

ISETAN (SINGAPORE) LIMITED

Co. Reg. No. 197001177H

Full Year Financial Statement and Dividend Announcement for the year ended 31 December 2015
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a)(i) An income statement and statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.
Consolidated Income Statement for the financial year ended 31 December 2015

	Group		
	31.12.2015	31.12.2014	+ / (-)
	\$'000	\$'000	%
Revenue*	302,178	340,316	(11.21)
Other income	5,602	8,761	(36.06)
Other losses	(9,153)	-	N.M.
Expenses			
- Changes in inventories of finished goods	(1,423)	(1,326)	7.32
- Purchases of inventories and related costs	(221,902)	(249,759)	(11.15)
- Employee compensation	(21,771)	(22,332)	(2.51)
- Depreciation expense	(8,377)	(8,398)	(0.25)
- Rental expense	(47,525)	(43,441)	9.40
- Other expenses	(24,296)	(26,844)	(9.49)
Total expenses	(325,294)	(352,100)	(7.61)
Share of profit of an associated company	20	-	N.M.
Loss before income tax	(26,647)	(3,023)	781.48
Income tax credit / (expense)	823	(113)	(828.32)
Net loss for the financial year	(25,824)	(3,136)	723.47
Attributable to :			
Equity holders of the Company	(25,824)	(3,136)	723.47

* For FY2015, revenue consist of sales from the retail business and rental income from the investment properties.

Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2015

	31.12.2015	31.12.2014	+ / (-)
	\$'000	\$'000	%
Loss for the financial year	(25,824)	(3,136)	723.47
Other comprehensive (loss) / gain			
Financial assets, available-for-sale			
- Fair value (loss) / gain	(87)	138	(163.04)
Currency translation differences arising from consolidation			
- Gains	31	-	N.M.
Other comprehensive (loss) / gain, net of tax	(56)	138	(140.58)
Total comprehensive loss for the financial year	(25,880)	(2,998)	763.24
Total comprehensive loss attributable to :			
Equity holders of the Company	(25,880)	(2,998)	763.24

Additional Disclosure

(i)	<u>Group</u>		+ / (-) %
	31.12.2015 \$'000	31.12.2014 \$'000	
Dividend income	185	201	(7.96)
Other rental income	2,891	6,037	(52.11)
Interest income	2,296	2,249	2.09
Allowance for impairment of receivables	(90)	(55)	63.64
Over provision of current income tax in prior years	137	204	(32.84)
Over provision of deferred income tax in prior years	96	-	N.M.
Property, plant and equipment and investment properties written off	(457)	(119)	284.03
Other losses - Impairment of property, plant and equipment	(9,153)	-	N.M.

(ii) There were no interest on borrowings and extraordinary items during the period and the preceding year.

N.M. not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets as at 31 December 2015

	<u>Group</u>		<u>Company</u>	
	31.12.2015 \$'000	31.12.2014 \$'000	31.12.2015 \$'000	31.12.2014 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	63,328	87,976	61,308	86,191
Trade and other receivables	10,870	11,612	10,837	11,575
Financial assets, held-to-maturity	-	16,500	-	16,500
Inventories	12,526	13,950	12,526	13,950
Non-current assets classified as held for sale	110	-	110	-
Other current assets	1,000	878	1,000	878
	87,834	130,916	85,781	129,094
Non-current assets				
Other receivables	252	330	252	330
Financial assets, available-for-sale	3,395	3,482	3,372	3,458
Financial assets, held-to-maturity	51,625	31,996	51,625	31,996
Club memberships	94	616	94	616
Investment in an associated company	51	-	2,598	2,598
Investment in a subsidiary	-	-	5,000	5,000
Rental deposits	7,711	6,973	7,711	6,973
Investment properties	32,325	2,672	29,710	-
Property, plant and equipment	50,263	84,603	50,247	84,583
Deferred income tax asset	294	-	-	-
	146,010	130,672	150,609	135,554
Total assets	233,844	261,588	236,390	264,648

LIABILITIES**Current liabilities**

Trade and other payables	56,227	56,135	56,177	56,001
Current income tax liabilities	-	141	-	141
	56,227	56,276	56,177	56,142

Non-current liabilities

Trade and other payables	3,731	2,377	3,643	2,377
Provisions for other liabilities and charges	1,866	1,549	1,866	1,549
Deferred income tax liabilities	-	392	-	725
	5,597	4,318	5,509	4,651

Total liabilities

	61,824	60,594	61,686	60,793
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NET ASSETS

	172,020	200,994	174,704	203,855
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EQUITY

Share capital	91,710	91,710	91,710	91,710
General reserve	17,000	17,000	17,000	17,000
Fair value reserve	1,278	1,365	1,258	1,344
Currency translation reserve	(197)	(228)	-	-
Retained earnings	62,229	91,147	64,736	93,801
Shareholders' equity	172,020	200,994	174,704	203,855

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31.12.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31.12.2015		As at 31.12.2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows for the financial year ended 31 December 2015

	Group	
	31.12.2015	31.12.2014
	\$'000	\$'000
Cash flows from operating activities		
Loss before income tax	(26,647)	(3,023)
Adjustments for:		
Depreciation expense	8,377	8,398
Property, plant and equipment and investment properties written off	457	119
Impairment loss in value of club memberships	114	40
Net loss in disposal of club memberships	78	-
Impairment loss on trade receivables reversed	-	(20)
Impairment of property, plant and equipment	9,153	-
Interest income	(2,296)	(2,249)
Increase in provisions for other liabilities and charges	317	15
Dividend income	(185)	(201)
Share of profit of an associated company	(20)	-
	(10,652)	3,079
Changes in working capital		
Trade and other receivables	865	1,963
Inventories	1,424	1,325
Other assets	(1,003)	(590)
Trade and other payables	(228)	(7,260)
Cash used in operations	(9,594)	(1,483)
Income taxes refund / (paid)	139	(1,306)
Net cash used in operating activities	(9,455)	(2,789)
Cash flows from investing activities		
Proceeds from disposal of club memberships	162	-
Payments for property, plant and equipment and investment properties	(11,626)	(7,191)
Proceeds from maturity of financial assets, held-to-maturity	16,500	7,000
Purchases of financial assets, held-to-maturity	(19,629)	(5,996)
Interest received	2,212	2,194
Dividend received	185	201
Loan repayments from staff loans	97	21
Net cash used in investing activities	(12,099)	(3,771)
Cash flows from financing activities		
Dividend paid	(3,094)	(3,094)
Net cash used in financing activities	(3,094)	(3,094)
Net decrease in cash and cash equivalents	(24,648)	(9,654)
Cash and cash equivalents at beginning of the financial year	87,976	97,630
Cash and cash equivalents at end of the financial year	63,328	87,976

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity for the financial year ended 31 December 2015

	Share capital \$'000	General reserve \$'000	Fair value reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
Group						
Balance at 1 January 2015	91,710	17,000	1,365	(228)	91,147	200,994
Total comprehensive loss for the year	-	-	(87)	31	(25,824)	(25,880)
Dividend relating to 2014 paid	-	-	-	-	(3,094)	(3,094)
Balance at 31 December 2015	91,710	17,000	1,278	(197)	62,229	172,020
Balance at 1 January 2014	91,710	17,000	1,227	(228)	97,377	207,086
Total comprehensive income for the year	-	-	138	-	(3,136)	(2,998)
Dividend relating to 2013 paid	-	-	-	-	(3,094)	(3,094)
Balance at 31 December 2014	91,710	17,000	1,365	(228)	91,147	200,994
Company						
Balance at 1 January 2015	91,710	17,000	1,344	-	93,801	203,855
Total comprehensive loss for the year	-	-	(86)	-	(25,971)	(26,057)
Dividend relating to 2014 paid	-	-	-	-	(3,094)	(3,094)
Balance at 31 December 2015	91,710	17,000	1,258	-	64,736	174,704
Balance at 1 January 2014	91,710	17,000	1,207	-	98,851	208,768
Total comprehensive income for the year	-	-	137	-	(1,956)	(1,819)
Dividend relating to 2013 paid	-	-	-	-	(3,094)	(3,094)
Balance at 31 December 2014	91,710	17,000	1,344	-	93,801	203,855

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous year reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding year of the immediately preceding financial year.

Not applicable.

1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at the end of current financial year ended 31 December 2015	As at the end of financial year ended 31 December 2014
Total number of ordinary shares issued	41,250,000	41,250,000

There were no treasury shares held as at the end of the current financial year reported on and as at the end of the immediately preceding year.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in preparing this financial statement for the current accounting year compared with the most recently audited financial statements for the year ended 31 December 2014, except for those as disclosed under paragraph 5.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2015, the Group adopted the revised Singapore Financial Reporting Standards (FRS) that are effective in this financial year as set out below:

(a) *FRS 40 - Investment Property*

(effective for annual periods beginning on after 1 July 2014)

The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

(b) *FRS 108 - Operating Segments*

(effective for annual periods beginning on after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>Group</u> 31.12.2015	31.12.2014
Loss per ordinary share for the year based on net loss attributable to shareholders :-		
(i) Based on weighted average number of ordinary shares in issue (cents)+	(62.60)	(7.60)
(ii) On a fully diluted basis (cents)++	(62.60)	(7.60)
+ The loss per share are calculated based on the issued ordinary shares of 41,250,000 (31 December 2014: 41,250,000)		
++ The fully diluted loss per share are calculated based on the issued ordinary shares of 41,250,000 (31 December 2014: 41,250,000)		

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	<u>Group</u> 31.12.2015	31.12.2014	<u>Company</u> 31.12.2015	31.12.2014
Net asset value per ordinary share based on issued share capital at the end of financial year	\$4.17	\$4.87	\$4.24	\$4.94

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial year reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

Review of Group Performance

Group revenue for the year ended 31 December 2015 ("FY 2015") was \$302.178 million, a decrease of 11.21% over the corresponding period ("FY2014"). Group revenue for FY 2015 consists of net sales of \$300.661 million from the retail business and rental income of \$1.517 million from the investment properties. Comparing net sales from our retail business for FY 2015 with revenue for FY 2014 (which consist only net sales from the retail business), there was a decline in net sales of 11.65%. This was attributable to the ceasing of our own retailing activities at Isetan Orchard at the end of March 2015 to prepare the store space for renting out, more competition in certain malls that the Group's stores operate in which affected sales for our stores in those malls as well as the impact of renovations that were carried out in certain of our stores.

For FY2015, the Group incurred a loss after tax of \$25.824 million as compared to a loss after tax of \$3.136 million in FY2014. Besides the impact on gross profits from the decline in sales, other income for FY 2015 was lower than FY2014 mainly due to the lower rental income received from Isetan Orchard before it was shut down at the end of March 2015 for the conversion work to ready the space for rental. From April 2015, the property at Isetan Orchard was re-classified as an Investment Property and its rental income reflected under Revenue. The Company was only able to start leasing out the premises from Quarter 3 of FY 2015 and was unable to reap the full benefits of this change in use for FY 2015. The Group had also provided a loss of \$9.153 million relating to the impairment of property, plant and equipment ("PPE"). Higher rental expense at Isetan Scotts continued to impact the store and was also a major reason for the overall increase in rental expense. Under these conditions, efforts were put in to reduce operating expenses. As for the associated company, there was a share of gain of \$20,000.

As compared to 31 December 2014, cash and cash equivalents had decreased mainly due to the losses incurred, purchases of financial assets, held-to-maturity ("HTMs") as well as payments for PPE and dividend. Under current assets, trade and other receivables had decreased mainly due to lower receivables from the in-house and bank credit cards. HTMs under current assets had a zero balance as they had all matured by the end of FY 2015. Inventories were lower due to the ceasing of retail activities at Isetan Orchard as well as in response to the lower sales trend. Under non-current assets, the purchase of new bonds led to the increase in HTMs. The property at Isetan Orchard was re-classified from PPE to Investment Properties ("IP") in Quarter 2 of 2015 which explains the increase in the value of the IP as well as the decrease in the PPE.

Under cash flows from operating activities, the higher losses in FY 2015 led to a higher outflow of cash as compared to FY 2014. Under cash flows from investing activities, the purchases of new HTMs in FY 2015 were higher than the proceeds from the maturity of HTMs in the same period and there were higher payments for PPE. This contributed to a higher outflow of cash from investing activities as compared to FY 2014.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect consumer sentiment to be negatively affected by the general concerns regarding the health of the local and global economies. With the retail industry being sensitive to external environmental factors, the single digit GDP growth rate of 1% to 3% forecasted for the Singapore economy in 2016 is unlikely to provide considerable uplift to consumer demand. The Group also expects the local retail industry to remain highly competitive. These factors are likely to result in challenges for the Group's retail business.

However, the Group has secured more tenants for the Isetan Orchard investment property and rental income will gradually come on stream in 2016. This in turn will help improve the Group's revenue in 2016. For the stores that have not done well in 2015, the Group is studying turnaround plans that can be put in place to improve their performance moving forward.

11. Dividend

(a) Current Financial Year Reported On

Any dividend recommended for the current financial period reported on?

Name of Dividend	Proposed final
Dividend Type	Cash
Dividend Rate	5.0 cents per ordinary share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	7.5 cents per ordinary share

(c) Date payable

The date of the payment of the dividend will be announced at a later date.

(d) Books closure date

The date of the books closure will be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Negative confirmation pursuant to Rule 705(5)

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

a) Primary reporting format - business segments

- The retail segment is involved in the business of retailing and operating of department stores.
- The property segment is mainly involved in the leasing of properties owned by the Group.

Group	Retail	Property*	Consolidated
2015	\$'000	\$'000	\$'000
Segment revenue			
Sales to external customers	300,661	-	300,661
Rental income - investment properties	-	1,517	1,517
Other rental income	2,577	314	2,891
Segment results	(27,389)	(1,989)	(29,378)
Other income			2,711
Share of profit of an associated company			20
Loss before income tax			(26,647)
Income tax credit			823
Net loss			(25,824)
Other segment items			
Capital expenditure	9,478	3,822	13,300
Depreciation	(7,273)	(1,104)	(8,377)
Other losses - Impairment of Property, plant and equipment	(9,153)	-	(9,153)
Assets and liabilities			
Segment assets	82,729	32,375	115,104
Unallocated assets:			
Investment in an associated company			51
Cash and cash equivalents			63,328
Financial assets, held-to-maturity			51,625
Financial assets, available-for-sale			3,395
Tax recoverable			47
Deferred income tax assets			294
Total consolidated assets			233,844
Segment liabilities	57,845	3,979	61,824
Total consolidated liabilities			61,824

Group	Retail	Property*	Consolidated
2014	\$'000	\$'000	\$'000
Segment revenue			
Sales to external customers	340,316	-	340,316
Other rental income	2,515	3,522	6,037
Segment results	(8,233)	2,484	(5,749)
Other income			2,726
Loss before income tax			(3,023)
Income tax expense			(113)
Net loss			(3,136)
Other segment items			
Capital expenditure	4,121	-	4,121
Depreciation expense	8,083	315	8,398
Assets and liabilities			
Segment assets	111,541	9,903	121,444
Unallocated assets:			
Investment in an associated company			-
Cash and cash equivalents			87,976
Financial assets, held-to-maturity			48,496
Financial assets, available-for-sale			3,482
Tax recoverable			190
Total consolidated assets			261,588
Segment liabilities	59,927	134	60,061
Unallocated liabilities:			
Current income tax liabilities			141
Deferred income tax liabilities			392
Total consolidated liabilities			60,594

*The results under "Property" segment shown in the comparative (i.e. 2014) includes the results from the property which was transferred from property, plant and equipment to investment property (following the change in use of the property from 1 April 2015 - see paragraph 8) and was previously reported (in the financial statements for the year ended 31 December 2014) under "Other" segment.

b) Secondary reporting format- geographical segments

The Group operates in Singapore and accordingly, no geographical segment information is presented.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

The retail segment registered lower sales due to the ceasing of retail activities at Isetan Orchard at the end of March 2015, more competition in certain malls that the Group's stores operate in as well as the impact of renovations that were carried out in certain of our stores. Coupled with higher rental expenses, the losses incurred by the retail segment in 2015 has increased by 233% from FY 2014.

Under the property segment, expenses relating to the Isetan Orchard investment property were fully absorbed by this segment with effect from April 2015 when the property was reclassified as an investment property. However, these expenses were not adequately covered by rental income as only one tenant could start operations in Quarter 3 of FY 2015 with negotiations ongoing for other potential tenants. No new tenancies commenced for the rest of the year. Under these circumstances, the property segment incurred a loss in 2015.

17. A breakdown of revenue.

	2015 \$'000	2014 \$'000	+ / (-) %
(a) Revenue reported for first half year	153,561	164,887	(6.87)
(b) Loss after tax before deducting minority interests reported for first half year	(8,113)	(949)	754.90
(c) Revenue reported for second half year	148,617	175,429	(15.28)
(d) Loss after tax before deducting minority interests reported for second half year	(17,711)	(2,187)	709.83

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**Total Annual Dividend**

	Latest full year	Previous full year
Ordinary	\$3,093,750*	\$3,093,750**
Preference	-	-
Total:	\$3,093,750	\$3,093,750

* relates to the final dividend for the financial year ended 31 December 2014 that was approved for payment to shareholders at the Annual General Meeting held on 21 April 2015.

** relates to the final dividend for the financial year ended 31 December 2013 that was approved for payment to shareholders at the Annual General Meeting held on 25 April 2014.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Nil			not applicable	

During the year ended 31 December 2015, no person occupying a managerial position of the Company or its principal subsidiary is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Lun Chee Leong
Company Secretary
29 February 2016