Tat Hong Holdings Ltd
and its subsidiaries

Registration Number: 199105392H

Annual Report
Year ended 31 March 2013

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 31 March 2013.

Directors

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

Tan Chok Kian
Ng San Tiong Roland
Ng Sun Ho Tony
Ng Sang Kuey Michael
Ng San Wee David
Ong Tiew Siam
Leong Horn Kee
Mak Lye Mun
Low Seow Juan
Tse Po Shing Andy

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, 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, share options and warrants in the Company and related corporations are as follows:

Name of director and corporation in which interests are held	**Number of shares held at beginning of the year**	**Number of shares held at end of the year**
Tan Chok Kian		
The Company		
- ordinary shares		
- interests held	784,000	784,000
- warrants		
- interests held	57,000	57,000
- share options		
- interests held	100,000	100,000
Ng San Tiong Roland		
The Company		
- ordinary shares		
- interests held	9,540,345	9,540,345
- deemed interests	253,511,160	253,511,160
- warrants		
- interests held	845,934	845,934
- deemed interests	21,021,516	21,021,516

Name of director and corporation in which interests are held	Number of shares held at beginning of the year	Number of shares held at end of the year
Ng San Tiong Roland		
Chwee Cheng & Sons Pte Ltd *		
- ordinary shares		
- interests held	1,583,022	1,583,022
- deemed interests	5,994,580	5,994,580
Ng Sun Ho Tony		
The Company		
- ordinary shares		
- interests held	6,138,630	6,138,630
- deemed interests	253,511,160	253,511,160
- warrants		
- interests held	613,863	613,863
- deemed interests	21,021,516	21,021,516
Chwee Cheng & Sons Pte Ltd *		
- ordinary shares		
- interests held	1,376,230	1,376,230
- deemed interests	5,994,580	5,994,580
Ng Sang Kuey Michael		
The Company		
- ordinary shares		
- interests held	4,345,350	4,345,350
- warrants		
- interests held	412,535	412,535
Chwee Cheng & Sons Pte Ltd *		
- ordinary shares		
- interests held	911,863	911,863
Ng San Wee David		
The Company		
- ordinary shares		
- interests held	2,961,250	2,961,250
- deemed interests	253,511,160	253,511,160
- warrants		
- interests held	291,125	291,125
- deemed interests	21,021,516	21,021,516
Chwee Cheng & Sons Pte Ltd *		
- ordinary shares		
- interests held	463,497	463,497
- deemed interests	5,994,580	5,994,580

* Immediate and ultimate holding company

Name of director and corporation in which interests are held	Number of shares held at beginning of the year	Number of shares held at end of the year
Ong Tiew Siam		
The Company		
- ordinary shares		
- interests held	2,617,000	2,817,000
- warrants		
- interests held	241,700	1,750
- share options		
- interests held	200,000	–
Leong Horn Kee		
The Company		
- ordinary shares		
- interests held	700,000	700,000
- warrants		
- interests held	50,000	50,000
- share options		
- interests held	100,000	100,000
Mak Lye Mun		
The Company		
- share options		
- interests held	100,000	100,000
Low Seow Juan		
The Company		
- ordinary shares		
- interests held	40,000	40,000
- share options		
- interests held	100,000	100,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 April 2013.

Except as disclosed in this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangements 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.

In the normal course of business, the Company and its related corporations entered into transactions with companies in which directors have substantial interests as disclosed in note 29 to the financial statements. However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they are ordinarily entitled to as shareholders of these companies.

Except as disclosed above and in the notes 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

Tat Hong Employee Share Option Scheme 2006 and Performance Share Plan

The Tat Hong Employee Share Option Scheme 2006 ("ESOS 2006") and Performance Share Plan ("PSP") (collectively the "Scheme") were approved by the Company at its Extraordinary General Meeting on 8 December 2006. The Scheme is administered by the Share Options/Performance Shares Plan Committee, comprising four directors, Mak Lye Mun (Chairman), Ng San Tiong, Ng Sun Ho and Ong Tiew Siam.

Other information regarding the Scheme is set out as follows:

- the Board of the Company may specify the vesting conditions which must be satisfied or waived by the Board before options and awards allocated under the Scheme may be dealt with;
- the exercise price for each share in respect of which an option is exercisable shall be a price equal to the market price;
- the options can be exercised 1 year after the grant; and
- the options granted expire after 5 years for non-executive directors and 10 years for the employees of the Company and its subsidiaries.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 April 2012	Options cancelled	Options exercised	Options outstanding as at 31 March 2013	Number of option holders as at 31 March 2013	Exercise period
30 September 2009	1.08	3,515,000	(115,000)	(1,258,000)	2,142,000	50	1 October 2010 – 30 September 2020
30 September 2009	1.08	400,000	–	–	400,000	4	1 October 2010 – 30 September 2015
		3,915,000	(115,000)	(1,258,000)	2,542,000		

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 March 2013	Aggregate options granted since commencement of Scheme to 31 March 2013	Aggregate options exercised since commencement of Scheme to 31 March 2013	Aggregate options outstanding as at 31 March 2013
Tan Chok Kian	–	100,000	–	100,000
Ong Tiew Siam	–	200,000	(200,000)	–
Leong Horn Kee	–	100,000	–	100,000
Mak Lye Mun	–	100,000	–	100,000
Low Seow Juan	–	100,000	–	100,000

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

During the financial year ended 31 March 2013, 96,000 (2012: Nil) shares were issued under the PSP.

Warrants

On 8 August 2008, the Company issued 50,662,672 warrants to be traded separately on the Singapore Exchange Securities Trading Limited for no consideration. Each warrant can be converted into 1 new ordinary share in the share capital of the Company at $2.50 each for cash, to be exercised at any time after 6 months upon the listing of the warrants, i.e. commencing 8 February 2009. The warrants expire on 2 August 2013.

Except as disclosed above, there were no other unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are as follows:

- Leong Horn Kee (Chairman)
- Tan Chok Kian
- Low Seow Juan
- Tse Po Shing Andy

The Audit Committee performs the functions specified by section 201B of the Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee held four meetings during the year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work and the results of their examination and evaluation of the Company's system of internal accounting controls.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and of the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Tan Chok Kian
Chairman

Ng San Tiong
Director

28 May 2013

Statement by directors

In our opinion:

(a) the financial statements set out on pages FS1 to FS81 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013 and the results, changes in equity and cash flows of the Group 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.

On behalf of the Board of Directors

Tan Chok Kian
Chairman

Ng San Tiong
Director

28 May 2013

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

Members of the Company
Tat Hong Holdings Ltd

We have audited the accompanying financial statements of Tat Hong Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS81.

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, and for 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 consolidated financial statements of the Group and the statement of financial position of the Company 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 Group and of the Company as at 31 March 2013 and the results, changes in equity and cash flows of the Group 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 and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
28 May 2013

Statements of financial position
As at 31 March 2013

		Group		Company	
	Note	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Assets					
Property, plant and equipment	4	905,353	765,487	658	11
Subsidiaries	5	–	–	272,173	230,073
Associates	6	68,793	63,385	27,896	27,451
Jointly controlled entities	7	4,531	2,279	1,924	2,309
Other financial assets	8	115	115	–	–
Deferred tax assets	9	6,461	6,319	–	–
Intangible assets	10	49,248	49,704	–	–
Non-current assets		1,034,501	887,289	302,651	259,844
Inventories	11	193,688	234,191	–	–
Trade and other receivables	12	249,958	184,818	105,635	76,043
Cash and cash equivalents	13	68,817	76,770	191	309
Current assets		512,463	495,779	105,826	76,352
Total assets		1,546,964	1,383,068	408,477	336,196
Equity					
Share capital	14	336,753	252,860	336,753	252,860
Reserves	15	352,867	303,537	34,943	40,205
Equity attributable to owners of the Company		689,620	556,397	371,696	293,065
Non-controlling interests		49,940	41,792	–	–
Total equity		739,560	598,189	371,696	293,065
Liabilities					
Trade and other payables	16	1,705	1,719	–	–
Financial liabilities	17	301,557	282,440	23,262	31,110
Deferred tax liabilities	9	22,186	18,113	–	–
Non-current liabilities		325,448	302,272	23,262	31,110
Trade and other payables	16	257,796	298,070	4,996	3,422
Financial liabilities	17	212,034	173,515	8,500	8,500
Current tax payable		12,126	11,022	23	99
Current liabilities		481,956	482,607	13,519	12,021
Total liabilities		807,404	784,879	36,781	43,131
Total equity and liabilities		1,546,964	1,383,068	408,477	336,196

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

Consolidated income statement
Year ended 31 March 2013

	Note	2013 $'000	2012 $'000 Restated
Revenue	19	836,933	719,758
Cost of sales		(522,069)	(456,739)
Gross profit		314,864	263,019
Other operating income	21	14,740	8,729
Distribution expenses		(31,656)	(29,199)
Administrative expenses		(51,315)	(49,891)
Other operating expenses		(126,651)	(113,615)
Results from operating activities		119,982	79,043
Finance expense	20	(25,322)	(22,464)
		94,660	56,579
Share of profits of associates (net of tax)		4,476	3,832
Share of profits/(losses) of jointly controlled entities (net of tax)		3,250	(2,427)
Profit before income tax	21	102,386	57,984
Income tax expense	22	(24,560)	(21,538)
Profit for the year		77,826	36,446
Attributable to:			
Owners of the Company		70,372	42,257
Non-controlling interests		7,454	(5,811)
Profit for the year		77,826	36,446
Earnings per share			
Basic earnings per share (cents)	23(a)	11.62	7.42
Diluted earnings per share (cents)	23(b)	11.57	7.42

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

Consolidated statement of comprehensive income
Year ended 31 March 2013

	2013 $'000	2012 $'000
Profit for the year	77,826	36,446
Other comprehensive income		
Share of other comprehensive income of an associate	39	–
Net (loss)/gain on translation of net investment in foreign entities	(2,052)	6,656
Other comprehensive income for the year, net of income tax	(2,013)	6,656
Total comprehensive income for the year	75,813	43,102
Attributable to:		
Owners of the Company	68,319	45,802
Non-controlling interests	7,494	(2,700)
Total comprehensive income for the year	75,813	43,102

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

Consolidated statement of changes in equity
Year ended 31 March 2013

	Note	Share capital $'000	Reserve for own shares $'000	Share option reserve $'000	Capital reserves $'000	Currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 April 2011		252,860	(1,780)	1,357	23,799	2,282	240,337	518,855	53,024	571,879
Total comprehensive income for the year										
Profit/(Loss) for the year		–	–	–	–	–	42,257	42,257	(5,811)	36,446
Other comprehensive income										
Net gain on translation of net investment in foreign entities		–	–	–	76	3,469	–	3,545	3,111	6,656
Total other comprehensive income		–	–	–	76	3,469	–	3,545	3,111	6,656
Total comprehensive income for the year		–	–	–	76	3,469	42,257	45,802	(2,700)	43,102
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Capital injection by non-controlling interest		–	–	–	–	–	–	–	6,957	6,957
Dividends	25	–	–	–	–	–	(8,546)	(8,546)	(90)	(8,636)
Total contributions by and distributions to owners of the Company		–	–	–	–	–	(8,546)	(8,546)	6,867	(1,679)

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

Consolidated statement of changes in equity
Year ended 31 March 2013

	Note	Share capital $'000	Reserve for own shares $'000	Share option reserve $'000	Capital reserves $'000	Currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests without changes in control		–	–	–	(263)	781	–	518	(15,631)	(15,113)
Dilution of interest in subsidiaries		–	–	–	(232)	–	–	(232)	232	–
Total changes in ownership interests in subsidiaries		–	–	–	(495)	781	–	286	(15,399)	(15,113)
Transfer to reserves		–	–	–	409	–	(409)	–	–	–
At 31 March 2012		252,860	(1,780)	1,357	23,789	6,532	273,639	556,397	41,792	598,189

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

Consolidated statement of changes in equity
Year ended 31 March 2013

	Note	Share capital $'000	Reserve for own shares $'000	Share option reserve $'000	Capital reserves $'000	Currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 April 2012		252,860	(1,780)	1,357	23,789	6,532	273,639	556,397	41,792	598,189
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	70,372	70,372	7,454	77,826
Other comprehensive income										
Share of other comprehensive income of an associate		–	–	–	39	–	–	39	–	39
Net gain/(loss) on translation of net investment in foreign entities		–	–	–	15	(2,107)	–	(2,092)	40	(2,052)
Total other comprehensive income		–	–	–	54	(2,107)	–	(2,053)	40	(2,013)
Total comprehensive income for the year		–	–	–	54	(2,107)	70,372	68,319	7,494	75,813

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

Consolidated statement of changes in equity
Year ended 31 March 2013

	Note	Share capital $'000	Reserve for own shares $'000	Share option reserve $'000	Capital reserves $'000	Currency translation reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Capital injection by non-controlling interests		–	–	–	–	–	–	–	1,442	1,442
Value of employee services received for issue of performance share		–	–	211	–	–	–	211	–	211
Cancellation of share options		–	–	(168)	–	–	–	(168)	–	(168)
Performance shares awarded using treasury shares		–	87	(101)	14	–	–	–	–	–
Issuance of shares by way of placement (net of expense)		82,141	–	–	–	–	–	82,141	–	82,141
Issuance of shares on exercise of share option		1,752	–	(394)	–	–	–	1,358	–	1,358
Dividends	25	–	–	–	–	–	(18,154)	(18,154)	(90)	(18,244)
Total contributions by and distributions to owners of the Company		83,893	87	(452)	14	–	(18,154)	65,388	1,352	66,740
Changes in ownership interests in subsidiaries										
Dilution of interest in subsidiaries		–	–	–	(484)	–	–	(484)	(698)	(1,182)
Total changes in ownership interests in subsidiaries		–	–	–	(484)	–	–	(484)	(698)	(1,182)
Transfer to reserves		–	–	–	827	–	(827)	–	–	–
At 31 March 2013		336,753	(1,693)	905	24,200	4,425	325,030	689,620	49,940	739,560

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

Consolidated statement of cash flows
Year ended 31 March 2013

	2013 $'000	2012 $'000
Operating activities		
Profit for the year	77,826	36,446
Adjustments for:		
Inventory written off	67	65
Impairment loss on intangible assets	54	160
Bargain purchase gain arising from acquisition of a subsidiary	–	(760)
Depreciation of property, plant and equipment	80,388	68,955
(Gain)/Loss on disposal of property, plant and equipment	(9,286)	11,759
Loss on disposal of intangible asset	–	14
Property, plant and equipment written off	35	96
Amortisation of intangible assets	761	632
Cost of long service and annual leave	6,122	4,472
Insurance claim recovered	–	(2,857)
Share of profits of associates	(4,476)	(3,832)
Share of (profits)/losses of jointly controlled entities	(3,250)	2,427
Loss on fair value adjustment on derivatives	3,308	274
Provisions made	90	563
Gain on liquidation of a jointly controlled entity	(132)	–
Share based payment expenses	43	–
Interest income	(1,040)	(1,396)
Finance expense	25,322	22,464
Income tax expense	24,560	21,538
Operating profit before working capital changes	200,392	161,020
Changes in working capital:		
Inventories	(60,465)	(132,262)
Trade and other receivables	(64,171)	(33,364)
Trade and other payables	(24,798)	124,216
Non-trade balances with related parties	1,988	(2,547)
Cash generated from operations	52,946	117,063
Income taxes paid	(19,629)	(11,954)
Payment for long service and annual leave and others	(5,038)	(3,823)
Net cash from operating activities	28,279	101,286

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

Consolidated statement of cash flows
Year ended 31 March 2013

	Note	2013 $'000	2012 $'000
Investing activities			
Purchase of property, plant and equipment		(102,926)	(125,919)
Purchase of intangible assets		(729)	(1,003)
Proceeds from disposal of property, plant and equipment		24,840	43,639
Investments in associates		(435)	(195)
Acquisition of subsidiaries	24	(3,220)	3,477
Proceeds on liquidation of a jointly controlled entity		286	–
Interest received		1,035	1,390
Dividends received from associates		732	439
Dividends received from jointly controlled entities		–	1,925
Net cash used in investing activities		(80,417)	(76,247)
Financing activities			
Proceeds from issuance of placement shares, net of transaction costs		82,141	–
Proceeds from issuance of shares on exercise of share options		1,358	–
(Repayment of)/Proceeds from trust receipts		(15,574)	17,139
Purchase of non-controlling interest in subsidiaries		–	(15,113)
Proceeds from bank loans		144,228	68,542
Repayment of bank loans		(119,361)	(71,316)
Capital injection by non-controlling interests		1,442	6,957
Loan to an associate		(1,800)	–
Loan to a jointly controlled entity		(100)	–
Repayment of loans by associates		–	29
Repayment of loans by jointly controlled entities		–	305
Proceeds from finance lease obligations		67,534	80,197
Repayment of finance lease obligations		(76,308)	(66,001)
Interest paid		(25,956)	(22,316)
Dividends paid to non-controlling interests		(90)	(90)
Dividends paid		(18,154)	(8,546)
Fixed deposits earmarked for certain banking facilities		7,687	(2,212)
Net cash from/(used in) financing activities		47,047	(12,425)
Net (decrease)/increase in cash and cash equivalents		(5,091)	12,614
Cash and cash equivalents at beginning of the year		66,816	53,975
Effect of exchange rate fluctuations on cash held		(751)	227
Cash and cash equivalents at end of the year	13	60,974	66,816

During the year ended 31 March 2013, the Group acquired property, plant and equipment with an aggregate cost of $139,417,000 (2012: $158,175,000) of which $36,491,000 (2012: $32,256,000) was acquired by means of finance leases. In addition, property, plant and equipment of $98,811,000 (2012: $99,237,000) was reclassified from inventories during the financial year, of which $67,534,000 (2012: $80,197,000) was financed by means of finance leases.

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 28 May 2013.

1 Domicile and activities

Tat Hong Holdings Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 18 Sungei Kadut Avenue, Singapore 729489.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are set out in note 5 below.

The immediate and ultimate holding company is Chwee Cheng & Sons Pte Ltd, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled entities.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value; and
- financial instruments at fair value through profit or loss are measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 estimates are revised and in any future periods affected.

Information about significant areas of assumption and estimation uncertainty that have the most significant effect on the amount recognised in the financial statements and that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – useful life and residual values of property, plant and equipment;
- Note 6 – impairment losses on investment in associates;
- Note 7 – impairment losses on investment in jointly controlled entities;
- Note 10 – assumptions of recoverable amounts relating to goodwill impairment;
- Note 11 – allowance for inventory obsolescence;
- Note 12 – impairment losses on trade receivables;
- Note 22 – income taxes;
- Note 24 – valuation of assets, liabilities and contingent liabilities acquired in business combinations; and
- Note 26 – valuation of financial instruments.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 31).

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All non-controlling interests are measured at acquisition-date at fair value or, when applicable, on the basis specified in another standard.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transactions costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries, and associates and jointly controlled entities in the separate financial statements

Investments in subsidiaries, associates and jointly controlled entities are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the respective functional currencies of Group entities at exchange rates at the date of the transactions. 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 April 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 April 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

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, and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.7) and foreign exchange differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

For those financial assets where there is no active market and where fair value cannot be measured reliably, they are measured at cost.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 Group classifies non-derivative financial liabilities into the other financial liabilities category. 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.

Other financial liabilities comprise financial liabilities and trade and other payables.

Financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When the financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

Share capital

Ordinary shares

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

Convertible redeemable preference shares

Convertible redeemable preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Convertible redeemable preference shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Distribution of non-cash assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at each reporting date and at the settlement dates with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transactions, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes in its fair value are recognised immediately in profit or loss.

3.4 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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 their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. 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 gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other operating income/other operating expenses in profit or loss.

Subsequent costs

The cost of replacing a component 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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Freehold properties	50 years
• Leasehold properties	Over the terms of the leases between 25 to 43 years
• Plant and machinery	10 to 20 years
• Furniture, fittings, office and workshop equipment	3 to 5 years
• Motor vehicles	5 years
• Vessels	12 years

No depreciation is provided on assets under construction.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of associates and jointly controlled entities is presented together with investments in associates and jointly controlled entities, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and jointly controlled entities.

Goodwill is measured at cost less accumulated impairment losses, and tested for impairment.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation calculated over the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Customer relationships 1 to 7 years
- Computer software 3 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Inventories

Heavy machinery, equipment and spare parts

Inventories held for resale are stated at the lower of cost (principally specific identification and weighted average cost method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Cost of machinery and equipment is determined on specific identification cost basis. Cost of spare parts is calculated using weighted average cost basis.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

3.7 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any 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 (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. When a subsequent event causes the amount of the impairment losses to decrease, the decrease in impairment loss is reversed through profit or loss. Impairment losses on unquoted equity instruments, that are not carried at fair value because the fair value cannot be reliably measured, are measured as the difference between the equity instruments carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss recognised is not reversed in future periods.

Available-for-sale financial assets

Impairment losses on available-for-sale equity financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset of its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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 amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee 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 Group 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.

Long service leave

The liability for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employee's services provided up to the reporting date.

In determining the provision for long service leave, consideration has been given to future increases in wage and salary rates, expired settlement dates and experience with staff departures. Related on-costs, as described above, have also been included in the liability.

Provision for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attached to certain government securities at the reporting date, which most closely match the terms of maturity of the related liabilities.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group 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. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Reinstatement costs for leased property

A provision for reinstatement costs for leased property is recognised when an underlying make good obligation clause exists in property lease contracts.

The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date, based on current legal requirements and technology. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the reporting period.

The unwinding of the discount is recognised as finance cost.

3.10 Revenue recognition

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Sale of equipment, machinery and spare parts

Revenue from sale of equipment, machinery and spare parts are recognised upon the delivery to the customer which is taken to be the point in time when the significant risks and rewards of ownership have been transferred to the customer. Revenue excludes goods and services taxes and is arrived at after deduction of 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.

Dividend

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

3.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.12 Finance expense

Finance expense comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.13 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 equity or 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:

- temporary differences on 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;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group will be able to control the timing of the reversal of the temporary difference and that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.14 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary and convertible redeemable preference shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary and convertible redeemable preference shareholders of the Company by the weighted average number of ordinary and convertible redeemable preference shares outstanding during the year, adjusted for its own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary and convertible redeemable preference shareholders and weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants issued and share options granted to employees.

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3.16 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2012, 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 Group.

4 Property, plant and equipment

Group	Note	Freehold land $'000	Freehold properties $'000	Leasehold properties $'000	Assets under construction $'000	Plant and machinery $'000	Furniture, fittings, office and workshop equipment $'000	Motor vehicles $'000	Vessels $'000	Total $'000
Cost										
At 1 April 2011		10,384	14,073	34,920	–	718,837	13,179	44,381	30,782	866,556
Additions		3,592	3,489	19,231	2,682	120,590	2,710	2,804	3,077	158,175
Disposals/Write offs		–	–	(252)	–	(70,401)	(421)	(1,826)	(9,860)	(82,760)
Reclassification from inventories		–	–	–	–	87,859	–	–	11,378	99,237
Acquisition of subsidiaries/ businesses	24	–	–	–	–	2,824	42	33	–	2,899
Translation difference on consolidation		(6)	(1,186)	(211)	(84)	4,507	299	745	(18)	4,046
At 31 March 2012		13,970	16,376	53,688	2,598	864,216	15,809	46,137	35,359	1,048,153
Additions		9,549	7,618	11,801	2,815	91,921	4,085	8,494	3,134	139,417
Disposals/Write offs		–	–	(71)	–	(31,089)	(752)	(2,260)	(131)	(34,303)
Reclassification		–	–	2,598	(2,598)	–	–	–	–	–
Reclassification from inventories		–	–	–	–	92,592	–	–	6,219	98,811
Translation difference on consolidation		(25)	1,152	(872)	–	(4,880)	(176)	4,513	(56)	(344)
At 31 March 2013		23,494	25,146	67,144	2,815	1,012,760	18,966	56,884	44,525	1,251,734

Group	Note	Freehold land $'000	Freehold properties $'000	Leasehold properties $'000	Assets under construction $'000	Plant and machinery $'000	Furniture, fittings, office and workshop equipment $'000	Motor vehicles $'000	Vessels $'000	Total $'000
Accumulated depreciation and impairment losses										
At 1 April 2011		781	6,080	12,355	–	189,935	8,622	18,759	6,399	242,931
Depreciation charge for the year		–	416	1,949	–	58,338	1,859	4,130	2,263	68,955
Disposals/Write offs		–	–	(227)	–	(22,970)	(297)	(1,577)	(2,195)	(27,266)
Translation difference on consolidation		–	(1,199)	21	–	(1,702)	307	627	(8)	(1,954)
At 31 March 2012		781	5,297	14,098	–	223,601	10,491	21,939	6,459	282,666
Depreciation charge for the year		–	594	2,564	–	67,419	2,273	4,385	3,153	80,388
Disposals/Write offs		–	–	(32)	–	(17,081)	(401)	(1,110)	(86)	(18,710)
Translation difference on consolidation		–	1,178	(15)	–	(844)	(108)	1,857	(31)	2,037
At 31 March 2013		781	7,069	16,615	–	273,095	12,255	27,071	9,495	346,381
Carrying amounts										
At 1 April 2011		9,603	7,993	22,565	–	528,902	4,557	25,622	24,383	623,625
At 31 March 2012		13,189	11,079	39,590	2,598	640,615	5,318	24,198	28,900	765,487
At 31 March 2013		22,713	18,077	50,529	2,815	739,665	6,711	29,813	35,030	905,353

Property, plant and equipment with carrying amount of $322,900,000 (2012: $279,980,000) were acquired under finance lease arrangements.

Impairment losses

No impairment loss was recognised on property, plant and equipment during the years ended 31 March 2012 and 2013.

Company	**Furniture, fittings, office and workshop equipment $'000**
Cost	
At 1 April 2011	30
Additions	3
At 31 March 2012	33
Additions	726
Write off	(5)
At 31 March 2013	754
Accumulated depreciation	
At 1 April 2011	17
Depreciation charge for the year	5
At 31 March 2012	22
Depreciation charge for the year	79
Write off	(5)
At 31 March 2013	96
Carrying amounts	
At 1 April 2011	13
At 31 March 2012	11
At 31 March 2013	658

The carrying amount of the property, plant and equipment is depreciated on a straight-line basis over the remaining useful life of each property, plant and equipment. Management reviews and revises the estimates of the remaining useful life and residual values of the property, plant and equipment at the end of each financial year based on their age and condition at that time. Changes in the way the property, plant and equipment are used and other factors (such as market or technological factors) could impact the useful life and residual values of the property, plant and equipment, therefore future depreciation charges could be revised. Any changes in the useful life and residual values of the property, plant and equipment would impact the depreciation charges and consequently affect the Group's and the Company's results.

5 Subsidiaries – Company

	2013 $'000	**2012 $'000**
Unquoted shares in subsidiaries, at cost	44,438	42,116
Loans to subsidiaries	227,735	187,957
	272,173	230,073

Loans to subsidiaries which form part of the Company's net investments in subsidiaries, are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in subsidiaries, they are stated at cost.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Place of incorporation	Effective equity interest held by the Group 2013 %	2012 %
Tat Hong HeavyEquipment (Pte.) Ltd.[1] and its subsidiaries:	Trading, reconditioning, repairing and supply of heavy machinery and equipment	Singapore	100	100
Tat Hong Machinery Pte Ltd[1] and its subsidiary:	Supply of spare parts	Singapore	100	100
Tat Hong Flo-Line Pte Ltd[1]	Reconditioning, repair and testing services of hydraulic pumps and motors	Singapore	60	60
Hup Hin Transport Co Pte Ltd[1] and its subsidiaries:	Provision of lorry transport and crane service	Singapore	70	70
Chip Eng Engineering Works Pte Ltd[1]	Provision of rental of leasehold property and machinery, servicing and trading of machinery	Singapore	70	70
Hup Hin Transport (M) Sdn Bhd[18]	Manufacturing and repair of lifting gears, handling of heavy equipment, crane towing and recovery services	Malaysia	42*	42*
Load Controls Systems Pte Ltd[1]	Supply of scientific and precision equipment	Singapore	70	70
Tat Hong Crane Logistics Sdn Bhd[2]	Reprocessing, reconditioning, repair and trading of heavy machinery and equipment	Malaysia	100	100
Tat Hong (Thailand) Co., Ltd[3]	Rental of construction equipment and provision of parts and related services	Thailand	100	100
Tat Hong Plant Leasing Pte Ltd[1] and its subsidiaries:	Rental of heavy machinery and equipment and holding of investments	Singapore	100	100
Tat Hong United Logistics Pte Ltd[1]	Provision of transportation and logistics services	Singapore	100	100

Name of subsidiaries	Principal activities	Place of incorporation	Effective equity interest held by the Group	
			2013	2012
			%	%
TH Heavylift Pte Ltd[4]	Liquidated	Singapore	–	95
Tat Hong Heavylift Pte Ltd[1]	Crane rental, heavy lifting, haulage and erection service	Singapore	100	100
Peng Koon Heavy Machinery Pte Ltd[1]	Supply of heavy machinery and equipment, motor trucks and motor lorries	Singapore	70	70
Tat Hong Offshore and Marine Services Pte Ltd[1]	Provision of offshore and marine services	Singapore	50*	50*
PT Tat Hong Batam[5]	Rental of property	Indonesia	100	100
PT World Wide Equipment South East Asia[5]	Repair and maintenance services of machinery and heavy equipment	Indonesia	100	100
Tat Hong Crane Hire Pte Ltd[19]	Dormant	Singapore	100	100
Tat Hong Training Services Pte Ltd[1]	Provision of training courses and management consultancy work	Singapore	100	100
Leadpoint Pte Ltd[1] and its subsidiary:	Investment holding	Singapore	70	70
Dyno Engineering Pte Ltd[1]	Manufacturer and trading of construction equipment	Singapore	70	70
Tat Hong International Pte Ltd[1] and its subsidiaries:	Investment holding	Singapore	100	100
Tat Hong Plant Hire Sdn Bhd[6]	Rental of heavy machinery, industrial equipment and cranes	Malaysia	100	100
Tat Hong Crane Rental (Sarawak) Sdn Bhd[2]	Rental of cranes and heavy equipment	Malaysia	100	–
Tat Hong Industrial Properties Sdn Bhd[2]	Investment holding	Malaysia	100	–
KP Equipment Services Inc.[4]	In the process of voluntary liquidation	Philippines	100	100
PT Tatindo HeavyEquipment[7]	Distribution of heavy equipment and spare parts	Indonesia	95	95

Name of subsidiaries	Principal activities	Place of incorporation	Effective equity interest held by the Group 2013 %	2012 %
PT Tat Hong Heavy Equipment Indonesia[7]	Distribution and wholesale of machinery, equipment and supplies	Indonesia	100	–
Tat Hong HeavyEquipment Middle East FZE[8]	Liquidated	United Arab Emirates	–	100
Tat Hong Heavy Equipment Middle East LLC[8]	Liquidated	United Arab Emirates	–	49*
Tat Hong Equipment Co. Ltd[9]	Import, export, trade and lease industrial and construction machinery and equipment; repair and maintain industrial machine and equipment of construction and lease warehouses	Vietnam	100	100
Tat Hong HeavyEquipment (Hong Kong) Limited[10] and its subsidiary:	Rental of heavy equipment and related services	Hong Kong	100	100
Tat Hong HeavyEquipment (Macau) Limited[10]	Rental of heavy equipment and related services	Macau	100	100
Tat Hong (V.N.) Pte Ltd[1] and its subsidiary:	Investment holding	Singapore	70	70
Tat Hong Vietnam Co., Ltd[11]	Rental of heavy equipment and machineries and provision of related services	Vietnam	70	70
Tutt Bryant Group Limited[17] and its subsidiaries:	Supply of construction equipment and related services	Australia	100	100
Tat Hong Equipment Finance Pty Ltd[17]	In the process of voluntary liquidation	Australia	100	100
BT Equipment Pty Ltd[17]	Supply of heavy machinery, equipment and related services	Australia	100	100
EQR Investments Pty Ltd[17] and its subsidiaries:	Investment holding	Australia	100	100
Office Cleaning Services Pty Ltd[17] (EQ Hire Vic)	Rental of equipment	Australia	100	100

Name of subsidiaries	**Principal activities**	**Place of incorporation**	**Effective equity interest held the group 2013 %**	**2012 %**
North Sheridan Pty Ltd[17]	General hire operations	Australia	100	100
Kingston Industries Pty Ltd[17] and its subsidiaries:	Plant hire services and contracting for heavy haulage, compaction services, civil engineering, rail maintenance and excavation	Australia	100	100
Kingston Industries (WA) Pty Ltd[17]	Heavy haulage	Australia	100	100
Relsok Pty Ltd[17]	Property holding	Australia	100	100
Falconer Administration Trust[17]	Provision of trust administration services	Australia	100	100
Muswellbrook Crane Services Pty Ltd[17]	Provision of crane rental and related services	Australia	100	100
Tat Hong Equipment (China) Pte. Ltd.[1] and its subsidiaries:	Investment holding	Singapore	100	100
Shanghai Tat Hong Equipment Rental Co., Ltd.[12,20]	Rental of tower cranes and other construction machineries	People's Republic of China	90	90
Tat Hong Zhaomao Investment Co., Ltd[12,20]	Investment holding	People's Republic of China	75	75
China Nuclear Huaxing TatHong Machinery Construction Co., Ltd[13,20]	Rental of construction machinery and heavy lifting equipment, installation and related engineering services and supplies	People's Republic of China	71	71
Jiangsu Zhongjian Tat Hong Equipment Rental Co., Ltd (formerly known as Jiangsu Zheng He TatHong Equipment Rental Co., Ltd)[14,20]	Rental, maintenance and repair of construction machines and equipment, sale of construction equipment and, technology consultancy and related technical services	People's Republic of China	93	96
BeiJing Tat Hong ZhaoMao Equipment Rental Co. Ltd[15,20]	Rental of construction machinery and heavy lifting equipment, installation and related engineering services & supplies	People's Republic of China	62	61
Si Chuan Tat Hong Yuan Zheng Machinery Construction Co., Ltd.[16,20]	Rental of construction machinery and heavy lifting equipment, installation and related engineering services and supplies	People's Republic of China	53	52

Name of subsidiaries	Principal activities	Place of incorporation	Effective equity interest held the group 2013 %	2012 %
Jiangsu Hengxingmao Financial Leasing Co., Ltd. [12,20]	Rental of tower cranes and other construction machineries	People's Republic of China	100	–
Tat Hong Zhiyuan (Jiangsu) Equipment Rental Co. Ltd[12,20]	Rental of construction machinery and heavy lifting equipment, installation and related engineering services and supplies	People's Republic of China	75	–

* Although the Group owns 50% or less than half of the voting power of these companies, it is able to govern the financial and operating policies of the companies by virtue of agreement with the other investors. Consequently, the Group consolidates its investments in the companies as subsidiaries of the Group.

1 Audited by KPMG Singapore.
2 Not audited as it was recently incorporated.
3 Audited by KPMG Bangkok.
4 Not required to be audited as the company is in the process of voluntary liquidation.
5 Audited by Jamaludin, Aria, Sukimto & Rekan Registered Public Accountants.
6 Audited by KPMG Petaling Jaya.
7 Audited by Yuwono, H & Rekan Registered Public Accountant.
8 Audited by HLB Hamt Chartered Accountants.
9 Audited by DNP Auditing-Financial Consulting Co. Ltd.
10 Audited by Baker Tilly Hong Kong.
11 Audited by Moore Stephens International Limited, Vietnam.
12 Audited by 上海宏大东亚会计师事务所有限公司 for local statutory reporting purpose.
13 Audited by 扬州新扬会计师事务所有限公司 for local statutory reporting purpose.
14 Audited by 北京恒介会计师事务所 for local statutory reporting purpose.
15 Audited by 北京东审会计师事务所 for local statutory reporting purpose.
16 Audited by 广东中兴华会计师事务所有限公司 for local statutory reporting purpose.
17 Audited by KPMG Sydney.
18 Audited by MS Wong & Co.
19 Not required to be audited as the company was dormant during the financial year.
20 Audited by KPMG Huazhen, Shanghai for group consolidation purpose.

6 Associates

	Group 2013 $'000	Group 2012 $'000
Investments in associates	68,793	63,347
Loans to associates – interest free	–	38
	68,793	63,385

	Company 2013 $'000	Company 2012 $'000
Quoted equity shares	34,472	34,037
Unquoted equity shares	349	264
	34,821	34,301
Loans to associates – interest free	–	38
	34,821	34,339
Less: Impairment loss	(6,925)	(6,888)
	27,896	27,451

	Group and Company 2013 $'000	Group and Company 2012 $'000
Market value of quoted equity shares	29,973	27,862

Loans to associates which form part of the Group's net investments in associates are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Group's net investment in the associates, they are stated at cost.

Movements in allowance for impairment losses are as follows:

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 April	6,888	6,888	6,888	6,888
Impairment losses recognised during the year	37	–	37	–
At 31 March	6,925	6,888	6,925	6,888

The recoverable amount for listed associates was determined based on value-in-use calculations using discounted cash flow projections of estimated future dividends to be received from the listed associates. The pre-tax discount rates applied range from 3.22% to 5.05% (2012: 8.00%).

The Group assessed the recoverable amount of a non-listed associate as the cost of investment exceeds the net asset value of the investment. Based on management's assessment, an impairment loss of $37,000 was recognised in profit or loss. The estimated recoverable amount of the non-listed associate was determined based on fair value less cost to sell.

No impairment loss was recognised on investments in associates in 2012.

The financial information of the associates, not adjusted for the percentage ownership held by the Group is as follows:

	Group 2013 $'000	Group 2012 $'000
Revenue	328,151	324,667
Expenses	(311,632)	(309,857)
Profit before income tax	16,519	14,810
Income tax expense	(5,094)	(4,949)
Profit for the year	11,425	9,861
Non-current assets	159,170	137,345
Current assets	398,415	386,766
Current liabilities	(259,792)	(230,336)
	138,623	156,430
Non-current liabilities	(51,577)	(59,503)
Net assets	246,216	234,272

The summarised financial information relating to the associates is not adjusted for the percentage of ownership held by the Group.

The Group's share of the contingent liabilities of the associates is $Nil (2012: $Nil).

Details of associates are as follows:

Name of associates	Principal activities	Place of incorporation	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Group 2012 %
THL Foundation Equipment Pte Ltd and its subsidiaries	Trading and rental of construction equipment and related parts	Singapore	45	45
Tat Hong Properties Sdn Bhd	Dormant	Malaysia	30	30
Kian Ho Bearings Ltd	Stockists, distributors and retailers in bearings and seal products	Singapore	32	31
Yongmao Holdings Limited and its subsidiaries	Manufacture and sale of tower cranes	Singapore	24	24
R&D Holdings Pte Ltd and its subsidiary	Precision engineering and mould making	Singapore	21	21
Global Heavyequipment Sdn Bhd	Rental of construction equipment and provision of parts and related services	Malaysia	49	49

Name of associates	Principal activities	Place of incorporation	Effective equity interest held by the Group 2013 %	2012 %
EMC Cranes (KL) Sdn. Bhd.	Dormant	Malaysia	22	22
KT Lion Oilfield Services Limited	Dormant	British Virgin Islands	30	30

7 Jointly controlled entities

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Investments in jointly controlled entities	4,531	2,166	7,882	7,968
Loans to jointly controlled entities	–	113	–	113
	4,531	2,279	7,882	8,081
Less: Impairment loss	–	–	(5,958)	(5,772)
	4,531	2,279	1,924	2,309

Loans to jointly controlled entities which form part of the Group's net investments in jointly controlled entities are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Group's net investment in the jointly controlled entities, they are stated at cost.

Movement in allowance for impairment losses is as follows:

	Company	
	2013 $'000	2012 $'000
At 1 April	5,772	3,062
Impairment losses recognised during the year	186	2,710
At 31 March	5,958	5,772

Two of the jointly controlled entities have been making losses for the past few years and accordingly an impairment assessment was carried out by the management. The recoverable amount of these jointly controlled entities' assets is estimated based on their fair value less costs to sell. Accordingly, the Company recognised an impairment loss of $186,000 (2012: $2,710,000) during the financial year.

Particulars of the jointly controlled entities are as follows:

Name of company	Principal activities	Place of incorporation	Effective equity interest held by the Group 2013 %	2012 %
Girdnal Oilfield Services Inc.	Dormant	United States	50	50
Global Oilfield Services Pte Ltd	Liquidated	Singapore	–	50
Tat Hong Energy Pte Ltd and its subsidiary:	Dormant	Singapore	50	50
PT Tat Hong Energy Indonesia	Dormant	Indonesia	50	50
T.B.F. Oceania Pty Ltd	Provide lifting, logistic and transport service	Australia	50	50
Tat Hong (PNG) Limited	Crane hire, general plant and equipment hire, and wholesale of machinery, equipment and suppliers	Papua New Guinea	50	50

The Group's share of the jointly controlled entities' results, assets and liabilities is as follows:

	2013 $'000	2012 $'000
Revenue	8,310	2,295
Expenses	(3,943)	(4,622)
Profit/(Loss) before income tax	4,367	(2,327)
Income tax expense	(1,117)	(100)
Profit/(Loss) for the year	3,250	(2,427)
Non-current assets	2,018	3,994
Current assets	6,649	2,163
Current liabilities	(1,111)	(3,802)
	5,538	(1,639)
Non-current liabilities	(3,025)	(189)
Net assets	4,531	2,166

The Group's share of the capital commitments and contingent liabilities of the jointly controlled entities is $Nil (2012: $Nil) respectively.

8 Other financial assets

	Group	
	2013	**2012**
	$'000	**$'000**
Available-for-sale		
Unquoted equity shares – at cost	115	115

9 Deferred tax assets and liabilities – Group

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 April 2011 $'000	Recognised in profit or loss (note 22) $'000	Acquisition of a subsidiary (note 24) $'000	Translation difference on consolidation $'000	At 31 March 2012 $'000	Recognised in profit or loss (note 22) $'000	Translation difference on consolidation $'000	At 31 March 2013 $'000
Deferred tax assets								
Property, plant and equipment	355	(181)	–	(1)	173	260	(1)	432
Unabsorbed wear and tear allowances and unutilised tax losses	82	2,080	–	(6)	2,156	901	18	3,075
Allowances	5,655	(406)	–	29	5,278	(163)	44	5,159
Other items	653	(603)	–	–	50	547	(2)	595
	6,745	890	–	22	7,657	1,545	59	9,261
Deferred tax liabilities								
Property, plant and equipment	(14,220)	(3,991)	(63)	(41)	(18,315)	(7,163)	76	(25,402)
Other items	(219)	(1,058)	–	141	(1,136)	1,525	27	416
	(14,439)	(5,049)	(63)	100	(19,451)	(5,638)	103	(24,986)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are included in the statement of financial position as follows:

	2013 $'000	2012 $'000
Deferred tax liabilities	(22,186)	(18,113)
Deferred tax assets	6,461	6,319
	(15,725)	(11,794)

Unutilised tax losses of the Group amounting to $833,000 (2012: $3,331,000) expire between 2017 and 2018 (2012: 2016 and 2017). The remaining unutilised tax losses and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets of $131,000 (2012: $116,000) have not been recognised in respect of the following temporary differences:

	2013 $'000	2012 $'000
Deductible temporary differences	386	283
Unutilised tax losses and capital allowances	384	402

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

10 Intangible assets – Group

	Note	2013 $'000	2012 $'000
Goodwill arising on consolidation			
At 1 April		55,928	55,441
Goodwill arising on acquisition of a subsidiary	24	54	160
Translation difference on consolidation		(481)	327
At 31 March		55,501	55,928
Less:			
Accumulated amortisation and impairment loss			
At 1 April		7,655	7,456
Impairment loss		54	160
Translation difference on consolidation		(66)	39
At 31 March		7,643	7,655
Carrying amount		47,858	48,273

	Note	2013 $'000	2012 $'000
Customer relationships			
At 1 April		6,705	6,686
Write off		(3,492)	–
Translation difference on consolidation		(72)	19
At 31 March		3,141	6,705
Less:			
Accumulated amortisation			
At 1 April		6,705	6,686
Write off		(3,492)	–
Translation difference on consolidation		(72)	19
At 31 March		3,141	6,705
Carrying amount		–	–
Computer software			
At 1 April		3,878	2,969
Additions		729	1,003
Disposal		(229)	(122)
Translation difference on consolidation		(27)	28
At 31 March		4,351	3,878
Less:			
Accumulated amortisation			
At 1 April		2,447	1,910
Amortisation charge for the year		761	632
Disposal		(229)	(108)
Translation difference on consolidation		(18)	13
At 31 March		2,961	2,447
Carrying amount		1,390	1,431
Total carrying amounts		49,248	49,704

The amortisation and impairment loss is recognised in other operating expenses in profit or loss.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions or cash-generating units ("CGU"), which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not higher than the Group's operating segments as reported in note 27.

The carrying amounts of goodwill are allocated as follows:

	Group	
	2013	**2012**
	$'000	**$'000**
Tutt Bryant Group Limited and its subsidiaries ("Tutt Bryant Group")	46,721	47,138
Multiple units without significant goodwill	1,137	1,135
	47,858	48,273

The recoverable amount of Tutt Bryant Group CGU is determined based on value-in-use calculation, using cash flow projections derived from financial budgets derived from management's forecast results for the year ending 31 March 2013. Cash flows are projected using growth rates ranging from 0% to 3% (2012: 0% to 3%), based on management's knowledge and past experience of the businesses. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate of 3% (2012: 3%). A pre-tax discount rate of 12% (2012: 12.5%) was used in discounting the projected cash flows.

For the financial years ended 31 March 2012 and 2013, based on the impairment assessment performed by management, the carrying amount of the Tutt Bryant Group CGU was determined to be lower than its recoverable amount and no impairment loss was recognised.

The Group believes that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount.

11 Inventories – Group

	2013	**2012**
	$'000	**$'000**
Inventories for resale	187,228	211,266
Inventories in transit	7,518	22,587
Work-in-progress	3,454	3,636
	198,200	237,489
Allowance for inventory:		
At 1 April	3,299	4,886
Allowance made during the year	3,378	250
Inventory written off against allowance	(1,849)	(1,802)
Allowance write back during the year	(256)	–
Acquisition of subsidiaries	–	17
Translation difference on consolidation	(60)	(53)
At 31 March	4,512	3,298
	193,688	234,191

During the year, inventories recognised as cost of sales amounted to $285,891,000 (2012: $260,913,000). The allowance made during the year of $3,122,000 (2012: $250,000) are included in cost of sales.

A review is made periodically of inventory for excess inventory, obsolescence and decline in net realisable value below cost and an allowance is recorded against the inventory balance for any such decline. The review requires management to estimate future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the reporting date. Possible changes in these estimates could result in revisions to the valuation of inventory.

12 Trade and other receivables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	193,854	149,358	–	–
Allowance for receivables	(8,059)	(5,716)	–	–
	185,795	143,642	–	–
Non-trade receivables	4,091	4,045	–	–
Deposits:				
- for purchase of inventories	2,767	230	–	–
- for purchase of property, plant and equipment	1,975	2,999	–	–
- others	2,642	2,221	243	4
Staff loans and advances	341	337	–	–
Expenses recoverable	1,822	1,812	2	1
Interest receivable	–	11	–	–
Non-trade amounts due from:				
- companies which a non-controlling interest of a subsidiary has substantial interests	3,409	4,120	–	–
- subsidiaries	–	–	105,207	75,811
- an associate	2,550	750	–	–
- a jointly controlled entity	100	1,247	–	–
Trade amounts due from:				
- related corporations	5,396	2,730	–	–
- associates	14,855	8,018	–	–
- a jointly controlled entity	6,952	1,567	–	–
Loans and receivables	232,695	173,729	105,452	75,816
Advance payments	1,935	1,869	–	–
Prepayments	9,482	7,344	183	227
Tax recoverable	5,846	1,876	–	–
	249,958	184,818	105,635	76,043

Included in trade receivables as at 31 March 2013 is an amount of $2,662,000 (2012: $503,000) relating to bills receivable which are interest-free.

The non-trade amounts due from companies which a non-controlling interest of a subsidiary has substantial interests, subsidiaries and an associate are unsecured, and interest-free and repayable on demand. The non-trade amount due from a jointly controlled entity is unsecured, bears interest at rate of 7% (2012: 7%) per annum and is repayable on demand.

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, engage in a wide spectrum of manufacturing and distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

Impairment losses

The ageing of trade receivables and related parties balances at the reporting date is:

	Gross 2013 $'000	Impairment losses 2013 $'000	Gross 2012 $'000	Impairment losses 2012 $'000
Group				
Not past due	160,221	(112)	119,746	(451)
Past due 0 – 90 days	32,806	(564)	28,146	(238)
Past due 91 – 180 days	13,660	(322)	5,694	(290)
Past due 181 – 365 days	6,717	(2,715)	6,000	(3,004)
Past due more than one year	7,653	(4,346)	2,087	(1,733)
	221,057	(8,059)	161,673	(5,716)

The change in impairment loss in respect of trade receivables balances during the year is as follows:

	Group 2013 $'000	Group 2012 $'000
At 1 April	5,716	3,024
Impairment loss recognised	5,279	4,801
Amount reversed	(2,394)	(1,180)
Amount utilised	(537)	(989)
Translation difference	(5)	60
At 31 March	8,059	5,716

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 90 days, unless specifically provided for due to uncertainties in the collection of debts. These receivables are mainly arising by customers that have good payment records with the Group.

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases on the estimates on the ageing of the trade receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs could be higher than estimated.

13 Cash and cash equivalents

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Cash at banks and in hand		60,427	66,806	191	309
Fixed deposits with banks		8,390	9,964	–	–
		68,817	76,770	191	309
Fixed deposit earmarked for certain banking facilities		(1,805)	(9,492)		
Bank overdrafts (unsecured)	17	(6,038)	(462)		
Cash and cash equivalents in the consolidated statement of cash flows		60,974	66,816		

The effective interest rates relating to cash and cash equivalents, excluding bank overdrafts, at the reporting date for the Group range between 0.2% to 13% (2012: between 0.2% to 13%) per annum. Interest rates reprice within one year.

Cash and cash equivalents totalling the equivalent of $14,153,000 (2012: $12,468,000) are held in countries which operate foreign exchange controls.

The bank overdrafts of a subsidiary are guaranteed by the Company. The effective interest rate of the bank overdrafts at the reporting date for the Group range between 5.50% to 5.75% (2012: 5.25%) per annum. Interest rates reprice within one year.

14 Share capital – Company

	Ordinary shares 2013 No. of shares '000	Ordinary shares 2012 No. of shares '000	Convertible redeemable preference shares 2013 No. of Shares '000	Convertible redeemable preference shares 2012 No. of shares '000
Issued and fully-paid with no par value:				
At 1 April	506,627	506,627	65,000	65,000
Issue of shares pursuant to:				
- Conversion from convertible redeemable preference shares	53,300	–	(53,300)	–
- Share placement exercise	70,000	–	–	–
- Exercise of options	1,258	–	–	–
At 31 March, including treasury shares	631,185	506,627	11,700	65,000
Less: Treasury shares	(1,865)	(1,961)	–	–
At 31 March, excluding treasury shares	629,320	504,666	11,700	65,000

Convertible redeemable preference shares

Convertible redeemable preferences shares (“CRPS”) do not carry the right to vote unless it is a resolution proposed at a General Meeting to:

1. vary the rights attached to the CRPS;
2. wind-up the Company; or
3. appoint, re-appoint or remove any Director nominated by the Preference Shareholders (or any majority thereof).

The holders of the CRPS are entitled to receive annual dividend based on the following amounts:

- in respect of the first five financial years commencing from 1 April 2009, the dividend on each CRPS will carry similar dividend rights as declared from time to time to the ordinary shareholders of the Company; and
- For the financial year ending after 31 March 2014, unless and until the redemption of all the issued CRPS in full in accordance with the terms and conditions of the CRPS, and provided that the Company at its discretion has declared a dividend to ordinary shareholders at the same time or earlier, a dividend equal to 25% of the issue price of the CRPS will be paid on each CRPS.

Each CRPS shall be convertible into one ordinary share in the share capital of the Company. After the first anniversary of the date of issuance, the outstanding CRPS will be automatically converted into ordinary shares in the event the volume weighted average price of the ordinary shares of the Company as computed over a period of 30 trading days on the Singapore Stock Exchange was over 150% of the issue price (“mandatory conversion condition”). The conversion ratio will be subject to the usual anti-dilution adjustments and shall be mandatorily converted into ordinary share based on the above mandatory conversion condition:

- for the period commencing on the first anniversary and ending on the third anniversary of the date of issuance of CRPS, one-third of the outstanding CRPS shall be converted into ordinary shares;

- for the period commencing on the third anniversary and ending on the fourth anniversary of the date of issuance of CRPS, one-third of the outstanding CRPS plus a further half of the remaining and outstanding CRPS shall be converted into ordinary shares; and

- for the period commencing on the fourth anniversary and ending on the fifth anniversary of the date of issuance of CRPS, all remaining CRPS shall be converted.

Ordinary shares

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company’s residual assets.

Issue of ordinary shares

On 26 September 2012, 70,000,000 ordinary shares were issued at $1.20 per share as a result of a share placement exercise (2012: Nil).

During the financial year ended 31 March 2013, a total of 53,300,000 CRPS was converted to 53,300,000 ordinary shares at $1.00 per share (2012: Nil).

Additionally, 1,258,000 ordinary shares were issued as a result of the exercise of vested options arising from the Tat Hong Employee Share Option Scheme 2006 and Performance Share Plan granted to employees and key management. Options were exercised at $1.08 per option (see note 18) (2012: Nil).

Treasury shares

Movements in the Company's treasury shares were as follows:

	2013 No. of shares '000	2012 No. of shares '000
At 1 April	1,961	1,961
Treasury shares transferred pursuant to performance share plan	(96)	–
At 31 March	1,865	1,961

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issues new shares.

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares purchased are intended to be used for issuing shares under the Group's share option programme. Buy and sell decisions are made on a specific transaction basis by the Board; the Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, financial liabilities and trust receipts, less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

	Group	
	2013 $'000	2012 $'000
Trust receipts	42,762	58,918
Financial liabilities	513,591	455,955
Less: Cash and cash equivalents	(68,817)	(76,770)
Net debt	487,536	438,103
Total equity attributable to the owners of the Company	689,620	556,397
Gearing ratio	71%	79%

15 Reserves

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Reserve for own shares	(1,693)	(1,780)	(1,693)	(1,780)
Share option reserve	905	1,357	905	1,357
Capital reserves	24,200	23,789	14	–
Currency translation reserve	4,425	6,532	–	–
Accumulated profits	325,030	273,639	35,717	40,628
	352,867	303,537	34,943	40,205

Reserve for own shares comprises the cost of the Company's 1,865,000 (2012: 1,961,000) ordinary shares held by the Company.

The share option reserve comprises the cumulative value of employee services rendered for the issue of share options.

Capital reserves represent the amount capitalised from accumulated profits upon bonus issue by subsidiaries and effects arising from dilution and acquisition of interest in subsidiaries and associates. Capital reserves include statutory reserve funds of $3,202,000 (2012: $2,358,000) as at 31 March 2013.

Subsidiaries in the People's Republic of China ("PRC") follow the accounting principles and relevant financial regulations of the PRC ("PRC GAAP") relating to the appropriation of profit to a statutory reserve fund, which is not distributable.

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities as well as the translation of loans which form part of the Company's net investment in subsidiaries, associates and jointly controlled entities.

16 Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	146,935	205,389	455	366
Non-trade payables	15,873	21,443	–	–
Interest payable	511	862	–	–
Deposits received	6,643	4,389	–	–
Unclaimed dividends	8	7	8	7
Accrued operating expenses	28,758	27,514	3,190	1,564
Amounts due to:				
- related corporations	142	358	–	–
- associates	32,335	18,528	–	–
- a shareholder of a subsidiary	4,634	2,507	–	–
- a jointly controlled entity	2,848	750	750	750
Derivative financial instruments	5,308	2,285	386	571
Classified as financial liabilities	243,995	284,032	4,789	3,258
Liability for long service and annual leave	13,389	12,163	207	164
Provisions	1,076	1,242	–	–
Advance billings and advance receipts	1,041	2,352	–	–
	259,501	299,789	4,996	3,422
Classified as :				
Current	257,796	298,070	4,996	3,422
Non-current	1,705	1,719	–	–
	259,501	299,789	4,996	3,422

The amounts due to related corporations, associates, a shareholder of a subsidiary and a jointly controlled entity are non-trade in nature, unsecured, interest-free and repayable on demand.

Trade payables of the Group included trust receipts of certain subsidiaries amounting to $42,762,000 (2012: $58,712,000) which are guaranteed by the Company. The following table indicates the effective interest rates at the reporting date and the period in which they reprice:

Group	Effective interest rate %	Total $'000	Fixed interest rates maturing within 1 year $'000
2013			
Trust receipts	1.15 – 4.23	42,762	42,762
2012			
Trust receipts	1.19 – 2.55	58,712	58,712

Movements in provisions are as follows:

Group	Provision for warranty $'000	Provision for leased property reinstatement costs $'000	Total $'000
At 1 April 2011	661	273	934
Provision made during the year	497	66	563
Payments made during the year	(258)	–	(258)
Translation difference on consolidation	2	1	3
At 31 March 2012	902	340	1,242
Provision made during the year	182	80	262
Payments made during the year	(243)	–	(243)
Provisions reversed during the year	(172)	–	(172)
Translation difference on consolidation	(11)	(2)	(13)
At 31 March 2013	658	418	1,076

Provision for warranty claims are made by a subsidiary for claims received and claims expected to be received in relation to sales made prior to the reporting date, based on historical claims rates, adjusted for specific information arising from internal quality assurance processes.

The Group provides an amount to reinstate the premises upon termination of leases when this is a requirement specified in the terms of the leases. The amount provided is based on an estimate of likely costs to be incurred.

Movements in liability for long service and annual leave are as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 April	12,163	11,214	164	160
Provision made during the year	6,122	4,472	48	15
Payments made during the year	(4,795)	(3,565)	(5)	(11)
Translation difference on consolidation	(101)	42	–	–
At 31 March	13,389	12,163	207	164

17 Financial liabilities

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loans	52,386	45,640	–	–
Unsecured bank loans	110,037	106,558	18,000	26,500
Finance lease liabilities	139,134	130,242	–	–
Intra-group financial guarantees	–	–	5,262	4,610
	301,557	282,440	23,262	31,110
Current liabilities				
Secured bank loans	23,033	24,412	–	–
Unsecured bank overdrafts	6,038	462	–	–
Unsecured bank loans	98,576	81,903	8,500	8,500
Finance lease liabilities	84,387	66,738	–	–
	212,034	173,515	8,500	8,500
	513,591	455,955	31,762	39,610
Total loans and borrowings	513,591	455,955	26,500	35,000
Intra-group financial guarantees	–	–	5,262	4,610
Total financial liabilities	513,591	455,955	31,762	39,610

The secured bank loans are secured on property, plant and equipment with a carrying amount of $140,488,000 (2012: $103,642,000) and fixed deposits of $1,805,000 (2012: $9,492,000) (see note 13).

At 31 March 2013, the Group had obligations under finance leases that are repayable as follows:

	Payments 2013 $'000	**Interest 2013 $'000**	**Principal 2013 $'000**	**Payments 2012 $'000**	**Interest 2012 $'000**	**Principal 2012 $'000**
Repayable:						
Within 1 year	94,052	(9,665)	84,387	76,485	(9,747)	66,738
After 1 year but within 5 years	147,932	(8,798)	139,134	140,195	(9,953)	130,242
Total	241,984	(18,463)	223,521	216,680	(19,700)	196,980

Under the terms of the finance lease arrangements, no contingent rents are payable.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	2013 Face value $'000	2013 Carrying amount $'000	2012 Face value $'000	2012 Carrying amount $'000
Group						
S$ fixed rate loans	2.91% to 6.25%	2013 - 2015	6,196	6,196	10,325	10,325
S$ floating rate loans	1.17% to 4.05%	2013 - 2019	173,199	173,199	179,204	179,204
A$ fixed rate loans	4.12% to 8.09%	2012 - 2014	21,140	21,140	1,504	1,504
A$ floating rate loans	5.35%	2013	2,593	2,593	–	–
RMB floating rate loans	*PBOC + 1.00% to 1.25%	2013 - 2017	68,967	68,967	66,720	66,720
MYR fixed rate loans	5.25%	2014	305	305	477	477
HKD floating rate loans	1.5% below prime lending rate	2012	–	–	283	283
THB floating rate loans	COF + 1.75%	2016	11,632	11,632	–	–
Bank overdrafts	Prime lending rate + 0.5%	2013	6,038	6,038	462	462
Finance lease liabilities – fixed rate	1.70% to 14.41%	2012 - 2018	214,163	214,163	189,780	189,780
Finance lease liabilities – floating rate	Prime lending rate - 0.5% to Prime lending rate - 1.5%	2014 - 2015	9,358	9,358	7,200	7,200
			513,591	513,591	455,955	455,955
Company						
S$ floating rate loans	SOR + 1.5%	2016	26,500	26,500	35,000	35,000

* PBOC denotes People's Bank of China interest rates

The following indicates the effective interest rates at the reporting date and the period in which they reprice:

Group	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rates maturing within 1 year $'000	Fixed interest rates maturing within 1 to 5 years $'000
2013					
Secured loans					
- S$ floating rate	1.42% to 4.05%	33,211	33,211	–	–
- MYR fixed rate	5.07%	305	–	172	133
- RMB floating rate	1.76% to 8.63%	41,903	41,903	–	–
Unsecured loans					
- A$ fixed rate	4.12% to 8.09%	21,140	–	4,207	16,933
- A$ floating rate	5.35%	2,593	2,593	–	–
- RMB floating rate	6.72% to 8.00%	27,064	27,064	–	–
- THB floating rate	4.60%	11,632	11,632	–	–
- S$ fixed rate	2.91% to 6.25%	6,196	–	3,454	2,742
- S$ floating rate	1.17% to 4.05%	139,988	139,988	–	–
Finance lease liabilities	1.70% to 14.41%	223,521	9,358	79,366	134,797
Bank overdrafts	5.50% to 5.75%	6,038	6,038	–	–
		513,591	271,787	87,199	154,605

Group	**Effective interest rate**	**Total $'000**	**Floating interest rate $'000**	**Fixed interest rates maturing within 1 year $'000**	**within 1 to 5 years $'000**
2012					
Secured loans					
- S$ floating rate	1.47% to 3.8%	22,152	22,152	–	–
- MYR fixed rate	5.22%	477	–	167	310
- RMB floating rate	6.90% to 8.31%	47,423	47,423	–	–
Unsecured loans					
- A$ fixed rate	5.08% to 7.69%	1,504	–	1,218	286
- RMB floating rate	6.67% to 7.41%	19,297	19,297	–	–
- HKD floating rate	3.75%	283	283	–	–
- S$ fixed rate	2.91% to 6.25%	10,325	–	4,196	6,129
- S$ floating rate	1.39% to 2.61%	157,052	157,052	–	–
Finance lease liabilities	2.22% to 14.41%	196,980	7,200	63,460	126,320
Bank overdrafts	5.25%	462	462	–	–
		455,955	253,869	69,041	133,045
Company					
2013					
Financial liabilities					
Unsecured loans					
- S$ floating rate	1.61% to 1.88%	26,500	26,500	–	–
2012					
Financial liabilities					
Unsecured loans					
- S$ floating rate	1.69% to 1.89%	35,000	35,000	–	–

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	**Cash flows**			
Group		**Contractual cash flows**	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**
2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities					
Variable interest rate loans	256,391	(267,781)	(119,559)	(146,042)	(2,180)
Fixed interest rate loans	27,641	(27,919)	(8,042)	(19,877)	–
Finance lease liabilities	223,521	(241,984)	(94,052)	(147,932)	–
Bank overdrafts	6,038	(6,380)	(6,380)	–	–
Trade and other payables	238,687	(238,687)	(236,982)	(1,705)	–
	752,278	(782,751)	(465,015)	(315,556)	(2,180)

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2013					
Derivative financial liabilities					
Interest rate swap	480	(454)	(294)	(160)	–
Forward contracts					
- inflow	4,828	60,940	60,940	–	–
- outflow	–	(65,768)	(65,768)	–	–
	5,308	(5,282)	(5,122)	(160)	–
2012					
Non-derivative financial liabilities					
Variable interest rate loans	246,207	(261,184)	(107,957)	(150,058)	(3,169)
Fixed interest rate loans	12,306	(12,795)	(5,853)	(6,942)	–
Finance lease liabilities	196,980	(216,680)	(76,485)	(140,195)	–
Bank overdrafts	462	(486)	(486)	–	–
Trade and other payables	281,747	(281,747)	(280,028)	(1,719)	–
	737,702	(772,892)	(470,809)	(298,914)	(3,169)
Derivative financial liabilities					
Interest rate swap	765	(693)	(416)	(277)	–
Forward contracts					
- inflow	1,520	61,637	61,637	–	–
- outflow	–	(62,812)	(62,812)	–	–
	2,285	(1,868)	(1,591)	(277)	–
Company					
2013					
Non-derivative financial liabilities					
Variable interest rate loans	26,500	(27,259)	(8,921)	(18,338)	–
Trade and other payables	4,403	(4,403)	(4,403)	–	–
	30,903	(31,662)	(13,324)	(18,338)	–
Derivative financial liabilities					
Interest rate swap	386	(378)	(236)	(142)	–
2012					
Non-derivative financial liabilities					
Variable interest rate loans	35,000	(36,356)	(9,084)	(27,272)	–
Trade and other payables	2,687	(2,687)	(2,687)	–	–
	37,687	39,043	11,771	27,272	–
Derivative financial liabilities					
Interest rate swap	571	(284)	(284)	–	–

Intra-group guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $357,009,000 (2012: $350,078,000). The periods in which the financial guarantees expire are as follows:

	Company	
	2013	**2012**
	$'000	**$'000**
Less than 1 year	150,619	139,336
Between 1 and 5 years	206,390	210,742
	357,009	350,078

18 Share-based payment

Equity compensation benefits

Tat Hong Employee Share Option Scheme 2006 and Performance Share Plan

The Tat Hong Employee Share Option Scheme 2006 ("ESOS 2006") and Performance Share Plan ("PSP") (collective the "Scheme") were approved by the Company at its Extraordinary General Meeting on 8 December 2006. The Scheme is administered by the Option Shares/Performance Shares Plan Committee, comprising four directors, Mak Lye Mun (Chairman), Ng San Tiong, Ng Sun Ho and Ong Tiew Siam.

Other information regarding the Scheme is set out as follows:

- the Board of the Company may specify the vesting conditions which must be satisfied or waived by the Board before options and awards allocated under the Scheme may be dealt with;

- the exercise price for each share in respect of which an option is exercisable shall be a price equal to the market price;

- the options can be exercised 1 year after the grant; and
- the options granted expire after 5 years for non-executive directors and 10 years for the employees of the Company and its subsidiaries.

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding as at 1 April 2012	Options cancelled	Options exercised	Options outstanding as at 31 March 2013	Number of option holders as at 31 March 2013	Exercise period
30 September 2009	1.08	3,515,000	(115,000)	(1,258,000)	2,142,000	50	1 October 2010 – 30 September 2020
30 September 2009	1.08	400,000	–	–	400,000	4	1 October 2010 – 30 September 2015
		3,915,000	(115,000)	(1,258,000)	2,542,000		

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 March 2013	Aggregate options granted since commencement of Scheme to 31 March 2013	Aggregate options exercised since commencement of Scheme to 31 March 2013	Aggregate options outstanding as at 31 March 2013
Tan Chok Kian	–	100,000	–	100,000
Ong Tiew Siam	–	200,000	(200,000)	–
Leong Horn Kee	–	100,000	–	100,000
Mak Lye Mun	–	100,000	–	100,000
Low Seow Juan	–	100,000	–	100,000

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Disclosure of the Scheme

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2013 $	Number of options 2013 ’000	Weighted average exercise price 2012 $	Number of options 2012 ’000
Outstanding at 1 April	1.08	3,915	1.08	4,320
Exercised during the year	1.08	(1,258)	–	–
Cancelled during the year	1.08	(115)	1.08	(405)
Outstanding at 31 March	1.08	2,542	1.08	3,915
Exercisable at 31 March	1.08	2,542	1.08	3,915

The options outstanding at 31 March 2013 have an exercise price of $1.08 (2012: $1.08) and a weighted average contractual life of 5 years for non-executive directors and 10 years for executive directors and employees from the date of grant respectively, in accordance with the terms of the Scheme.

Inputs for measurement of grant date fair values

The grant date fair value of the rights granted through the employee share purchase plan was measured based on Trinomial Option Model Pricing ("TOPM"). The grant date fair value of all other share-based payment plans was measured based on TOPM. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Fair value of share options and assumptions	**As at 30 September 2009**
Fair value at grant date	$0.313
Share price at grant date	$1.05
Exercise price	$1.08
Expected volatility (weighted average volatility)	50%
Option life (expected weighted average life)	3 years
Expected dividends	$0.01 - $0.015
Risk-free interest rate (based on government bonds)	0.7%

19 Revenue – Group

Revenue comprises income from rental of equipment and machinery, material and related labour charges to customers and invoiced trading sales (refer to note 27).

All inter-company transactions have been eliminated in arriving at the Group's revenue.

20 Finance expense – Group

	2013 $'000	**2012 $'000**
Interest paid and payable to:		
- banks	11,720	9,861
- finance lease payable	13,178	11,958
Cost of borrowing	710	629
(Gain)/Loss on fair value adjustment on derivatives	(286)	16
Finance expense	25,322	22,464

21 Profit before income tax – Group

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

	Note	2013 $'000	2012 $'000
Other operating income			
Bargain purchase gain arising from acquisition of a subsidiary		–	760
Gain on disposal of property, plant and equipment		9,286	–
Gain on liquidation of a jointly controlled entity		132	–
Insurance claims recovered		–	2,857
Interest income		1,040	1,396
Rental income		1,409	1,086
Trade receivable recovered		27	39
Others		2,846	2,591
		14,740	8,729
Staff costs			
Wages and salaries		124,380	103,207
Contributions to defined contribution plans		9,080	8,700
Cost of long service leave and annual leave		6,122	4,472
Value of employee services received for issue of performance shares		211	–
		139,793	116,379
Key management personnel compensation:			
Compensation payable to key management personnel comprises:			
Short-term employee benefits		13,290	9,313
Post employment benefits		223	129
Value of employee services received for issue of performance shares		132	–
		13,645	9,442

	Note	2013 $'000	2012 $'000
Other expenses			
Allowance for inventories made	11	3,122	250
Allowance for trade receivables	12	2,885	3,621
Amortisation of intangible assets	10	761	632
Audit fees paid to:			
- auditors of the Company		430	348
- other auditors		682	466
Trade receivables written off		13	10
Depreciation of property, plant and equipment	4	80,388	68,955
Directors' fees:			
- directors of the Company:			
- payable by the Company		470	380
- payable by subsidiary		141	144
- directors of the subsidiaries		880	472
Exchange gain		(357)	(4,934)
Impairment loss on investment in associates	6	37	–
Impairment loss on intangible assets	10	54	160
Inventory written off		67	65
Loss on fair value adjustment on derivatives, net		3,308	274
Loss on disposal of property, plant and equipment		–	11,759
Non-audit fees paid to:			
- auditors of the Company		92	66
- auditors of subsidiaries		166	23
Operating lease expenses		13,208	11,695
Property, plant and equipment written off		35	96
Provisions made (net)	16	90	563

	No of directors 2013	No of directors 2012
Directors' remuneration bands		
Company's directors receiving remuneration from the Group:		
Number of directors in remuneration band:		
- $500,000 and above	3	3
- $250,000 to $499,999	1	1
- below $250,000	6	6
	10	10

22 Income tax expense – Group

Recognised in profit or loss	**2013 $'000**	**2012 $'000**
Current tax expense		
Current year	21,403	18,154
Over provision in respect of prior years	(2,470)	(1,749)
Foreign taxes suffered	1,534	974
	20,467	17,379
Deferred tax expense		
Movement in temporary differences	3,503	2,938
Under provision in respect of prior years	590	1,221
	4,093	4,159
Income tax expense	24,560	21,538

Reconciliation of effective tax rate

	2013 $'000	2012 $'000
Profit before income tax	102,386	57,984
Tax calculated using Singapore tax rate of 17% (2012: 17%)	17,406	9,857
Effect of tax rates in foreign jurisdictions	4,152	3,830
Effect of utilisation of capital allowances and tax losses previously not recognised	(474)	(420)
Effect of concessionary tax rate	(464)	(209)
Foreign taxes suffered	1,534	974
Non-deductible expenses	4,009	7,218
Over provision in respect of prior years	(1,880)	(528)
Unrecognised deferred tax assets during the year	15	13
Other items, net	262	803
	24,560	21,538

Significant judgement is required in determining the capital allowances, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences, wear and tear allowances, and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The carrying amounts of the Group's and the Company's current income tax liabilities and deferred tax assets and liabilities are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Current tax payable	12,126	11,022	23	99
Deferred tax assets	6,461	6,319	–	–
Deferred tax liabilities	22,186	18,113	–	–

23 Earnings per share – Group

(a) Basic earnings per share

The calculation of earnings per share is based on:

	2013	**2012**
	$'000	**$'000**
Profit attributable to ordinary and convertible redeemable preference shareholders	70,372	42,257

	Number of shares	
	2013	**2012**
	'000	**'000**
Weighted average number of shares	605,851	569,666

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on:

	2013	**2012**
	$'000	**$'000**
Profit attributable to ordinary and convertible redeemable preference shareholders	70,372	42,257

	Number of shares	
	2013	**2012**
	'000	**'000**
Weighted average number of shares used in the calculation of basic earnings per share	605,851	569,666
Adjustment for potential dilutive shares under Tat Hong Employee Share Option Scheme 2006	2,542	–
	608,393	569,666

As at 31 March 2013, the Group has a contractual obligation to convert 50,662,556 (2012: 50,662,556) warrants into 50,662,556 (2012: 50,662,556) new ordinary shares in the share capital of the Company at $2.50 each for cash commencing on 8 February 2009. The warrants were not included in the computation of diluted earnings per share because the warrants were anti-dilutive. The warrants expire on 2 August 2013.

As at 31 March 2013, there were 2,542,000 (2012: 3,915,000) share options which were issued on 30 September 2009 and are available for conversion to ordinary shares. The share options are deemed to be dilutive (2012: anti-dilutive) for the purpose of computing diluted earnings per share.

24 Acquisition of interest in subsidiaries

(i) Acquisition of subsidiaries

(a) Tat Hong Equipment Co. Ltd

During the financial year ended 31 March 2012, the Group accounted for its acquisition of the remaining equity interest of 51% in Tat Hong Equipment Co. Ltd for a purchase consideration of $1,381,000.

The effect of the acquisition is summarised as follows:

	Note	2012 $'000 Carrying amounts	2012 $'000 Fair value adjustments	2012 $'000 Recognised value
Property, plant and equipment	4	842	–	842
Trade and other receivables		42	–	42
Inventories		1,045	–	1,045
Cash and cash equivalents		681	–	681
Trade and other payables		(216)	–	(216)
Total identifiable assets		2,394	–	2,394
Fair value of the existing interest in the acquiree				(1,173)
Goodwill on consolidation	10			160
Cash consideration paid				1,381
Less: Cash and cash equivalents acquired				(681)
Net cash outflow				700

The fair value of the property, plant and equipment has been determined based on the directors' estimate of the amount that the Group could obtain, at acquisition date, from the disposal of the property, plant and equipment in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, the directors have made their best assessment, taking into account the conditions and current information available to them, including recent transactions for similar assets within the same industry.

(b) Tat Hong (Thailand) Co., Ltd

In December 2011, the Group acquired the remaining equity interest of 51% in Tat Hong (Thailand) Co., Ltd for a purchase consideration of $132,000. From the date of acquisition, Tat Hong (Thailand) Co., Ltd contributed revenue of $1,642,000 and loss for the year of $417,000 to the Group's results. If the acquisition had occurred on 1 April 2011, management estimates that the contributed revenue would have been $5,692,000 and the consolidated profit for the year would have been $187,000.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2011. The effect of the acquisition is summarised as follows:

	Note	2012 $'000 Carrying amounts	2012 $'000 Fair value adjustments	2012 $'000 Recognised value
Property, plant and equipment	4	1,683	374	2,057
Trade and other receivables		1,974	–	1,974
Current tax receivable		143	–	143
Inventories		55	–	55
Cash and cash equivalents		4,309	–	4,309
Trade and other payables		(6,726)	–	(6,726)
Deferred tax liabilities	9	–	(63)	(63)
Total identifiable assets		1,438	311	1,749
Fair value of the existing interest in the acquiree				(857)
Bargain purchase gain recognised in other operating income	21			(760)
Cash consideration paid				132
Less: Cash and cash equivalents acquired				(4,309)
Net cash inflow				(4,177)

The fair value of the property, plant and equipment has been determined based on the independent valuer assessment, at the acquisition date, from the disposal of the property, plant and equipment in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal.

(c) Jiangsu Hengxingmao Financial Leasing Co., Ltd ("HXM")

In August 2012, the Group acquired 100% equity interest in HXM for a purchase consideration of $3,275,000. The effect of the acquisition is summarised as follows:

	Note	2013 $'000 Carrying amounts	2013 $'000 Fair value adjustments	2013 $'000 Recognised value
Other receivables		3,173	–	3,173
Cash and cash equivalents		55	–	55
Other payables		(7)	–	(7)
Total identifiable net assets		3,221	–	3,221
Goodwill on consolidation	10			54
Cash consideration paid				3,275
Less: Cash and cash equivalents acquired				(55)
Net cash outflow				3,220

(ii) Acquisition of non-controlling interests

(a) PT World Wide Equipment South East Asia ("PTWW")

During the year ended 31 March 2012, a subsidiary of the Company acquired additional equity interest of 50% in PTWW for a purchase consideration of $8,175,000, increasing its equity interest held from 50% to 100%. The carrying amount of PTWW's net assets in the Group's financial statements on the date of acquisition was $12,231,000. The Group recognised a decrease in non-controlling interests and capital reserves of $6,789,000 and $2,124,000 respectively and an increase in currency translation reserve of $738,000.

(b) Jiangsu Zhongjian Tat Hong Equipment Rental Co., Ltd [formerly known as Jiangsu Zheng He TatHong Equipment Co., Ltd ("JZTH")]

During the year ended 31 March 2012, a subsidiary of the Company acquired additional equity interest of 45% in JZTH for a purchase consideration of $6,938,000 increasing its effective equity interest held from 55% to 96%. The carrying amount of JZTH's net assets in the Group's financial statements on the date of acquisition was $20,027,000. The Group recognised a decrease in non-controlling interests of $8,842,000 and an increase in capital reserves and currency translation reserve of $1,861,000 and $43,000 respectively.

25 Dividends

	Group and Company	
	2013	2012
	$'000	$'000
Final dividend paid of 1.5 cents (2012: 0.5 cents) per ordinary share	7,571	2,523
Final dividend paid of 1.5 cents (2012: 0.5 cents) per share to convertible redeemable preference shareholders	975	325
Interim dividend paid of 1.5 cents (2012: 1.0 cents) per ordinary share	8,633	5,048
Interim dividend paid of 1.5 cents (2012: 1.0 cents) per share to convertible redeemable preference shareholders	975	650
	18,154	8,546

After the reporting date, the directors proposed the following dividends. The dividends have not been provided for.

	Group and Company	
	2013	2012
	$'000	$'000
Proposed dividend of 2.5 cents (2012: 1.5 cents) per share to:		
- ordinary shareholders	15,733	7,571
- convertible redeemable preference shareholders	293	975
	16,026	8,546

26 Financial instruments

Overview

The Group's activities in the normal course of business expose it to credit, liquidity and market risks. The Group's risk management approach seeks to minimise the potential material adverse effects from these exposures.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The committee reports to the Board of Directors on the outcome of its review and discussions and makes recommendations from time to time on matters arising and requiring the attention of the Board.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the potential financial loss to the Group if a customer or counterparty to settle its financial and contractual obligations to the Group as and when it fall due. Credit risk is managed and monitored through the application of credit approvals, performing credit evaluations and setting credit limits. For trade receivables, the Group adopts the policy of dealing only with customers with appropriate credit history to mitigate credit risk. The Group also monitors the collectability on an on-going basis.

The Group establishes an allowance for impairment that represents its estimates of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group 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.

Investments and bank transactions are allowed with counter-parties that meet the appropriate credit criteria and are of high credit standing. As such, management does not expect any counter-party to fail to meet its obligations. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when it falls due. The Group'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 normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group focuses on ensuring the matching maturities of the Group's assets and liabilities. A sufficient amount of credit facilities from financial institutions have been secured and an adequate level of funding is maintained. The Group will also maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

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

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation or trading. It is not in the interest of the Group to speculate or trade in treasury instruments. The purpose of engaging in treasury transactions is solely for hedging.

The Group has establishments in countries other than Singapore. These establishments are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in these countries. In addition, the Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital market. Although these circumstances may be beyond its control, the Board and the management consistently keep themselves up-to-date on the changes in political and industry regulations so as to be able to anticipate or respond to any adverse changes in market conditions in an efficient and timely manner.

Interest rate risk

The Group's interest rate risk is managed on an on-going basis with the objective to limit the extent to which the Group's results could be affected by an adverse movement in interest rate. The Group's cash balances are placed with reputable banks. For financing obtained through borrowings and finance lease arrangements, the Group's policy is to obtain the most favourable interest rates available. Where necessary, the Group will use derivative financial instruments to hedge the interest rate risks or to convert borrowings from floating rates to fixed rates.

At the reporting date, the interest rate profile of the Group's and Company's interest-bearing financial instruments were:

	Group Carrying amount		**Company Carrying amount**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Variable rate instruments				
Fixed deposits	8,390	9,964	–	–
Financial liabilities	(271,787)	(253,869)	(26,500)	(35,000)
	(263,397)	(243,905)	(26,500)	(35,000)

Sensitivity analysis

A change of 100 bp in interest rate at the reporting date would (decrease)/increase profit before tax (and accumulated profits) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	**100 bp increase $'000**	**100 bp decrease $'000**
2013		
Variable rate instruments	(2,634)	2,634
2012		
Variable rate instruments	(2,439)	2,439

	Profit or loss	
	100 bp increase $'000	**100 bp decrease $'000**
Company		
2013		
Variable rate instruments	(265)	265
2012		
Variable rate instruments	(350)	350

Foreign currency risk

The foreign currency risk of the Group arises from sales and purchases that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily Japanese Yen, United States dollars, Euro, Thai Baht, Malaysian ringgit, Vietnam dong, Hong Kong dollars and the Australian dollars. Exposure to foreign currency risk is monitored on an ongoing basis by the Group to ensure that the net exposure is at an acceptable level.

The Group aims to reduce the exposures of the net position in each currency by using foreign currency borrowings in the respective foreign subsidiaries, and use external forward contracts with financial institution where appropriate. With the exception of Tutt Bryant Group Limited which has their own Board-approved policies and procedures to manage their foreign currency risks, all treasury transactions are approved and/or executed by Group Treasury, whereby only authorised staff can transact with the banks on behalf of the Group.

The Group has established guidelines and procedures to manage its foreign currencies hedging policies. It continuously monitors the exchange rates of the currencies concerned and enters into hedging contracts with banks from time to time to reduce the adverse impact on the Group's profitability.

The Group's and the Company's exposure to foreign currencies and the sensitivity to a 10% strengthening of the respective functional currencies of the Group's entities against the foreign currencies, are shown below. A 10% strengthening of the respective functional currencies of the Group's entities against the foreign currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Singapore dollars $'000	US dollars $'000	Malaysian ringgit $'000	Japanese Yen $'000	Euro $'000	Australian dollars $'000	Thai Baht $'000	Vietnam dong $'000	Hong Kong dollars $'000	Others $'000	Total $'000
Group											
2013											
Trade and other receivables	8,387	24,787	1,801	215	10,764	2	4,397	2,617	3,345	1,590	57,905
Cash and cash equivalents	1,738	4,426	119	2,321	192	7,689	–	1,556	–	114	18,155
Trade and other payables	(20,677)	(55,847)	(588)	(63,600)	(26,199)	(1,205)	–	(1,127)	(67)	(3,629)	(172,939)
Forward exchange contracts held	–	2,568	–	50,374	7,710	5,068	–	–	–	–	65,720
Loan from holding company	(20,546)	(6,552)	(68)	–	–	–	–	–	–	–	(27,166)
Loan to subsidiaries	112	6,336	–	–	–	–	–	–	–	–	6,448
Loans to jointly controlled entities	–	–	–	–	–	–	–	–	–	97	97
	(30,986)	(24,282)	1,264	(10,690)	(7,533)	11,554	4,397	3,046	3,278	(1,828)	(51,780)
Sensitivity analysis – income statement	1,055	2,407	(133)	1,069	753	(1,155)	(440)	(305)	(328)	193	3,116
Sensitivity analysis – equity	2,043	22	7	–	–	–	–	–	–	(10)	2,062

	Singapore dollars $'000	US dollars $'000	Malaysian ringgit $'000	Japanese Yen $'000	Euro $'000	Australian dollars $'000	Thai Baht $'000	Vietnam dong $'000	Hong Kong dollars $'000	Others $'000	Total $'000
Group											
2012											
Trade and other receivables	10,958	44,467	3,765	14,173	3,424	107	2,411	3,640	5,291	–	88,236
Cash and cash equivalents	10,148	12,041	150	1,556	2,999	1,431	–	–	–	18	28,343
Trade and other payables	(10,944)	(71,729)	(744)	(129,890)	(21,906)	(4,244)	(4)	–	–	(556)	(240,017)
Forward exchange contracts held	–	302	–	56,969	13,397	–	–	–	–	–	70,668
Loan from holding company	(6,924)	(60,961)	–	–	–	–	–	–	–	–	(67,885)
Loan to subsidiaries	112	61,084	–	–	–	–	–	–	–	–	61,196
Loans to associates	–	38	–	–	–	–	–	–	–	–	38
Loans to jointly controlled entities	–	113	–	–	–	–	–	–	–	1,246	1,359
	3,350	(14,645)	3,171	(57,192)	(2,086)	(2,706)	2,407	3,640	5,291	708	(58,062)
Sensitivity analysis – income statement	(1,016)	1,492	(317)	5,719	209	271	(241)	(364)	(529)	54	5,278
Sensitivity analysis – equity	681	(27)	–	–	–	–	–	–	–	(125)	529

	2013			2012		
	US dollars $'000	**Australian dollars $'000**	**Total $'000**	**US dollars $'000**	**Australian dollars $'000**	**Total $'000**
Company						
Loans to associates	–	–	–	38	–	38
Loans to jointly controlled entities	–	–	–	113	–	113
Cash and cash equivalents	2	7	9	3	7	10
	2	7	9	154	7	161
Sensitivity analysis	–*	–*	–*	(15)	–*	(16)

* Less than S$1,000

A 10% weakening of Singapore dollars 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.

Recognised assets and liabilities

The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies as at 31 March 2013 is $4,828,000 (2012: $1,520,000) which has been recognised as fair value derivative liabilities.

The fair value of interest rate swaps used as economic hedges as at 31 March 2013 is $480,000 (2012: $765,000) which has been recognised as fair value derivative liabilities.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual period to maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker's quotes.

Non-derivative financial liabilities

Fair value of financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

Other financial assets and liabilities

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, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Financial instruments by category

Set out below is a comparison by category of carrying amounts of all the Group's and the Company's financial instruments that are carried in the financial statements:

Assets

Group	**Loans and receivables $'000**	**Available-for-sale financial assets $'000**	**Total $'000**	**Fair value $'000**
2013				
Cash and cash equivalents	68,817	–	68,817	68,817
Trade and other receivables	232,695	–	232,695	232,695
Other financial investments	–	115	115	115
	301,512	115	301,627	301,627
2012				
Cash and cash equivalents	76,770	–	76,770	76,770
Trade and other receivables	173,729	–	173,729	173,729
Other financial investments	–	115	115	115
	250,499	115	250,614	250,614
Company				
2013				
Cash and cash equivalents	191	–	191	191
Trade and other receivables	105,452	–	105,452	105,452
	105,643	–	105,643	105,643
2012				
Cash and cash equivalents	309	–	309	309
Trade and other receivables	75,816	–	75,816	75,816
	76,125	–	76,125	76,125

Liabilities

Group	Financial liabilities at amortised cost $'000	Financial liabilities at fair value through profit or loss $'000	Total $'000	Fair value $'000
2013				
Trade and other payables	238,687	5,308	243,995	243,995
Financial liabilities	513,591	–	513,591	495,127
	752,278	5,308	757,586	739,122
2012				
Trade and other payables	281,747	2,285	284,032	284,032
Financial liabilities	455,955	–	455,955	441,194
	737,702	2,285	739,987	725,226
Company				
2013				
Trade and other payables	4,403	386	4,789	4,789
Financial liabilities	31,762	–	31,762	31,762
	36,165	386	36,551	36,551
2012				
Trade and other payables	2,687	571	3,258	3,258
Financial liabilities	39,610	–	39,610	39,610
	42,297	571	42,868	42,868

Fair value hierarchy

The following defines the fair value hierarchy of financial instruments carried at fair value, by valuation method:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2013, in order to determine the fair value of the forward exchange contracts and interest rate swaps, management had obtained independent valuation from banks, which was based on valuation techniques in which significant inputs were based on observable market data. The forward exchange contracts and interest rate swaps were analysed as Level 2 as the inputs used for the valuation were based on observable market data.

	Level 1 $'000	Level 2 $'000	Total $'000
Group			
2013			
Derivative financial liabilities	–	5,308	5,308
2012			
Derivative financial liabilities	–	2,285	2,285
Company			
2013			
Derivative financial liabilities	–	386	386
2012			
Derivative financial liabilities	–	571	571

27 Operating segments

(a) Business segments

The Group has four reportable segments as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they are located in different geographical areas and require different marketing strategies. For each of the strategic business unit, the Group's chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Crane rental:	The rental income of cranes.
Tower crane rental:	The rental income of tower cranes.
General equipment rental:	The equipment rental income of other construction equipment.
Distribution:	The sales of cranes and other construction equipment, spare parts, and provision of other ancillary services.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's chief operating decision maker. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

	Crane rental $'000	Tower crane rental $'000	General equipment rental $'000	Distribution $'000	Total $'000
2013					
Revenue and expenses					
Total revenue from external customers	307,446	74,515	92,639	362,333	836,933
Inter-segment revenue	45,346	7,450	–	132,998	185,794
Total revenue	352,792	81,965	92,639	495,331	1,022,727
Results					
Interest income	631	39	103	230	1,003
Depreciation expense	(43,620)	(12,374)	(20,716)	(3,598)	(80,308)
Amortisation expense	(354)	(48)	(197)	(162)	(761)
Reportable segment profit before income tax	85,302	14,153	12,580	24,025	136,060
Share of profit of associates (net of tax)	1,630	–	–	2,846	4,476
Share of profit of jointly controlled entities (net of tax)	3,017	–	–	233	3,250
Other material non-cash items:					
- Allowance made for receivables	(2,215)	–	(186)	(484)	(2,885)
- Allowance made for inventories	–	–	–	(3,122)	(3,122)
- Gain/(Loss) on disposal of property, plant and equipment	6,180	(92)	928	2,270	9,286
- Impairment loss on intangible assets	–	(54)	–	–	(54)
- Inventories written off	–	–	–	(67)	(67)
Other segment information					
Reportable segment assets	795,397	263,739	137,723	258,701	1,455,560
Investment in associates	18,318	–	–	50,475	68,793
Investment in jointly controlled entities	4,295	–	–	236	4,531
	22,613	–	–	50,711	73,324
Capital expenditure	38,038	49,363	22,672	28,618	138,691
Reportable segment liabilities	47,664	22,538	5,359	176,327	251,888

Information about reportable segments

	Crane rental $'000	Tower crane rental $'000	General equipment rental $'000	Distribution $'000	Total $'000
2012					
Revenue and expenses					
Total revenue from external customers	224,987	58,713	96,889	339,169	719,758
Inter-segment revenue	31,193	3,229	–	163,235	197,657
Total revenue	256,180	61,942	96,889	502,404	917,415
Results					
Interest income	453	345	263	308	1,369
Depreciation expense	(35,333)	(12,143)	(18,152)	(3,321)	(68,949)
Amortisation expense	(236)	(47)	(199)	(150)	(632)
Reportable segment profit/(losses) before income tax	56,918	(13,390)	15,929	34,669	94,126
Share of profit of associates (net of tax)	2,500	–	–	1,332	3,832
Share of loss of jointly controlled entities (net of tax)	(2,427)	–	–	–	(2,427)
Other material non-cash items:					
- Allowance made for receivables	(499)	(2,499)	(331)	(292)	(3,621)
- Allowance made for inventories	–	–	–	(250)	(250)
- Gain/(Loss) on disposal of property, plant and equipment	2,820	(15,749)	294	876	(11,759)
- Impairment loss on intangible assets	(160)	–	–	–	(160)
- Inventories written off	–	–	–	(65)	(65)
- Bargain purchase gain arising from acquisition of a subsidiary	760	–	–	–	760
Other segment information					
Reportable segment assets	633,253	183,232	134,122	316,891	1,267,498
Investment in associates	20,010	–	–	43,375	63,385
Investment in jointly controlled entities	2,279	–	–	–	2,279
	22,289	–	–	43,375	65,664
Capital expenditure	40,559	46,326	33,597	37,606	158,088
Reportable segment liabilities	44,383	14,768	10,490	218,504	288,145

Reconciliations of reportable segment profit or loss, assets and liabilities and other material items

	2013 $'000	2012 $'000
Profit or loss		
Total reportable segment profit before income tax	136,060	94,126
Elimination of inter-segment profits	(6,652)	(8,254)
Unallocated amounts:		
- Other corporate expenses	(34,748)	(29,293)
Share of profits of associates (net of tax)	4,476	3,832
Share of profits/(losses) of jointly controlled entities (net of tax)	3,250	(2,427)
Consolidated profit before income tax	102,386	57,984
Assets		
Total reportable segment assets	1,455,560	1,267,498
Investment in associates	68,793	63,385
Investment in jointly controlled entities	4,531	2,279
Other unallocated assets	18,080	49,906
Consolidated total assets	1,546,964	1,383,068
Liabilities		
Total reportable segment liabilities	251,888	288,145
Other unallocated liabilities	555,516	496,734
Consolidated total liabilities	807,404	784,879

(b) Geographical segments

	ASEAN $'000	Australia $'000	People's Republic of China $'000	Other regions $'000	Consolidated $'000
2013					
Total revenue from external customers	356,223	385,416	74,515	20,779	836,933
Non-current assets*	432,277	352,660	222,479	20,624	1,028,040
2012					
Total revenue from external customer	270,345	380,132	58,713	10,568	719,758
Non-current assets*	369,373	329,657	163,795	18,145	880,970

*Non-current assets exclude deferred tax assets.

(c) Major customers

There are no major customers who solely account for 10% or more of the Group's revenue.

28 Commitments – Group

Operating lease commitments

As at 31 March 2013, the commitments of the Group for minimum lease payments under non-cancellable operating leases are as follows:

	2013 $'000	2012 $'000
Within 1 year	32,253	13,453
Between 1 and 5 years	23,340	24,011
More than 5 years	31,257	14,559
	86,850	52,023

The Group leases motor vehicles and a number of premises for production, warehouse and office purposes under operating leases. The leases typically run for an initial period of two to forty-three years, with options to renew the leases after that date. Lease payments are subject to increases annually to reflect market rentals. None of the leases includes contingent rentals.

The Group leases out its plant and machinery (refer to note 4). Non-cancellable operating lease rentals are receivable as follows:

	2013 $'000	2012 $'000
Within 1 year	38,176	45,593
Between 1 and 5 years	5,473	1,290
More than 5 years	3,785	–
	47,434	46,883

Capital commitments

Authorised cost not contracted for	36,802	29,966
Contracted for but not provided for	39,510	25,997

29 Significant related party transactions – Group

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, there were significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year as follows:

	2013 $'000	2012 $'000
Transactions with companies in which certain directors of the Company have substantial financial interests		
Rental income	3,309	3,275
Sales	5,591	8,174
Purchases	82	1,695
Hiring charges	6	7
Transactions with associates of the Group		
Rental income	646	682
Sales	93	351
Purchases	34,188	31,140
Hiring charges	1,251	105
Transactions with jointly controlled entities of the Group		
Rental income	4,383	1,254
Sales	198	–
Purchases	912	–
Hiring charges	2,253	578
Transactions with related parties		
Rental income	10,660	12,512
Hiring charges	–	368

30 Subsequent events

Grant of award of shares under the Performance Share Plan ("PSP")

On 30 April 2013, the Shares Options/Performance Shares Plan Committee granted awards of shares under the PSP totalling 384,000 shares of which 96,000 shares were vested on 30 April 2013 to be satisfied from the Company's holding of treasury shares.

Agreement for joint venture in Myanmar

On 16 May 2013, the Company entered into a non-binding agreement with various parties to establish a joint venture company in Singapore to carry out the business of rental of cranes and distribution of cranes and excavators in Myanmar.

The Company will have 40% interest in the joint venture company and its contribution to the share capital of the joint venture company of US$1.2 million will be funded by the company's internal cash resources.

31 Comparative information

During the current year, the Group modified the income statement classification of staff costs of certain employees to reflect more appropriately the way in which economic benefits are derived from the function of the employees in the Group as follows:

Group	As previously stated 2012 $'000	Reclassifications 2012 $'000	Restated 2012 $'000
Consolidated income statement			
Distribution expenses	(20,212)	(8,987)	(29,199)
Administrative expenses	(14,579)	(35,312)	(49,891)
Other operating expenses	(157,914)	44,299	(113,615)

Since the amounts are reclassifications within operating activities in the income statement, these reclassifications did not have any effect on the statements of financial position and statement of cash flows.