Spicers Paper (Singapore) Pte Ltd
Registration Number: 198403749M

Annual Report
Year ended 30 June 2011

Directors' report

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 30 June 2011.

Directors

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

Kwok Low Mong
Genevieve Chua Kwee Huay

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ultimate holding company		
PaperlinX Limited		
Performance rights to subscribe for ordinary shares with no par value		
Kwok Low Mong		
Exercisable from vesting to 24 August 2017 at A$2.65	4,075	1,019
Exercisable from vesting to 27 August 2010 at A$3.19	4,328	–
Exercisable from vesting to 31 October 2011 at A$0.47	–	20,000
Exercisable from vesting to 31 August 2012 at A$0.603	–	20,000
Genevieve Chua Kwee Huay		
Exercisable from vesting to 24 August 2017 at A$2.65	1,195	299
Exercisable from vesting to 31 October 2011 at A$0.47	–	10,000
Exercisable from vesting to 31 August 2012 at A$0.603	–	10,000

The options cannot be exercised for three years from the date of being granted, except upon earlier termination of employment. These options do not entitle the holder to participate in any share issue of PaperlinX Limited. These options have no fixed expiry date.

Vesting of performance rights and performance options is subject to satisfaction of certain specified performance criteria over a 3 years period from the date of grant. Once vested, each performance right and performance option may be exercised to subscribe for one ordinary share in PaperlinX Limited. Performance rights and performance options have a fixed expiry date of 10 years from date of grant.

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

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 in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 18 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors

Kwok Low Mong
Director

Genevieve Chua Kwee Huay
Director

21 DEC 2011

Statement by Directors

In our opinion:

(a) the financial statements set out on pages FS1 to FS22 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2011 and the results, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Signed by the Board of Directors

Kwok Low Mong
Director

Genevieve Chua Kwee Huay
Director

21 DEC 2011

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Independent auditors' report

Members of the Company
Spicers Paper (Singapore) Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of Spicers Paper (Singapore) Pte Ltd (the Company), which 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS22.

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.

Management has acknowledged that its responsibility includes 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 30 June 2011 and the results, changes in equity and cash flows 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.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore

21 DEC 2011

Balance sheet
As at 30 June 2011

	Note	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment	4	4,097	4,176
Subsidiary	5	2,764	2,764
Loan to a subsidiary	6	6,000	–
		12,861	6,940
Current assets			
Inventories	7	4,619	3,848
Trade and other receivables	8	5,550	6,634
Cash and cash equivalents		1,431	2,522
		11,600	13,004
Total assets		24,461	19,944
Equity			
Share capital	9	7,009	7,009
Accumulated profits/(losses)		1,021	(1,398)
Total equity		8,030	5,611
Non-current liabilities			
Loan from a related corporation	10	5,091	5,823
Amounts due to immediate holding company (non-trade)	11	3,537	4,836
		8,628	10,659
Current liabilities			
Trade and other payables	12	3,585	3,609
Loan from immediate holding company	13	4,200	–
Provision for tax		18	65
		7,803	3,674
Total liabilities		16,431	14,333
Total equity and liabilities		24,461	19,944

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

Statement of comprehensive income
Year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	14	27,954	29,351
Cost of sales		(25,987)	(26,264)
Gross profit		1,967	3,087
Other operating income		6,927	408
Distribution expenses		(1,483)	(1,533)
Administrative expenses		(789)	(778)
Other operating expenses		–	(36)
Finance costs		(3)	(17)
Profit before income tax	15	6,619	1,131
Income tax expense	16	–	(73)
Profit for the year		6,619	1,058
Other comprehensive income for the year, net of income tax		–	–
Total comprehensive income for the year		6,619	1,058

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

Statement of changes in equity
Year ended 30 June 2011

	Share capital $'000	Accumulated profits/(losses) $'000	Total $'000
At 1 July 2009	7,009	(2,456)	4,553
Total comprehensive income for the year			
Profit for the year			
Total comprehensive income	–	1,058	1,058
	–	1,058	1,058
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	–	–	–
At 30 June 2010	7,009	(1,398)	5,611
At 1 July 2010	7,009	(1,398)	5,611
Total comprehensive income for the year			
Profit for the year	–	6,619	6,619
Total comprehensive income	–	6,619	6,619
Transactions with owners, recorded directly in equity			
One-tier tax exempt interim dividend at $0.60 per share	–	(4,200)	(4,200)
Total contributions by and distributions to owners	–	(4,200)	(4,200)
At 30 June 2011	7,009	1,021	8,030

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

Cash flow statement
Year ended 30 June 2011

	2011 $'000	2010 $'000
Cash flows from operating activities		
Profit before income tax	6,619	1,131
Adjustments for:		
Interest (income)/expense	(73)	17
Dividend income	(6,000)	–
Unrealised exchange gain on loan from related corporation	(732)	(218)
Depreciation of property, plant and equipment	189	192
Gain on disposal of property, plant and equipment	(33)	–
	(30)	1,122
Changes in working capital:		
Inventories	(771)	(898)
Trade and other receivables	1,084	(577)
Trade and other payables	(24)	745
Income taxes paid	(47)	(8)
Cash flows from operating activities	212	384
Cash flows from investing activities		
Interest received/(paid)	73	(17)
Purchase of property, plant and equipment	(120)	(5)
Proceeds from sale of investment in subsidiary	44	–
Net cash used in investing activities	(3)	(22)
Cash flows from financing activities		
Amount due to immediate holding company (non-trade)	(1,300)	(780)
Amount due to related corporations (non-trade)	–	4
Repayment of short-term bank loans	–	(1,000)
Net cash used in financing activities	(1,300)	(1,776)
Net decrease in cash and cash equivalents	(1,091)	(1,414)
Cash and cash equivalents at beginning of year	2,522	3,936
Cash and cash equivalents at end of year	1,431	2,522

(i) Non-cash transaction

- Dividend receivable from a subsidiary amounting to S$6,000,000 has been converted into loan to the subsidiary. (Refer to note 6).

- Dividend payable to the immediate holding company amounting to S$4,200,000 has been converted into loan from immediate holding company. (Refer to note 13).

(ii) Cash and cash equivalents comprise cash at bank and in hand.

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 DEC 2011

1 Domicile and activities

Spicers Paper (Singapore) Pte Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 3 Gul Crescent, Singapore 629519.

The principal activities of the Company are those relating to the sale of printing paper. The principal activities of the subsidiaries are as set out in note 5 to the financial statements.

The holding companies are as follows:

Immediate holding company	–	PaperlinX Holdings (Asia) Pte Ltd (incorporated in Singapore)
Intermediate holding company	–	PaperlinX Australia Pty Ltd (incorporated in Australia)
Ultimate holding company	–	PaperlinX Limited (incorporated in Australia)

As the Company meets the exemption criteria in FRS 27 (2004) *Consolidated and Separate Financial Statements*, it does not need to prepare consolidated financial statements and it only presents the Company's separate financial statements. Consolidated financial statements prepared by PaperlinX Limited are available from PaperlinX Limited at 307 Ferntree Gully Road, Mount Waverley, Victoria 3149, Australia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty or critical judgements in the application of accounting policies that have significant effect on the amount recognised in the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement.

3.2 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries in the Company's balance sheet is stated at cost less impairment losses.

3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land and buildings which are stated at their revalued amounts.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment, and major components that are accounted for separately over their estimated useful lives as follows:

Leasehold property	Over the remaining period of the lease
Plant and equipment	10 years
Furniture and fittings	10 years
Motor vehicles	5 - 10 years
Office equipment	5 years
Forklifts	7 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The useful lives and residual values, if not insignificant, are reassessed annually.

3.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

3.5 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial liabilities comprise trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.6 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Government grant

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Company and are offset against staff costs in the financial statements.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.9 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes or other sales taxes and is arrived at after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.10 Leases

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

3.11 Finance costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred.

3.12 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

4 Property, plant and equipment

	Leasehold property $'000	Plant and equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Forklifts $'000	Total $'000
Cost							
At 1 July 2009	4,691	19	126	159	181	207	5,383
Additions	–	–	5	–	–	–	5
Disposals	–	–	–	–	(7)	–	(7)
At 30 June 2010	4,691	19	131	159	174	207	5,381
Additions	–	–	–	87	33	–	120
Disposals	–	–	–	(104)	(30)	–	(134)
At 30 June 2011	4,691	19	131	142	177	207	5,367
Accumulated depreciation							
At 1 July 2009	503	10	113	113	145	135	1,019
Depreciation charge for the year	132	1	2	22	13	22	192
Disposals	–	–	–	–	(6)	–	(6)
At 30 June 2010	635	11	115	135	152	157	1,205
Depreciation charge for the year	133	1	2	18	13	22	189
Disposals	–	–	–	(94)	(30)	–	(124)
At 30 June 2011	768	12	117	59	135	179	1,270
Carrying amount							
At 1 July 2009	4,188	9	13	46	36	72	4,364
At 30 June 2010	4,056	8	16	24	22	50	4,176
At 30 June 2011	3,923	7	14	83	42	28	4,097

5 Subsidiary

	2011 $'000	2010 $'000
Investment in subsidiary at cost	2,764	2,764

Details of subsidiary are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Company 2011 %	2010 %
[1]Winpac Paper Pte Ltd	Sale of printing paper	Singapore	100	100

[1] Audited by R Chan & Co.

6 Loan to a subsidiary

Loan to a subsidiary designated in Singapore dollars of S$6,000,000 is unsecured, interest-bearing at 3.5625% (2010: Nil) per annum and is not expected to be received within the next twelve months. Interest rates are re-priced at intervals of six months at 3.00% plus the 6 months SIBOR on the first day of the interest period.

7 Inventories

	2011 $'000	2010 $'000
Finished goods	3,248	2,868
Inventories-in-transit	1,371	980
	4,619	3,848

8 Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables	4,305	4,893
Allowance for doubtful receivables	(10)	(5)
Net receivables	4,295	4,888
Trade amounts due from related corporation	1,014	1,516
Trade amounts due from subsidiary	39	111
Other receivables	144	73
Loans and receivables	5,492	6,588
Prepayments	58	46
	5,550	6,634

Transactions with related parties are unsecured and on terms agreed between the parties. There is no allowance for doubtful debts arising from the outstanding balances.

The non-trade amounts due from the related corporations are unsecured, interest-free and repayable on demand.

The Company's primary exposure to credit risk arises through its trade receivables.

Concentration of credit risk relating to trade receivables is limited due to the Company's many varied customers. These customers are internationally dispersed and sell in a variety of end markets.

Impairment losses

The ageing of trade receivables at the reporting date is:

	Gross 2011 S'000	Impairment losses 2011 S'000	Gross 2010 S'000	Impairment losses 2010 S'000
Not past due	1,497	–	1,732	–
Past due 0 – 60 days	2,427	–	2,946	–
Past due more than 60 days	381	10	215	5
	4,305	10	4,893	5

The movements in impairment loss in respect of trade receivables during the year are as follows:

	2011 S'000	2010 S'000
At 1 July	5	24
Impairment loss written back	(13)	(62)
Impairment loss recognised	18	43
At 30 June	10	5

The Company's historical experience in the collection of accounts receivable falls within the recorded allowance. Due to these factors, management believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

9 Share capital

	2011 Number of shares ('000)	2010 Number of shares ('000)
Fully paid ordinary shares, with no par value:		
At 1 July and 30 June	7,009	7,009

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company is also committed to maintain efficient mix of debt and equity in order to achieve an optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Company manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to shareholders, return capital to shareholders or issue new shares. The level of debt is managed by borrowings from its immediate holding company and related corporations.

There are no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

10 Loan from a related corporation

The long-term loan from a related corporation which is designated in Hong Kong dollars is unsecured, carries interest at 0.012% to 0.18% (2010: 0.012% to 0.036%) per annum and has no fixed terms of repayment. The loan is not expected to be repaid within the next twelve months. Interest rates are repriced at intervals of three months.

11 Amount due to immediate holding company (non-trade)

Amount due to the immediate holding company is unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the amount is in substance, a part of the net investment in the Company, it is stated at cost.

12 Trade and other payable

	2011 $'000	2010 $'000
Trade payables and accrued operating expenses	3,526	3,605
Non-trade amounts due to:		
- a related corporation	59	4
	3,585	3,609

The non-trade amount due to a related corporation is unsecured and repayable on demand.

13 Loan from immediate holding company

Dividend payable to the immediate holding company of S$4,200,000 was converted into loan from immediate holding company.

Loan from immediate holding company is unsecured, interest free and has no fixed terms of repayment. The amount is repayable on demand.

14 Revenue

Revenue represents the invoiced value of sale of goods, net of goods and service tax and discounts.

15 Profit before income tax

The following items have been included in arriving at profit before income tax:

	2011 $'000	2010 $'000
Dividend income	(6,000)	–
Interest income from intermediate holding companies	(76)	–
Management fees from related corporations	(36)	(36)
Operating lease expense	232	197
Staff costs	1,289	1,245
Contributions to defined contribution plans included in staff costs	101	54
Interest expense to:		
- related corporation	3	1
- banks	–	16
Government grants – Jobs Credit Scheme, offset against the staff costs	–	42

16 Income tax expense

	2011 $'000	2010 $'000
Current tax expense		
Current year	65	65
Adjustment for prior year	(65)	–
Withholding tax expense	–	8
Income tax expense	–	73

Reconciliation of effective tax rate

	2011 $'000	2010 $'000
Profit before tax	6,619	1,131
Tax calculated using Singapore tax rate of 17%	1,125	192
Expenses not deductible for tax purposes	6	32
Utilisation of previously unrecognised tax losses	–	(133)
Tax exempt income	(1,051)	(26)
Over provided in prior year	(65)	–
Withholding tax expense	–	8
Others	(15)	–
	–	73

17 Commitments

As at 30 June 2011, the Company has commitments for future minimum lease payments under non-cancellable operating leases with terms of more than one year as follows:

	2011 $'000	2010 $'000
Within 1 year	161	146
After 1 year but within 5 years	644	586
After 5 years	3,971	3,757
	4,776	4,489

The Company leases the leasehold property under an operating lease for a period of 60 years. Lease payments are usually reviewed annually to reflect market rentals. The lease payments do not include contingent rent.

18 Related parties

Key management personnel compensation

Compensation payable to key management personnel comprised:

	2011 $'000	2010 $'000
Short-term employee benefits	209	259

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2011 $'000	2010 $'000
Related corporations		
Sales	7,892	7,021
Purchases	(321)	(342)
Accounting management fees income	36	36
Delivery charges received	40	–
Interest income	76	–
Commission income	12	14
Administration/MIS allocation	83	82
Storage/space rental income	53	92
Shared site cost	27	27

19 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included in the financial statements.

The Board of Directors has an overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers. The Company does not require collateral in respect of financial assets. Concentration of credit risk relating to trade receivables is limited due to the Company's many varied customers. These customers are regionally dispersed, engaged in a wide spectrum of manufacturing and distribution activities and sell in a variety of end markets.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is made on specific customers or invoices which might be impaired. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the balance sheet date, there are no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Cash and bank deposits are placed with banks and financial institutions which are regulated. Management does not expect any of its counterparties to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably be predicted.

The carrying amount of the trade and other payables approximates the expected contractual cash flows which will mature within the next one year.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Company is not exposed to any equity price risk.

Interest rate risk

The Company is exposed to interest rate risk from its short-term deposits, bank loans and loan from a related corporation and a subsidiary. Interest rate is managed by the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Effective interest rates and repricing analysis

In respect of the interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice.

	Note	Effective interest rate %	Floating interest rate within 1 year $'000	Total $'000
2011				
Financial liabilities				
Loan from related corporations	9	0.012 to 0.18	5,091	5,091
2010				
Financial liabilities				
Loan from a related corporation	9	0.012 to 0.036	5,823	5,823

Sensitivity analysis

For variable rate financial liabilities, a change of 50 bp in interest rate at the reporting date would increase/(decrease) amount charged to income statement as shown below:

	Profit or loss	
	50 bp increase $'000	50 bp decrease $'000
2011		
Loan from related corporations	(25)	25
2010		
Loan from related corporations	(29)	29

Foreign currency risk

The Company incurs foreign currency risk on sales and purchases that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily, US dollars and Hong Kong dollars. In relation to trade receivables and trade payables denominated in a foreign currency, the Company's policy is to hedge all material foreign currency exposures. This is done via a natural hedge, such as similarly denominated receivables or cash balances or through forward exchange contracts.

The Company's exposures to foreign currency are as follows:

	Hong Kong Dollar $'000	US Dollar $'000
2011		
Trade receivables	–	1,113
Intercompany receivables	–	1,000
Cash and cash equivalents	–	477
Trade and other payables	–	(2,033)
Intercompany payables	(5,091)	–
	(5,091)	557
2010		
Trade receivables	–	419
Intercompany receivables	–	1,510
Cash and cash equivalents	–	1,630
Trade and other payables	–	(1,735)
Intercompany payables	(5,823)	–
	(5,823)	1,824

Sensitivity analysis

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss $'000
2011	
Hong Kong dollar	463
US dollar	(51)
	412
2010	
Hong Kong dollar	582
US dollar	(182)
	400

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value

Loan to a subsidiary and loan from a related corporation are principally variable rate instruments which re-price every three months and their carrying values approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables, and loan from immediate holding company), are assumed to approximate their fair values because of the short period to maturity.