

Issuer: IPS Securex Holdings Limited

Security: IPS Securex Holdings Limited

Meeting details:

Date: 25 October 2017

Time: 10.00 a.m.

Venue: Eagle's View Room, Level 2, Seletar Country Club, 101 Seletar Club Road, Singapore 798273

Company Description

IPS Securex Holdings Limited, through its subsidiaries, provides security products and integrated security solutions in Singapore and internationally. The company operates through two segments, Security Solutions Business, and Maintenance and Leasing Business. It designs, supplies, installs, tests, commissions, maintains, and leases security products and integrated security solutions to address various security requirements, including checkpoint security, law enforcement, and the protection and surveillance of buildings and critical infrastructure. The company's homeland security products include cargo inspection and explosives detection systems, acoustic communication devices, and mass notification systems; mobile workflow engine software platform; radar and sensor information networks; non-lethal countermeasure systems; megapixel cameras; and security, access control, time, and attendance, as well as security monitoring and surveillance systems for security and defense, transportation, energy, the environment, critical infrastructure, and healthcare markets. Its general security products comprise access control solutions that prevent unauthorized access and restrict access to sensitive areas; video monitoring solutions for investigation and deterrence of incidents that cause harm, loss, and damage; and mass notification products for public announcement and to evacuate people in emergency situations, as well as other enhancements, such as background music and hearing assistive technology for the hearing impaired. The company also provides customer, maintenance, project management, repair, consultancy, and training services, as well as spare parts. IPS Securex Holdings Limited was founded in 1986 and is based in Singapore. IPS Securex Holdings Limited operates as a subsidiary of IPS Technologies Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42N)

Q1. As shown in the Financial Highlights (page 9), revenue has slipped from \$15.7 million in FY2015, to \$12.8 million in FY2016, and to \$11.6 million in FY2017. Over the same period, the group has reported profit/(loss) of \$2.3 million, \$2.3 million and \$(2.5) million respectively.

In particular, the Security solutions segment has seen its segment revenue drop from \$10.1 million in FY2015, to \$7.6 million in FY2016 and to \$5.9 million in FY2017.

- a) Despite rising tensions and increasing uncertainty, sales of security solutions have slipped. **Other than the uncertain political environment which affected orders, can management help shareholders understand the specific challenges in securing sales in the security solutions segment?**
- b) **What is the group's market share in the respective markets? Can shareholders understand if the group is making good progress in gaining/maintaining market share?**
- c) **How complete and how competitive is the portfolio of security products and solutions offered by the group?**
- d) **As the group is getting ready to co-manufacture and launch Hyperwhistle, can shareholders understand the targeted markets/customers, and what is management's estimate of the addressable market? What are the investments needed to launch a new product such as a Hyperwhistle?**

Q2. In the Chairman's Statement (page 2), it was disclosed that the group "has also moved into the co-manufacturing of the Hyperwhistle, which is positioned as the world's smallest and loudest whistle, together with its partner, Wattle Corporation".

- a) **Can shareholders understand what the group means by "co-manufacturing"? Specifically, would the group be acquiring manufacturing sites and setting up manufacturing lines?**
- b) **What expertise and skills-sets are there in the group to ensure that the group can run and manage the "co-manufacturing" of such security products efficiently?**
- c) **Would such security products need to be accredited to meet certain standards? Are there additional product liabilities related to the manufacturing of security products?**
- d) **What is the expected capital expenditure? How is the group going to fund this new business segment of co-manufacturing?**

Q3. On 7 October 2016, the company announced that the then-Independent Auditors included a qualified opinion in their Independent Auditors' Report - the basis for qualified opinion being the inability to obtain sufficient appropriate audit evidence over a customer's ability to repay the remaining trade receivables of \$4,659,067.

For the financial year ended 30 June 2017, "Valuation of trade receivables" remains a key audit matter in the Independent Auditors' Report by the current Independent Auditors (page 44 of the annual report) and the relevant section detailing the developments in 2017 is reproduced, as follows:

"As at 30 June 2017, the outstanding amount receivable from the customer was \$4,752,254. Management exercised its rights to offset an amount of \$1,759,837 payable to a supplier, who is a related party of the customer, against the outstanding receivable of \$4,752,254 due from the customer. The amounts that are offset are irrevocable. Subsequent to the offset, management recognised an allowance for doubtful debts in profit or loss on the remaining trade receivable of \$2,992,417".

- a) As management is responsible for the preparation of financial statements to give a true and fair view in accordance with the provisions of the Act and FRSS, how has the company improved its preparation of financial statements? Specifically, in applying the group's accounting policies, has management been more prudent in its critical accounting estimates?
- b) Would the audit committee (AC) explain what guidance it has given to management to improve the group's preparation of financial statements, in particular, relating to the relevance and consistency of accounting policies, significant financial reporting issues, recommendations and judgements made by the external auditors?
- c) As the group has significant concentration of credit risk (top 5 (2016:3) customers accounting for 55.9% (2016: 67.8%) of total trade and other receivables in 2017), has the board/AC reviewed the robustness of the credit risk policy and considered the need for a review of the group's credit risk policy?