

Financial Statements and Related Announcement::Auditor's Comments of Accounts

Issuer & Securities

Issuer/ Manager	IPS SECUREX HOLDINGS LIMITED
Securities	IPS SECUREX HOLDINGS LIMITED - SG1BJ0000005 - 42N
Stapled Security	No

Announcement Details

Announcement Title	Financial Statements and Related Announcement
Date & Time of Broadcast	07-Oct-2016 18:04:10
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Announcement Sub Title	Auditor's Comments of Accounts
Announcement Reference	SG161007OTHRSVRX
Submitted By (Co./ Ind. Name)	Kelvin Lim Ching Song
Designation	Executive Director and Chief Executive Officer
Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)	Please refer to the attached.

Additional Details

For Financial Period Ended	30/06/2016
Attachments	📄 IPS - Qualified Opinion.pdf Total size =234K

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IPS SECUREX HOLDINGS LIMITED
(Company Registration No. 201327639H)
(Incorporated in the Republic of Singapore)

**QUALIFIED OPINION BY INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

Pursuant to Rule 704(4) of the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist, the board of directors (the “**Board**”) of IPS Securex Holdings Limited (the “**Company**”) and, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditors, Deloitte & Touche LLP, have in their Independent Auditors’ Report, included a qualified opinion (the “**Qualified Opinion**”) in relation to the Group’s audited financial statements for the financial year ended 30 June (“**FY**”) 2016.

Extracts of the Qualified Opinion in the Independent Auditors’ Report, including Note 3(ii)(c) and Note 7 to the Group’s audited financial statements for FY2016 are attached to this announcement as “**APPENDIX I**”.

The Company will be issuing its Annual Report 2016, which will contain the Group’s audited financial statements for FY2016, the Independent Auditors’ Report and the Qualified Opinion to its shareholders (“**Shareholders**”) in due course.

Shareholders are advised to read the Group’s audited financial statements for FY2016 set out in the Annual Report 2016 of the Company.

The Board is of the opinion that all material disclosures have been provided by the Company for trading of the Company’s shares to continue in an orderly manner.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Kelvin Lim Ching Song
Executive Director and Group Chief Executive Officer
7 October 2016

This announcement has been prepared by IPS Securex Holdings Limited (the “Company”) 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 (the “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.

The contact person for the Sponsor are Mr David Tham, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, Telephone: +65 6533 9898.

APPENDIX I

EXTRACT OF THE QUALIFIED OPINION FROM THE INDEPENDENT AUDITORS' REPORT

Basis for Qualified Opinion

As described in Note 3(ii)(c) to the financial statements, as at 30 June 2016, included in the Group's trade receivables is an amount of \$5,383,725 due from a customer that has been past due at the year end. As described in Note 3(ii)(c), management has evaluated various factors, including the receipt of the first instalment of \$724,658 subsequent to year end as agreed in the instalment plan signed between the Group and the customer and is of the opinion that the remaining trade receivable balance will be recoverable. We were unable to obtain sufficient appropriate audit evidence over the customer's ability to repay the remaining trade receivables of \$4,659,067. Hence, we are unable to determine the effect of any adjustment that may be required in relation to the recoverability of the remaining balance.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

EXTRACT OF NOTE 3(ii)(c) AND NOTE 7 TO THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(ii) Key sources of estimation uncertainty

(c) Recoverability of trade receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Judgement is required in assessing the ultimate realisation of these receivables, including the past collection history of each customer, individual customer's credit quality, on-going dealings with them, the status of the projects handled by the customers and where required, negotiation of instalment plans or partial settlement agreements with customers. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and doubtful debt expenses in the period in which such estimate has been changed.

In particular, for receivables that are past due but not impaired and that are long outstanding, the Group reviews them closely to assess if there is any objective evidence of impairment, such as observable data indicating that there have been significant changes in the customer's payment ability or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the customer operates in.

As at 30 June 2016, with regards to trade receivables due from a customer (a dealer of the Group) amounting to \$5,383,725 (current balance of \$1,889,425 and non-current balance of \$3,494,300) which was overdue and for which an instalment plan was subsequently arranged, the management have exercised significant judgement and critically evaluated that no allowance for doubtful debts is required and is confident of the full recoverability of these receivables after taking into consideration, amongst other factors:

- the on-going working relationship and background of the customer and the customer's end-customer, including the status of the project that the parties are involved in;
- the on-going and open communications between the parties involved and the management on the settlement of these receivables;
- the Group and the customer had agreed upon and had signed an instalment plan agreement subsequent to the year end for instalments to be paid from August 2016 to September 2018;
- the receipt of \$724,658 for the first instalment subsequent to year end as agreed in the instalment payment schedule; and
- the commitment of the customer to make payment according to the instalment payment schedule.

Should the above assessment be inappropriate, adjustments may have to be made to reflect the impairment on the said balance and this amount could differ significantly from the amounts at which they are currently recorded in the statement of financial position. This may also have an impact on the Group's and Company's ability to meet bank covenant requirements for credit facilities granted by financial institutions and any liquidity considerations that might arise.

7 TRADE RECEIVABLES

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Trade receivables due from third parties	10,211,032	9,129,565
Accrued revenue	253,290	230,546
	<u>10,464,322</u>	<u>9,360,111</u>
Amount due from contract customers (Note 10)	100,468	35,075
	<u>10,564,790</u>	<u>9,395,186</u>
Analysed as:		
Current	6,874,261	8,054,844
Non-current	3,690,529	1,340,342
	<u>10,564,790</u>	<u>9,395,186</u>

The credit period on sale of goods and rendering of services are on 30 to 90 days (2015: 30 to 90 days) terms. No interest is charged on the outstanding balance. The trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition except for the long term trade receivables amounting to \$196,229 (net of early repayment of \$1,251,607) (2015 : \$1,340,342) which is due by six pre-agreed instalments commencing from July 2016 to March 2019. Long-term trade receivables are discounted based on expected cost of borrowing and carried at amortised cost as at the end of the reporting period.

Subsequent to year-end, arising from another instalment plan with another debtor which is due by five pre-agreed instalments commencing from August 2016 to September 2018, the amounts due after twelve-month period have been classified as non-current.

Management estimates that the carrying amount of long term trade receivables approximate its fair value as the effective interest rate approximates to the market rate.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience and as described in Note 3(ii)(c). Management has assessed that there is no allowance for doubtful debts required, in respect of trade receivables which are not past due as well as trade receivables which are past due but not impaired.

The table below is analysis of trade receivables as at end of each reporting period:

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Not past due and not impaired	3,182,150	8,494,681
Past due but not impaired ⁽ⁱ⁾	<u>7,282,172</u>	<u>865,430</u>
Total trade receivables, net	<u><u>10,464,322</u></u>	<u><u>9,360,111</u></u>

(i) Aging of receivables that are past due but not impaired:

	<u>Group</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
<3 months	341,401	319,733
3 months to 6 months	1,218,526	545,697
6 months to 12 months	5,619,973	-
>12 months	<u>102,272</u>	<u>-</u>
	<u><u>7,282,172</u></u>	<u><u>865,430</u></u>