228
Deferred income	2,030	2,198
	242,996	**250,262**
Non-current liabilities		
Trade and other payables	618	588
Deferred revenue	42,399	40,695
Borrowings	202,287	223,085
Deferred income	1,230	1,371
Deferred income tax liabilities	2,789	2,842
	249,323	**268,581**
Total liabilities	**492,319**	**518,843**
NET ASSETS	**198,957**	**230,202**
EQUITY		
Share capital	265,332	265,332
Treasury shares	(19,065)	(19,065)
Other reserves	16,712	(34,692)
Retained (losses)/profits	(64,022)	18,627
Total equity	**198,957**	**230,202**

Cash and bank balances decreased by $25.0 million to $83.6 million as at 30 June 2018 from $108.6 million as at 31 March 2018. The decrease is mainly due to the repayment of borrowings and cash flow used in operating activities.

The Group's trade and other receivables (current and non-current) decreased by $40.3 million to $428.7 million as at 30 June 2018 from $469.0 million as at 31 March 2018 mainly due to an increase in allowance for impairment of trade receivables as a result of the adoption of SFRS(I) 9 *, repayment of receivables and lower credit sales in Q1 FY18/19. Allowance for impairment of trade receivables as at 30 June 2018 was $69.8 million (including a one-time adjustment of $36.6 million on adoption of SFRS(I) 9 on 1 April 2018 *), representing 12.2% of gross trade receivables, as compared with $31.0 million as at 31 March 2018 representing 5.4% of gross trade receivables.

The Group's inventories decreased to $81.7 million as at 30 June 2018 from $82.7 million as at 31 March 2018 mainly due to lower inventory levels in Malaysia on the back of a store optimisation exercise, offset by higher inventory levels in Indonesia and Singapore.

Deferred costs relate to the incremental costs incurred by the Group to obtain or fulfil other services contracts which are capitalised as assets. The balance of deferred costs would be amortised and recognised as expenses on a basis consistent with the revenue recognition of the other services to which the costs relate. Costs which are not incremental to the other services contracts are expensed as incurred. Total deferred costs increased to $21.5 million as at 30 June 2018 from $20.2 million as at 31 March 2018 due to sales of other services during Q1 FY18/19.

Deferred revenue relates to unearned revenue on other services contracts for which the other services have yet to be rendered. The balance of deferred revenue would be recognised as revenue as the related services are rendered. Total deferred revenue increased to $68.4 million as at 31 March 2018 from $67.6 million as at 31 March 2018 due to sales of other services during the Q1 FY18/19.

Derivative financial instruments represent the carrying amount of interest rate cap and currency swaps that the Group has entered into to hedge its exposure to floating interest rate and exchange rate fluctuations on its bank borrowings. The Group has adopted hedge accounting in respect of the currency swaps. The derivative financial instruments is in a net asset position with fair value gain in Q1 FY18/19 mainly attributed to the strengthening of the Singapore dollar against the Indonesian rupiah during the financial reporting period.

The total borrowings decreased to $284.8 million as at 30 June 2018 from $$298.3 million as at 31 March 2018. The total borrowings mainly consist of S$75 million three-year unsecured fixed rate notes and term loans in COURTS Asia Ltd ("CAL"), the Asset Securitisation Programme 2016 in Singapore, Syndicated Senior Loan in Malaysia, and term loans in Indonesia.

The increase in net **deferred income tax assets** as at 30 June 2018 was mainly due to the tax impact with the increase in allowance for impairment of trade receivables on the adoption of SFRS(I) 9*.

∗ please see SGXNet Q1FY1819 Note 5 for detailed explanation

Unaudited Statement of Cash Flows for the Financial Quarter ended 30 June 2018

	Group Q1 FY18/19 S$'000	Group Q1 FY17/18 S$'000
Cash flows from operating activities:		
Net (loss)/profit	(2,206)	6,050
Adjustments for:		
Income tax expense	1,692	1,226
Depreciation and amortisation	2,572	2,927
Amortisation of deferred income	(433)	(583)
Interest expense	3,986	4,331
Interest income	(361)	(393)
Borrowing costs	675	843
Loss on disposal of property, plant and equipment and intangible assets (net)	14	77
Share-based compensation	121	166
Changes in fair value of derivative financial instruments	59	50
Foreign currency translation differences	(5)	136
Operating cash flow before working capital changes	6,114	14,830
Changes in working capital		
- Inventories	863	(6,224)
- Trade and other receivables	2,843	(14,815)
- Deferred costs	(1,296)	(628)
- Trade and other payables	(14,027)	(3,016)
- Deferred revenue	903	2,032
Cash used in operations	(4,600)	(7,821)
Income tax paid (net)	(1,976)	(2,468)
Net cash used in operating activities	**(6,576)**	**(10,289)**
Cash flows from investing activities		
Additions to property, plant and equipment	(811)	(1,390)
Acquisition of intangible assets	(174)	(49)
Interest received	354	390
Net cash used in investing activities	**(631)**	**(1,049)**
Cash flows from financing activities		
Repayment of finance lease liabilities	-	(36)
Repayment of term loan	(113)	(119)
(Repayment of) / proceeds from syndicated senior loan	(13,381)	1,413
Repayment of loan on asset securitisation	(531)	(1,847)
Decrease in fixed deposits pledged as securities for banking facilities	1,186	904
Payment of borrowing cost	(806)	(594)
Interest paid	(2,911)	(3,256)
Net cash used in financing activities	**(16,556)**	**(3,535)**
Net decrease in cash and cash equivalents	**(23,763)**	**(14,873)**
Cash and cash equivalents as at beginning of financial period	**103,617**	**93,817**
Effects of currency translation on cash and bank balances	**(79)**	**72**
Cash and cash equivalents as at end of financial period	**79,775**	**79,016**

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:-

	30-Jun-18 S$'000	30-Jun-17 S$'000
Cash and bank balances	47,781	49,102
Fixed deposits	35,787	33,921
	83,568	83,023
Less: Fixed deposits pledged as securities for banking facilities	(3,793)	(4,007)
Cash and cash equivalents per consolidated statement of cash flows	**79,775**	**79,016**

Adoption of SFRS(I) 9 Financial Instruments

What is SFRS(I) 9 Financial Instruments?

- SFRS(I) 9 Financial Instruments ("FRS 9") replaces FRS 39 Financial Instruments: Recognition and Measurement as accounting standards for financial instruments

- FRS 9 is mandatorily effective for financial year beginning on or after 1 Jan 2018; which is effective from 1 April 2018 based on COURTS' financial year end

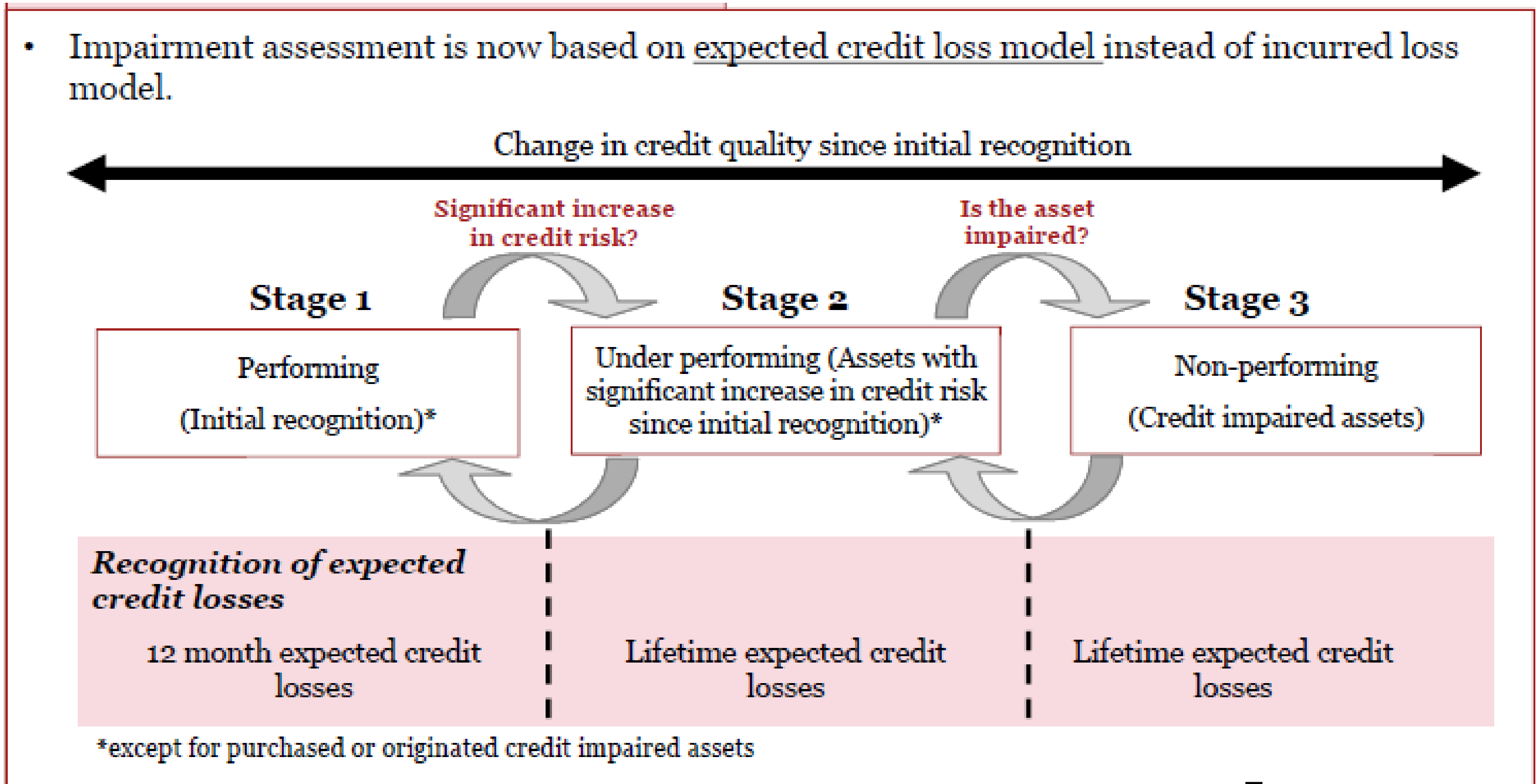
- The adoption of FRS 9 will result in changes to the way companies account for financial instruments, in the areas of Classification and Measurement, Impairment and Hedge Accounting.

Main Differences between FRS 39 vs. FRS 9 on Impairment of Trade Receivables

- Take effect from 1 April 2018 (Financial year ended 31 March 2019) for Singapore and Malaysia
  - Indonesia effective date will be on year 2020. However, since it's a subsidiary of COURTS Group, the impact will be captured from FY18/19 through group consolidation adjustments
- One time impact ⇒ 1 April 2018 opening retained earnings

Under FRS 39 **"Financial Instruments"**	**Under FRS 9** **"Financial Instruments"**
Impairment allowance on **past due** trade receivables is made based on historical incurred loss (i.e. actual bad debt written off) method on **collective basis**. Impairment loss incurred if, and only if:- • Objective evidence as a result of loss event after initial recognition • That loss event has impact on estimated future cash flows that can be reliably measured • Use experienced judgement to estimate amount of impairment	Impairment allowance is made for **expected future losses** and it is assess impairment for **individual account.** • Make provision in anticipation of future losses, that is no longer necessary for a credit event to have occurred. • Accounts for expected credit losses (ECL) and changes in the expected credit losses (i.e. to reflect changes in credit risk) • 3 Stage model • Introduction of EAD (Exposure At Default) • Forward looking impact • Extensive disclosures on ECL and the effect of deterioration and improvement in credit risk

FRS 9 - 3 Stage Model



Source: Consultant's illustration

For stage 2 there is a rebuttable* presumption that SICR occurs when payments are >30days past due

For stage 3 there is a rebuttable* presumption that credit impaired occurs when payments that are >90 days past due.

* We have not rebut the rebuttable presumptions

Key Terms in FRS 9

Probability of Default ("PD")

PD provides an estimate of the likelihood that a customer will default over a particular time horizon. It is derived using vintage analysis by different score band, based on number of accounts default

- **Months in Arrears ("MIA") 4 and above** is consider as default account
- Application of **forward – looking adjustments** to reflect future macroeconomic scenarios

Loss Given Default ("LGD")

LGD is similar with FRS 39 referring to the percentage of exposure that might be lost in case a customer defaults and is derived based on the recoveries from written off accounts. FRS 9 incorporates of **cure rate** with estimated **recovery cost**

- **Cure rate** – represents the rate of defaulted accounts turn performing within a year subjected to a consecutive payment period of certain months.
- **Recovery cost** – represents the percentage of direct costs over total recoveries. i.e. legal fees, agent fees etc.

Exposure at Default ("EAD")

EAD is the amortised cost balance at the point of default including the accrued interest at each month projected based on EIR.

Overview for COURTS Group Impact

Summary of the high level financial impact arising from the adoption of FRS 9 from 1 April 2018.

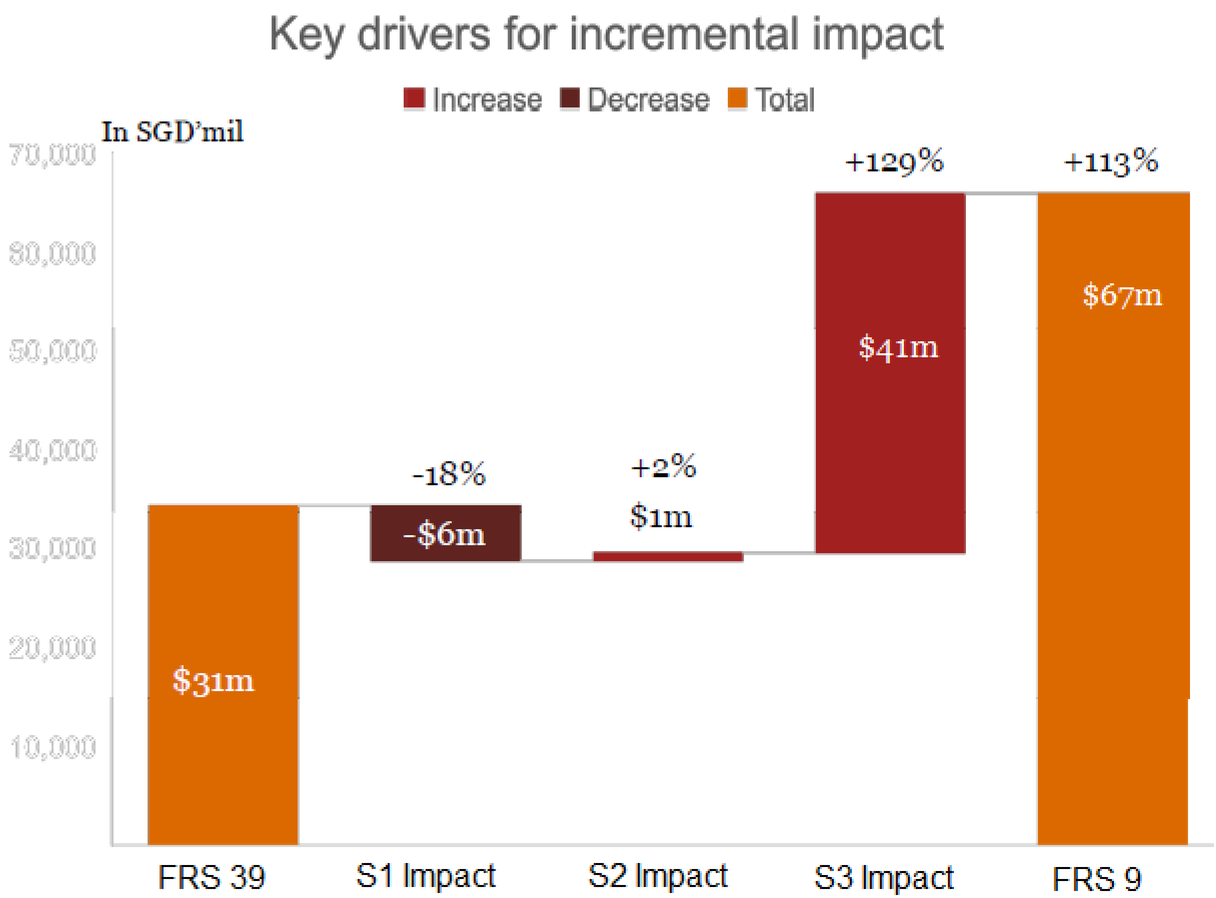
All figures are in SGD' Mil

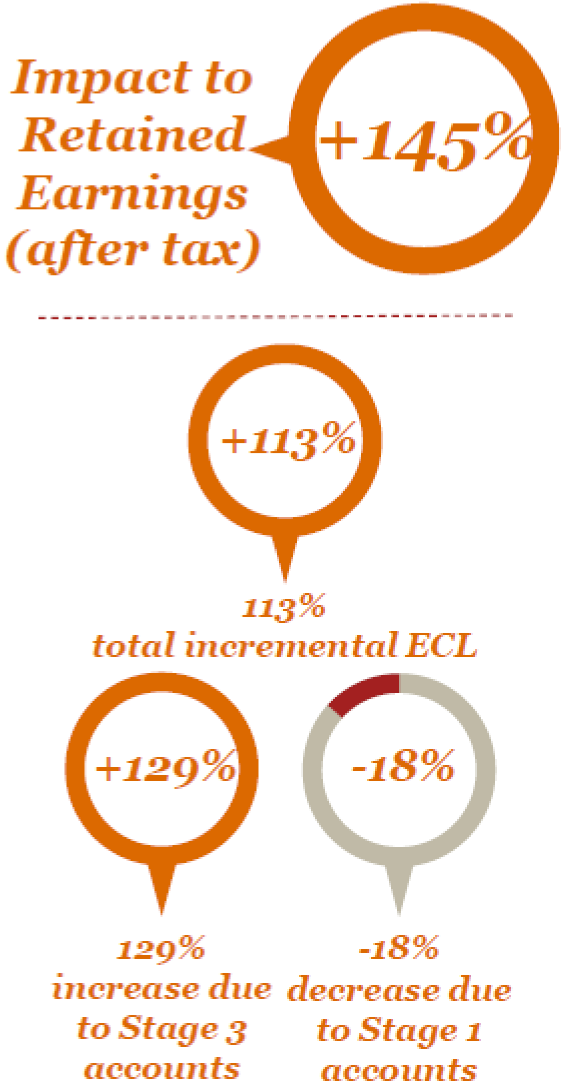
Impairment on Trade Receivables	FRS 39	FRS 9	Impact	Incremental %
	A	B	C = B - A	D = C / A
Total	**30.34**	**66.92**	**36.58**	**120.57%**
Adjustment to Opening Retained Earnings @ 1st April 2018 (Post-Tax)			**28.40**	

Notes:

- The incremental impact for COURTS Group is mainly arising from stage 3 accounts. 100% PD is assigned to accounts > MIA 3 (90 days past due) as compared to FRS 39 practice where 100% PD is only assigned to accounts > MIA 9

Overview for COURTS Group Impact





Summary of Financial Impact – Balance Sheet

Balance Sheet	31 March 2018 Under FRS S$'000	Adoption of SFRS(I) 9 S$'000	Adoption of SFRS(I) 1 S$'000	1 April 2018 Under SFRS(I) S$'000
ASSETS				
Current assets				
Cash and bank balances	108,596	-	-	108,596
Derivative financial instruments	30	-	-	30
Trade and other receivables	186,938	(16,661)	-	170,277
Deferred costs	7,883	-	-	7,883
Inventories	82,691	-	-	82,691
Current income tax recoverable	3,568	1,117	-	4,685
	389,706	**(15,544)**	**-**	**374,162**
Non-current assets				
Derivative financial instruments	1,009	-	-	1,009
Trade and other receivables	282,043	(19,921)	-	262,122
Deferred costs	12,360		-	12,360
Property, plant and equipment	18,037	-	-	18,037
Intangible assets	22,768	-	-	22,768
Deferred income tax assets	23,122	6,636	-	29,758
	359,339	**(13,285)**	**-**	**346,054**
Total assets	**749,045**	**(28,829)**	**-**	**720,216**
LIABILITIES				
Current liabilities				
Trade and other payables	144,316	-	-	144,316
Deferred revenue	26,883	-	-	26,883
Current income tax liabilities	1,637	(433)	-	1,204
Borrowings	75,228	-	-	75,228
Deferred income	2,198	-	-	2,198
	250,262	**(433)**	**-**	**249,829**
Non-current liabilities				
Trade and other payables	588	-	-	588
Deferred revenue	40,695	-	-	40,695
Borrowings	223,085	888	-	223,973
Deferred income	1,371	-	-	1,371
Deferred income tax liabilities	2,842	-	-	2,842
	268,581	**888**	**-**	**269,469**
Total liabilities	**518,843**	**455**	**-**	**519,298**
NET ASSETS	**230,202**	**(29,284)**	**-**	**200,918**
EQUITY				
Share capital	265,332	-	-	265,332
Treasury shares	(19,065)	-	-	(19,065)
Other reserves	(34,692)	-	51,159	16,467
Retained profits/(losses)	18,627	(29,284)	(51,159)	(61,816)
Total equity	**230,202**	**(29,284)**	**-**	**200,918**
Net asset value per ordinary share (cents)	44.7	(5.7)		39.0

Impact from impairment of trade receivables = S$ 36.58m (pre-tax)

Impact from change in accounting for debt modifications for Syndicated Loan in CMSB which was renegotiated in Feb 2018 = S$ 0.89m

Q & A

To access the results presentation and briefing which will be available by 17 August 2018, visit: http://ir.courts.com.sg.