

Financial Statements and Related Announcement::Full Yearly Results

Issuer & Securities

Issuer/ Manager	IPS SECUREX HOLDINGS LIMITED
Securities	IPS SECUREX HOLDINGS LIMITED - SG1BJ0000005 - 42N
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IPS SECUREX HOLDINGS LIMITED
 (Company Registration No.:201327639H)
 (Incorporated in the Republic of Singapore)

Unaudited Fourth Quarter And Full Year Financial Statements And Dividend Announcement For The Financial Year Ended 30 June (“FY”) 2018

This announcement has been prepared by IPS Securex Holdings Limited (the “Company” and, together with its subsidiaries, the “Group”) and its contents have been reviewed by the Company’s sponsor, United Overseas Bank Limited (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group					
	Unaudited 4Q-2018 ⁽¹⁾ S\$	Unaudited 4Q-2017 ⁽²⁾ S\$	Increase/ (Decrease) % change	Unaudited FY2018 S\$	Audited FY2017 S\$	Increase/ (Decrease) % change
Revenue	3,667,078	2,076,272	76.6	10,874,295	11,574,005	(6.0)
Cost of sales	(2,247,038)	(1,171,887)	91.7	(6,006,624)	(5,878,164)	2.2
Gross profit	1,420,040	904,385	57.0	4,867,671	5,695,841	(14.5)
Other income	65,602	37,620	74.4	206,402	123,708	66.8
Administrative expenses	(1,363,913)	(1,151,246)	18.5	(5,234,592)	(5,697,161)	(8.1)
Other operating expenses	(1,559,616)	(3,143,193)	(50.4)	(1,101,125)	(3,171,873)	(65.3)
Finance income	112,990	127,149	(11.1)	23,006	168,273	(86.3)
Finance costs	(9,357)	(89,953)	(89.6)	(76,627)	(57,940)	32.3
Loss before tax	(1,334,254)	(3,315,238)	(59.8)	(1,315,265)	(2,939,152)	(55.3)
Tax (expense)/credit	(38,029)	522,636	(107.3)	24,447	439,533	(94.4)
Loss for the period/year, representing total comprehensive loss for the period/year	(1,372,283)	(2,792,602)	(50.9)	(1,290,818)	(2,499,619)	(48.4)

NM denotes not meaningful.

- (1) “4Q-2018” refers to the fourth quarter ended 30 June 2018.
 (2) “4Q-2017” refers to the fourth quarter ended 30 June 2017.

The (loss) / profit attributable to shareholders of the Company includes the following (charges)/credits:

	Group					
	Unaudited 4Q-2018 S\$	Unaudited 4Q-2017 S\$	Increase/ (Decrease) % change	Unaudited FY2018 S\$	Audited FY2017 S\$	Increase/ (Decrease) % change
After charging:						
Depreciation of plant and equipment	(282,084)	(242,288)	16.4	(1,071,311)	(1,037,355)	3.3
Plant and equipment written off	(1,808)	-	NM	(3,788)	(18,242)	(79.2)
Inventories written off	-	(1,020)	NM	(696)	(3,281)	(78.8)
Bad debts written off	-	(30,000)	NM	(5,760)	(30,000)	(80.8)
Rental expense	(54,615)	(54,465)	0.3	(218,010)	(233,291)	(6.6)
Allowance for inventories obsolescence	-	(113,394)	NM	-	(113,394)	NM
Allowance for doubtful debts (net)	(1,554,169)	(2,997,896)	(48.2)	(1,081,311)	(2,997,896)	(63.9)
Interest expense	(9,357)	(13,720)	(31.8)	(37,906)	(57,940)	(34.6)
Foreign exchange loss (net)	-	(76,233)	NM	(38,721)	-	NM
Finance costs	(9,357)	(89,953)		(76,627)	(57,940)	
and crediting:						
Gain on disposal of plant and equipment	-	398	NM	-	-	-
Miscellaneous income	36,998	26,700	38.6	84,504	52,805	60.0
Bad debts recovered	500	-	NM	30,500	-	NM
Write-back of allowance for inventories obsolescence	19,879	-	NM	19,879	-	NM
Rental income	-	-	-	-	6,649	NM
Government grant and subsidies	8,225	10,522	(21.8)	71,519	64,253	11.3
Other income	65,602	37,620		206,402	123,707	
Overprovision of income tax expenses in respect of prior period	-	4,432	NM	79,626	2,171	3,567.7
Foreign exchange gain (net)	105,556	-	NM	-	147,013	NM
Interest income	7,434	127,149	(94.2)	23,006	21,260	8.2
Finance income	112,990	127,149		23,006	168,273	

NM denotes 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.

	Group		Company	
	Unaudited As at 30.06.2018 S\$	Audited As at 30.06.2017 S\$	Unaudited As at 30.06.2018 S\$	Audited As at 30.06.2017 S\$
ASSETS				
Current assets				
Cash and cash equivalents	3,582,866	4,905,677	257,731	946,353
Trade and other receivables	3,332,846	3,722,198	3,307,770	2,463,217
Loan to subsidiary corporation	-	-	1,508,400	2,968,400
Inventories	1,036,746	862,578	-	-
Total current assets	7,952,458	9,490,453	5,073,901	6,377,970
Non-current assets				
Investment in subsidiary corporations	-	-	4,844,199	4,821,199
Plant and equipment	3,189,452	4,138,365	-	-
Other investments	7,605	6,000	-	-
Deferred tax assets	-	39,775	-	-
Trade and other receivables	-	195,850	-	-
	3,197,057	4,379,990	4,844,199	4,821,199
Total assets	11,149,515	13,870,443	9,918,100	11,199,169
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	2,875,646	3,167,765	324,954	838,863
Finance lease	18,151	91,478	-	-
Bank borrowings	410,921	903,260	410,921	469,928
Income tax payable	-	93,216	-	-
Total current liabilities	3,304,718	4,255,719	735,875	1,308,791
Non-current liabilities				
Bank borrowings	-	387,009	-	387,009
Finance lease	70,809	88,960	-	-
Deferred tax liabilities	15,404	-	-	-
	86,213	475,969	-	387,009
Capital and reserves				
Share capital	9,405,906	9,405,906	9,405,906	9,405,906
Treasury shares	(89,353)	-	(89,353)	-
Capital reserves	(589,999)	(589,999)	210,000	210,000
Accumulated (losses)/profit	(967,970)	322,848	(344,328)	(112,537)
	7,758,584	9,138,755	9,182,225	9,503,369
Total liabilities and equity	11,149,515	13,870,443	9,918,100	11,199,169

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

Group	As at 30.06.2018		As at 30.06.2017	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Amount repayable in one year or less, or on demand	429,072	-	994,738	-
Amount repayable after one year	70,809	-	475,969	-
	<u>499,881</u>	<u>-</u>	<u>1,470,707</u>	<u>-</u>

Details of the collaterals:

The Group's borrowings are secured by corporate guarantees provided by IPS Securex Holdings Limited and IPS Securex Pte. Ltd.. The Group's finance lease is secured by the respective plant and equipment purchased under the lease.

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

	Group			
	Unaudited 4Q-2018 S\$	Unaudited 4Q-2017 S\$	Unaudited FY2018 S\$	Audited FY2017 S\$
Operating activities				
Loss before tax	(1,334,254)	(3,315,238)	(1,315,265)	(2,939,152)
Adjustments for:				
Interest income	(7,434)	(127,149)	(23,006)	(21,260)
Interest expense	9,357	13,720	37,906	57,940
Depreciation of plant and equipment	282,084	242,288	1,071,311	1,037,355
Plant and equipment written off	1,808	102	3,788	18,742
Gain on disposal of plant and equipment	-	(500)	-	(500)
Inventories written off	-	1,020	696	3,281
Bad debts written off	-	30,000	5,760	30,000
(Write back)/ Allowance for inventories obsolescence	(19,879)	113,394	(19,879)	113,394
Allowance for doubtful debts (net)	1,554,169	2,997,896	1,081,311	2,997,896
Net foreign exchange (gain)/loss	(123,911)	101,010	34,425	(41,272)
Operating cash flows before working capital changes	361,940	56,543	877,047	1,256,424
Trade and other receivables	(529,615)	2,813,654	(514,554)	2,712,255
Inventories	401,257	135,693	(153,909)	(226,319)
Trade and other payables	159,192	(1,365,358)	81,440	(301,207)
Cash generated from operations	392,774	1,640,532	290,024	3,441,153
Income tax paid	-	(45,981)	(13,590)	(247,205)
Interest received	5,945	4,906	18,575	16,142
Net cash from operating activities	398,719	1,599,457	295,009	3,210,090
Investing activities				
Purchase of plant and equipment ⁽¹⁾	(69,510)	(10,743)	(127,262)	(495,449)
Acquisition of other investments	-	(6,000)	(1,605)	(6,000)
Acquisition of subsidiaries, net of cash acquired	-	-	(373,200)	(373,200)
Proceeds from disposal of plant and equipment	-	500	-	500
Net cash used in investing activities	(69,510)	(16,243)	(502,067)	(874,149)
Financing activities				
Dividends paid	-	-	-	(1,215,000)
Interests paid	(8,734)	(14,102)	(37,893)	(57,263)
Repurchase of own shares	-	-	(89,353)	-
Proceeds from bank borrowings	-	-	-	600,000
Repayments of bank borrowings	(178,975)	(242,042)	(879,348)	(540,530)
Repayments of finance lease	(4,538)	(56,025)	(91,478)	(218,697)
Restricted cash pledged	-	(18,000)	(27,587)	(18,000)
Net cash used in financing activities	(192,247)	(330,169)	(1,125,659)	(1,449,490)
Net increase/(decrease) in cash and cash equivalents	136,962	1,253,045	(1,332,717)	886,451
Effect of exchange rate changes on the balance of cash held in foreign currencies	67,592	(55,087)	(17,681)	87,195
Cash and cash equivalents at beginning of the period/year	3,332,725	3,689,719	4,887,677	3,914,031
Cash and cash equivalents at end of the period/year	3,537,279	4,887,677	3,537,279	4,887,677
Cash and cash equivalents in the Group's cash flow statements comprise the following:				
Cash at bank and on hand	3,537,279	4,887,677	3,537,279	4,887,677
Restricted cash	45,587	18,000	45,587	18,000
Cash and cash equivalents in the statement of financial position at end of the period/year	3,582,866	4,905,677	3,582,866	4,905,677

(1) In FY2018, the Group acquired plant and equipment with an aggregate cost of S\$127,262 (FY2017: S\$604,868) of which S\$Nil (FY2017: S\$109,419) was acquired by way of finance lease. Cash payments of S\$127,262 were made in FY2018 (FY2017: S\$495,449) to purchase office equipment and motor vehicles.

In 4Q-2018, the Group acquired plant and equipment with an aggregate cost of S\$69,510 (4Q-2017: S\$46,162) of which S\$Nil (4Q-2017: S\$35,419) was acquired by way of finance lease. Cash payments of S\$69,510 were made in 4Q-2018 (4Q-2017: S\$10,743) to purchase office equipment.

1(d)(i) A statement (for the issuer and the 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

S\$	Share capital	Treasury shares	Capital reserves	Accumulated profit/(losses)	Total
Group					
Balance at 1 July 2017	9,405,906	-	(589,999)	322,848	9,138,755
Total comprehensive income for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,290,818)	(1,290,818)
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 30 June 2018	9,405,906	(89,353)	(589,999)	(967,970)	7,758,584
Company					
Balance at 1 July 2016	9,405,906	-	(589,999)	4,037,467	12,853,374
Total comprehensive income for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(2,499,619)	(2,499,619)
Transactions with owners, recognised directly in equity					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Balance at 30 June 2017	9,405,906	-	(589,999)	322,848	9,138,755
Balance at 1 July 2017	9,405,906	-	210,000	(112,537)	9,503,369
Total comprehensive income for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(231,791)	(231,791)
Transactions with owners, recognised directly in equity					
Purchase of own shares	-	(89,353)	-	-	(89,353)
Balance at 30 June 2018	9,405,906	(89,353)	210,000	(344,328)	9,182,225
Balance at 1 July 2016	9,405,906	-	210,000	1,392,734	11,008,640
Total comprehensive income for the period					
Loss for the period, representing total comprehensive loss for the period	-	-	-	(290,271)	(290,271)
Transactions with owners, recognised directly in equity					
Dividends paid	-	-	-	(1,215,000)	(1,215,000)
Balance at 30 June 2017	9,405,906	-	210,000	(112,537)	9,503,369

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 for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Issued and paid-up share capital (S\$)
As at 31 March 2018 and 30 June 2018	<u>484,844,100</u>	<u>9,316,553</u>

There were no outstanding convertibles or subsidiary holdings held by the Company as at 30 June 2017 and 30 June 2018. The number of shares held as treasury shares as at 30 June 2018 and 30 June 2017 is 1,155,900 treasury shares and nil respectively. The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 30 June 2018 and 30 June 2017 is 0.24% and nil respectively.

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	
	30.06.2018	30.06.2017
Total number of issued shares excluding treasury shares and subsidiary holdings	<u>484,844,100</u>	<u>486,000,000</u>

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 the Group's financial statements for 4Q-2018 and FY2018 as its most recently audited financial statements for FY2017.

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.

There are no changes in the Group's accounting policies and methods of computation including any required by an accounting standard. The adoption of the new and revised Financial Reporting Standards (including their consequential amendments) and interpretations is assessed to have no material impact on the results of the Group and of the Company for 4Q-2018 and FY2018.

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

	Group			
	Unaudited 4Q-2018	Unaudited 4Q-2017	Unaudited FY2018	Audited FY2017
Earnings per ordinary share ("EPS")				
Loss attributable to owners of the Company (S\$)	(1,372,283)	(2,792,602)	(1,290,818)	(2,499,619)
Weighted average number of ordinary shares ⁽¹⁾	484,844,100	486,000,000	485,000,585	486,000,000
EPS - Basic and diluted (cents) ⁽²⁾	<u>(0.28)</u>	<u>(0.57)</u>	<u>(0.27)</u>	<u>(0.51)</u>

⁽¹⁾ During the period from 1 July 2017 to 30 June 2018, the Company purchased 1,155,900 shares as treasury shares with the resultant that the number of issued shares was reduced from 486,000,000 shares as at 1 July 2017 to 484,844,100 shares as at 30 June 2018. For the purpose of computing earnings per share, the weighted average number of shares of the Company for FY2018 and 4Q-2018 had been computed using the share capital as at 1 July 2017 adjusted for the share purchases of 1,155,900 shares and as weighted over FY2018 and 4Q-2018 during which time such shares were outstanding, in arriving at the weighted average of 485,000,585 shares and 484,844,100 shares respectively.

⁽²⁾ The basic and diluted earnings per share were the same as there were no potentially dilutive instruments as at 30 June 2018 and 30 June 2017.

7. 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:-

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	Unaudited As at 30.06.2018	Audited As at 30.06.2017	Unaudited As at 30.06.2018	Audited As at 30.06.2017
Net asset value per ordinary share based on the number of shares in issue at end of period/year (cents)	<u>1.6</u>	<u>1.9</u>	<u>1.9</u>	<u>2.0</u>

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 period 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 period reported on.**

Review of the Group's performance

The Group has two major business segments, namely (i) Security Solutions Business, and (ii) Maintenance and Leasing Business.

Revenue

The Group's revenue increased by approximately S\$1.6 million or 76.6% from S\$2.1 million in 4Q-2017 to S\$3.7 million in 4Q-2018, and decreased by approximately S\$700,000 or 6.0% from S\$11.6 million in FY2017 to S\$10.9 million in FY2018.

Revenue from the Security Solutions Business increased by approximately S\$1.5 million or 225.9% from S\$664,000 in 4Q-2017 to S\$2.1 million in 4Q-2018. This was mainly attributable to an increase in demand for integrated security solutions in Singapore.

Revenue from the Security Solutions Business decreased by approximately S\$1.2 million or 19.5% from S\$5.9 million in FY2017 to S\$4.8 million in FY2018. This was mainly attributable to the following:-

- a) absence of the sale of Acoustic Hailing Systems to a customer in the Rest of Southeast Asia⁽¹⁾ of S\$3.4 million which was previously secured in 9M-2017;
- b) partially offset by an increase in demand for security solutions products by customers in the Rest of Southeast Asia⁽¹⁾ and Indochina⁽²⁾ of S\$477,000; and
- c) partially offset by an increase in demand for integrated security solutions in Singapore of S\$1.7 million.

Revenue from the Maintenance and Leasing Business increased by approximately S\$138,000 or 9.9% from S\$1.4 million in 4Q-2017 to S\$1.6 million in 4Q-2018 and increased by approximately S\$452,000 or 7.9% from S\$5.7 million in FY2017 to S\$6.1 million in FY2018. This was mainly attributable to the increase in fees earned from the provision of maintenance support services to customers in Singapore and Rest of Southeast Asia.

Cost of sales

Cost of sales increased by approximately S\$1.1 million or 91.7% from S\$1.2 million in 4Q-2017 to S\$2.2 million in 4Q-2018 and increased by approximately S\$128,000 or 2.2% from S\$5.9 million in FY2017 to S\$6.0 million in FY2018. This was mainly due to the net increase in direct material costs incurred and a higher proportion of integrated security solutions undertaken by the Group which had a higher cost base relative to revenue.

Gross profit

Gross profit increased by approximately S\$516,000 or 57.0% from S\$904,000 in 4Q-2017 to S\$1.4 million in 4Q-2018 and decreased by approximately S\$828,000 or 14.5% from S\$5.7 million in FY2017 to S\$4.9 million in FY2018 due to the factors discussed above.

Other income

Other income increased by approximately S\$28,000 or 74.4% from S\$38,000 in 4Q-2017 to S\$66,000 in 4Q-2018. The increase was mainly due to the write back of allowance for inventories obsolescence of S\$20,000 which was previously written down and subsequently assigned to project, and an increase in miscellaneous income of S\$8,000.

(1) "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

(2) "Indochina" includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

Other income increased by approximately S\$83,000 or 66.8% from S\$124,000 in FY2017 to S\$206,000 in FY2018. The increase was mainly due to the recovery of bad debts previously written off in June 2017 of S\$30,000, write back of allowance for inventories obsolescence of S\$20,000 which was previously written down and subsequently assigned to project, government grants and subsidies of S\$7,000 and an increase in miscellaneous income of S\$26,000.

Administrative expenses

Administrative expenses increased by approximately S\$213,000 or 18.5% from S\$1.2 million in 4Q-2017 to S\$1.4 million in 4Q-2018. This was mainly attributable to the increase in:

- a) employees' remuneration and benefit expenses of S\$155,000 mainly due to staff bonuses accrued in 4Q-2018; and
- b) Distribution and marketing expenses of S\$15,000 and office related expenses of S\$42,000

Administrative expenses decreased by approximately S\$463,000 or 8.1% from S\$5.7 million in FY2017 to S\$5.2 million in FY2018. This was mainly attributable to the decrease in:

- a) employees' remuneration and benefit expenses of S\$364,000 mainly due to lower staff bonuses accrued;
- b) Professional fees of S\$50,000 due to more favourable arrangement negotiated by the Group; and
- c) Distribution and marketing expenses of S\$58,000.

Other operating expenses

Other operating expenses decreased by approximately S\$1.6 million from S\$3.1 million in 4Q-2017 to S\$1.6 million in 4Q-2018 and decreased by approximately S\$2.1 million from S\$3.2 million in FY2017 to S\$1.1 million in FY2018. This was mainly due to the absence of allowance for doubtful debts of S\$3.0 million in relation to outstanding trade receivables, pursuant to an instalment plan agreed in September 2016 with a customer in the Rest of Southeast Asia for the repayment of trade receivables over five pre-agreed instalments commencing from August 2016 to September 2018 ("Instalment Plan"), where an amount of S\$473,000 has been recovered to-date. In addition, an allowance for doubtful debts of S\$1.5 million was recognised during the year for another customer in the Rest of Southeast Asia⁽¹⁾ as a result of certain disputes arising from technical issues faced by the customer.

Finance income

Finance income decreased by approximately S\$14,000 or 11.1% from S\$127,000 in 4Q-2017 to S\$113,000 in 4Q-2018. This was mainly due to an absence of an adjustment of S\$122,000 made in 4Q-2017 to account for the difference between the carrying value and fair value of the trade receivables attributable to the Instalment Plan with the customer. This was partially offset by an increase in the foreign exchange gain of S\$106,000 recognised in 4Q-2018.

Finance income decreased by approximately S\$145,000 or 86.3% from S\$168,000 in FY2017 to S\$23,000 in FY2018. This was mainly due to absence in FY2018 of foreign exchange gain of S\$147,000 arising from trade receivables denominated in United States dollar attributable to the appreciation of the United States dollar against the Singapore dollar in FY2017.

⁽¹⁾ "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

Finance costs

Finance costs decreased by approximately S\$81,000 or 89.6% from S\$90,000 in 4Q-2017 to S\$9,000 in 4Q-2018. This was mainly due to the absence of foreign exchange loss of S\$76,000 in respect of 4Q-2018.

Finance costs increased by approximately S\$19,000 or 32.3% from S\$58,000 in FY2017 to S\$77,000 in FY2018. This was mainly due to a foreign exchange loss of S\$39,000 attributable to the weakening of the United States dollar in which the Group's sales were denominated in against the Singapore dollar. This was partially offset by lower interest expenses of S\$20,000, as a result of repayment of term loan during the year undertaken by the Group to fund the acquisition of Yatai Security & Communications Pte. Ltd. and AVAC Systems Pte. Ltd. which was completed on 1 April 2016 (the "Acquisition").

Tax (expense)/credit

The tax expense in 4Q-2018 versus the tax income in 4Q-2017 and the lower tax income in FY2018 versus FY2017 were due mainly to the absence of the recognition of unabsorbed losses as deferred tax assets, partially offset by tax write backs due to the reversals of over-provisions made in respect of prior periods.

Review of the Group's financial position

Current assets

Current assets decreased by approximately S\$1.5 million from S\$9.5 million as at 30 June 2017 to S\$8.0 million as at 30 June 2018. The decrease in current assets was mainly due to:-

- a) a decrease in cash and cash equivalents of S\$1.3 million;
- b) net decrease in trade and other receivables of S\$389,000 were mainly due to the allowance for doubtful debts of S\$1.5 million for a customer in Rest of Southeast Asia⁽¹⁾ and the partial recovery of outstanding debts previously provided as doubtful debts in June 2017 amounting to S\$503,000. This was partially offset by higher sales made on credit terms from the integrated solutions business towards the end of FY2018 of S\$1.4 million and reclassification of long term trade receivables of S\$196,000 as at 30 June 2017 to current trade receivables as at 30 June 2018; and

partially offset by:-

- c) an increase in inventories of S\$174,000 due to increase in purchase of parts and components.

Non-current assets

Non-current assets decreased by approximately S\$1.2 million from S\$4.4 million as at 30 June 2017 to S\$3.2 million as at 30 June 2018. The decrease in non-current assets was due mainly to the net decrease in plant and equipment of S\$949,000 primarily attributable to depreciation charges and reclassification of long term trade receivables of approximately S\$196,000 as at 30 June 2017 to current trade receivables as at 30 June 2018.

Current liabilities

Current liabilities decreased by approximately S\$951,000 from S\$4.3 million as at 30 June 2017 to S\$3.3 million as at 30 June 2018. The decrease in current liabilities was mainly due to:-

⁽¹⁾ "Rest of Southeast Asia" includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

- a) the decrease in trade and other payables of S\$292,000 mainly due to payments made in the first quarter ended 30 September 2017 ("1Q-2018") to the vendors in relation to the Acquisition amounting to S\$373,000, decrease in accruals of operating expenses of S\$108,000 and partially offset by an increase in trade payables which had remained outstanding towards the end of FY2018, of S\$189,000;
- b) the repayment of bank borrowings of S\$879,000 partially offset by a reclassification of long term bank borrowings of S\$387,000 to current liabilities; and
- c) a decrease in income tax payable of S\$93,000 as there was no income tax payable for FY2018 as no tax provision was made since there were sufficient available unutilized tax losses to offset against any taxable profit.

Non-current liabilities

Non-current liabilities decreased by approximately S\$390,000 from S\$476,000 as at 30 June 2017 to S\$86,000 as at 30 June 2018. This was due to a reclassification of long term bank borrowings of S\$387,000 to current liabilities and repayment of finance lease amounting to S\$18,000, partially offset by an increase in deferred tax liabilities of S\$15,000.

Capital and reserves

Capital and reserves decreased by approximately S\$1.3 million from S\$9.1 million as at 30 June 2017 to S\$7.8 million as at 30 June 2018. This was due to losses for FY2018 of S\$1.3 million and repurchase of the Company's shares of S\$89,000.

Review of the Group's cashflows

Net cash from operating activities

In FY2018, the net cash from operating activities was approximately S\$295,000, which consisted of operating cashflows before working capital changes of S\$877,000, net working capital outflow of S\$587,000, interest received of S\$19,000 and income tax paid of \$14,000.

The net working capital outflow arose mainly from the following:-

- a) the net increase in trade and other receivables of S\$515,000 mainly due to higher sales made on credit terms from the integrated solutions business towards the end of FY2018;
- a) an increase in inventories of S\$154,000 mainly due to an increase in purchase of parts and components; and
- b) a decrease in trade and other payables of S\$81,000 mainly due to decrease in accruals of operating expenses of S\$108,000 and partially offset by an increase in trade payables of S\$189,000 due to suppliers which had remained outstanding towards the end of FY2018.

Net cash used in investing activities

Net cash used in investing activities amounted to approximately S\$502,000 in FY2018, which was mainly due to the payments made in 1Q-2018 to the vendors in relation to the Acquisition amounting to S\$373,000 and purchase of plant and equipment of S\$127,000.

Net cash used in financing activities

Net cash used in financing activities amounted to approximately S\$1.1 million in FY2018 which was mainly due to net repayment of bank borrowings and finance leases in aggregate of S\$971,000, and repurchase of the Company's shares of S\$89,000 and interest paid of S\$38,000.

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

Not applicable.

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.

The threat of terrorism continues to be on the agenda of governments in the region and globally. Singapore's Minister for Defence continues to emphasise on the importance of counter-terrorism as the priority and to be prepared for the next phase of terrorism.^[1] United States, as part of their commitment to advancing regional security in the Indo-Pacific, has also announced that they will be pledging nearly US\$300 million in new funding to reinforce security cooperation throughout the entire region.^[2]

The Group will adopt a more prudent approach towards credit risk management and will continue to monitor its debtors ageing and collections closely. At the same time, the Group will take advantage of opportunities that will allow it to expand its range of security products and integrated security solutions so as to cater to the needs of current and future customers whilst maintaining its efforts in cost management. Appropriate announcements will be made in due course if any of these opportunities that are significant, were to materialise.

11. Dividend

(a) Whether any interim (final) ordinary dividend has been declared (recommended)

No.

(b) Any dividend declared (recommended) for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for 4Q-2018 and FY2018.

^[1] <https://www.straitstimes.com/singapore/counter-terrorism-priority-as-singapore-chairs-asean-defence-ministers-meeting-ng-eng-hen>

^[2] <https://www.businesstimes.com.sg/government-economy/us-pledges-nearly-us300m-security-funding-for-south-east-asia>

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.

The Group does not have a general mandate from shareholders for interested person transactions (“IPT”) pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the SGX-ST (“Catalist Rules”). However, pursuant to Rule 905 of the Catalist Rules, the following is disclosed.

	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules)	
	4Q-2018	FY2018
	S\$	S\$
<u>Provision of group services (such as finance, corporate secretarial, human resources, warehouse operation cost and rental expense)</u>		
<u>by:-</u>		
IPS Realty Pte. Ltd.	(54,000)	(216,000)
IPS Group Pte. Ltd.	(18,615)	(69,168)

PART II - ADDITIONAL INFORMATION REQUIRED FOR ANNOUNCEMENT OF FULL YEAR RESULTS

14. Segmented revenue and results for operating 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.

	Security solutions		Maintenance and leasing		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
External revenue	4,757,804	5,909,339	6,116,491	5,664,666	10,874,295	11,574,005
Inter-segment revenue	97,631	177,297	237,615	71,143	335,246	248,440
Interest income	4,431	5,118	-	-	4,431	5,118
Interest expense	(2,462)	(1,567)	-	-	(2,462)	(1,567)
Depreciation	-	-	(760,301)	(758,457)	(760,301)	(758,457)
Allowance for doubtful debts (net)	(1,078,885)	(2,997,896)	(2,426)	-	(1,081,311)	(2,997,896)
Reportable segment profit/(loss) before tax	<u>271,713</u>	<u>(631,528)</u>	<u>3,596,086</u>	<u>3,224,040</u>	<u>3,867,799</u>	<u>2,592,512</u>
Reportable segment assets	<u>2,533,678</u>	<u>3,145,665</u>	<u>3,914,798</u>	<u>4,575,272</u>	<u>6,448,476</u>	<u>7,720,937</u>
Reportable segment liabilities	<u>(1,497,219)</u>	<u>(1,361,788)</u>	<u>(451,693)</u>	<u>(715,376)</u>	<u>(1,948,912)</u>	<u>(2,077,164)</u>

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items		
	2018	2017
	\$	\$
Revenues		
Total revenue for reportable segments	11,209,541	11,822,445
Elimination of inter-segment revenue	(335,246)	(248,440)
Consolidated revenue	<u>10,874,295</u>	<u>11,574,005</u>
Profit or loss		
Total profit for reportable segments	3,867,799	2,592,512
Elimination of inter-segment profits	(12,725)	(42,651)
Unallocated amounts:		
- Other income	114,696	123,708
- Administrative expenses	(5,216,087)	(5,697,161)
- Other expenses	(13,359)	(22,342)
- Net finance (costs)/income	(55,589)	106,782
Consolidated loss before tax	<u>(1,315,265)</u>	<u>(2,939,152)</u>
Assets		
Total assets for reportable segments	6,448,476	7,720,937
Unallocated amounts:		
- Plant and equipment	874,664	1,096,877
- Cash and cash equivalents	3,582,866	4,905,677
- Deferred tax assets	-	39,775
- Others	243,509	107,177
Consolidated total assets	<u>11,149,515</u>	<u>13,870,443</u>
Liabilities		
Total liabilities for reportable segments	1,948,912	2,077,164
Unallocated amounts:		
- Bank borrowings	410,921	1,290,269
- Finance lease liabilities	88,960	180,438
- Other payables	926,734	1,090,601
- Deferred tax liabilities	15,404	-
- Income tax payable	-	93,216
Consolidated total liabilities	<u>3,390,931</u>	<u>4,731,688</u>

	Reportable segment	Unallocated amounts	Consolidated
<u>Other material items</u>	\$	\$	\$
2018			
Interest income	4,431	18,575	23,006
Interest expense	2,462	35,444	37,906
Depreciation of plant and equipment	760,301	311,010	1,071,311
Capital expenditure	37,391	89,872	127,263
Allowance for doubtful debt (net)	<u>1,081,311</u>	<u>-</u>	<u>1,081,311</u>
2017			
Interest income	5,118	16,142	21,260
Interest expense	1,567	56,373	57,940
Depreciation of plant and equipment	758,457	278,898	1,037,355
Capital expenditure	-	604,868	604,868
Allowance for doubtful debts (net)	<u>2,997,896</u>	<u>-</u>	<u>2,997,896</u>

	2018	2017
<u>Geographical information</u>	\$	\$
Revenue		
Singapore	8,388,591	6,606,190
East Asia ⁽¹⁾	167,759	137,448
Indochina ⁽²⁾	750,708	349,611
Rest of Southeast Asia ⁽³⁾	1,567,237	4,480,756
Consolidated revenue	<u>10,874,295</u>	<u>11,574,005</u>
Non-currents assets ⁽⁴⁾		
Singapore	3,197,057	4,144,365
Rest of Southeast Asia ⁽³⁾	-	195,850
	<u>3,197,057</u>	<u>4,340,215</u>

⁽¹⁾ Includes China, Hong Kong and South Korea.

⁽²⁾ Includes Myanmar, Thailand, Laos, Cambodia and Vietnam.

⁽³⁾ Includes Malaysia, Brunei, Indonesia, Philippines and Timor Leste.

⁽⁴⁾ Non-current assets presented consist of plant and equipment, other investment and non-current trade and other receivables.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 above.

16. A breakdown of sales.

	Group		
	FY2018	FY2017	% change
	S\$	S\$	
Revenue - First Half Year	4,948,437	7,134,551	(30.6)
Revenue - Second Half Year	5,925,858	4,439,454	33.5
Revenue - Total	<u>10,874,295</u>	<u>11,574,005</u>	(6.0)
Profit after tax - First Half Year	255,383	725,371	(64.8)
Loss after tax - Second Half year	(1,546,201)	(3,224,990)	(52.1)
Loss after tax - Total	<u>(1,290,818)</u>	<u>(2,499,619)</u>	(48.4)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

18. 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(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

There are no persons occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. Confirmation by the Issuer pursuant to Rule 720(1)

The Company confirms that it has procured undertakings from all of its directors ("Directors") and executive officers as required under Rule 720(1) of the Catalist Rules.

By Order of the Board

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer
21 August 2018