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WATERS PACIFIC PTE. LTD.

(Incorporated in Singapore. Registration Number: 200512450H)

ANNUAL REPORT

For the financial year ended 31 December 2017

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

WATERS PACIFIC PTE. LTD.

(Incorporated in Singapore. Registration Number: 200512450H)

ANNUAL REPORT

For the financial year ended 31 December 2017

WATERS PACIFIC PTE. LTD.

(Incorporated in Singapore)

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WATERS PACIFIC PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the member together with the audited financial statements for the financial year ended 31 December 2017.

In the opinion of the directors,

- (a) the financial statements as set out on pages 6 to 38 are as drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; 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.

Directors

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

Mark Tyrell Beaudouin
Yvonne Deborah Talon

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which a director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
Ultimate holding corporation				
- Waters Corporation				
(No. of ordinary shares)				
Mark Tyrell Beaudouin	10,254	10,961	-	-
Yvonne Deborah Talon	714	1,071	-	-
(No. of unissued ordinary shares under option)				
Mark Tyrell Beaudouin	123,241	153,193	-	-
Yvonne Deborah Talon	15,205	12,753	-	-

WATERS PACIFIC PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Share options

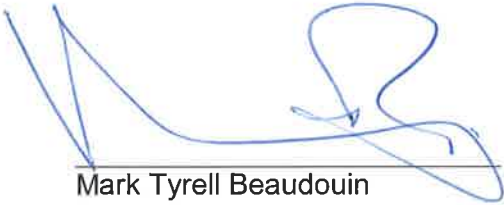
No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.



Mark Tyrell Beaudouin
Director

11 June 2018



Yvonne Deborah Talon
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF WATERS PACIFIC PTE. LTD.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Waters Pacific Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2017;
- the balance sheet as at 31 December 2017; the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF WATERS PACIFIC PTE. LTD.
(continued)

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF WATERS PACIFIC PTE. LTD.
(continued)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 11 June 2018

WATERS PACIFIC PTE. LTD.**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2017*

	Notes	2017 US\$'000	2016 US\$'000
Revenue	4	381,917	368,722
Cost of sales	6	(176,344)	(170,273)
Gross profit		205,573	198,449
Other income	5(a)	18,977	13,645
Other gains/(losses)	5(b)	3,784	(1,582)
Expenses			
- Distribution and marketing	6	(64,907)	(61,665)
- Research and development	6	(3,699)	(3,355)
- Administrative	6	(3,674)	(3,443)
Profit before income tax		156,054	142,049
Income tax expense	7(a)	(1,734)	(1,520)
Profit after tax		154,320	140,529
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value losses	19	(330)	(535)
Other comprehensive loss, net of tax		(330)	(535)
Total comprehensive income		153,990	139,994

The accompanying notes form an integral part of these financial statements

WATERS PACIFIC PTE. LTD.**BALANCE SHEET***As at 31 December 2017*

	Notes	2017 US\$'000	2016 US\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	133,005	157,719
Trade and other receivables	9	147,141	180,735
Available-for-sale financial assets	12	807,529	588,047
Inventories	10	4,106	5,820
Other current assets	11	459	491
		<u>1,092,240</u>	<u>932,812</u>
Non-current asset			
Property, plant and equipment	13	4,718	5,988
Intangible assets	14	507	572
Investment in a subsidiary	15	1,200	1,200
		<u>6,425</u>	<u>7,760</u>
Total assets		<u>1,098,665</u>	<u>940,572</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	65,154	57,450
Deferred revenue	17	2,123	1,912
Current income tax liabilities	7(b)	310	1,002
		<u>67,587</u>	<u>60,364</u>
Non-current liabilities			
Deferred revenue	17	452	629
Deferred income tax liabilities	7(c)	2,711	1,154
		<u>3,163</u>	<u>1,783</u>
Total liabilities		<u>70,750</u>	<u>62,147</u>
NET ASSETS		<u>1,027,915</u>	<u>878,425</u>
EQUITY			
Share capital	18	800	800
Fair value reserve	19	(1,227)	(897)
Retained profits		1,028,342	878,522
Total equity		<u>1,027,915</u>	<u>878,425</u>

The accompanying notes form an integral part of these financial statements

WATERS PACIFIC PTE. LTD.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Notes	Share capital US\$'000	Fair value reserve US\$'000	Retained profits US\$'000	Total equity US\$'000
2017					
Beginning of financial year		800	(897)	878,522	878,425
Profit for the year		-	-	154,320	154,320
Other comprehensive loss for the year		-	(330)	-	(330)
Total comprehensive income		-	(330)	154,320	153,990
Dividends paid	20	-	-	(4,500)	(4,500)
End of financial year		800	(1,227)	1,028,342	1,027,915
2016					
Beginning of financial year		800	(362)	742,593	743,031
Profit for the year		-	-	140,529	140,529
Other comprehensive loss for the year		-	(535)	-	(535)
Total comprehensive income		-	(535)	140,529	139,994
Dividends paid	20	-	-	(4,600)	(4,600)
End of financial year		800	(897)	878,522	878,425

The accompanying notes form an integral part of these financial statements

WATERS PACIFIC PTE. LTD.

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Notes	2017 US\$'000	2016 US\$'000
Cash flows from operating activities			
Profit after tax		154,320	140,529
Adjustments for:			
- Income tax expense		1,734	1,520
- Depreciation and amortisation		1,737	1,559
- Interest income		(9,445)	(5,124)
- Net gain on disposal of available-for-sale financial assets		(30)	(32)
- Net loss on disposal of property, plant and equipment		1	-
- Unrealized currency translation (gains)/losses		(17)	81
		<u>148,300</u>	<u>138,533</u>
Change in working capital:			
- Trade and other receivables		34,245	(6,063)
- Inventories		1,714	(717)
- Other current assets		32	(4)
- Deferred revenue		34	(157)
- Trade and other payables		7,771	(5,419)
		<u>192,096</u>	<u>126,173</u>
Cash generated from operations			
		192,096	126,173
Income tax paid		(976)	(62)
Dividends paid		(4,500)	(4,600)
Net cash provided by operating activities		<u>186,620</u>	<u>121,511</u>
Cash flows from investing activities			
Additions to property, plant and equipment		(514)	(3,211)
Transfer-in from inventory to property, plant and equipment		(194)	-
Proceeds from disposal of property, plant and equipment		305	223
Purchases of available-for-sale financial assets		(1,192,663)	(873,733)
Disposal of available-for-sale financial assets		972,814	780,573
Interest received		8,793	4,637
Net cash used in investing activities		<u>(211,459)</u>	<u>(91,511)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(24,839)</u>	<u>30,000</u>
Beginning of financial year	8	157,719	127,800
Effects of currency translation on cash and cash equivalents		125	(81)
End of financial year	8	<u>133,005</u>	<u>157,719</u>

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 8 Marina Boulevard, #05-02, Marina Bay Financial Centre 1, Singapore 018981.

The principal activities of the Company consist of distribution and marketing of high performance liquid chromatography instruments and related consumables and services and contract manufacturing.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Company adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Exemption from preparing consolidated financial statements

These financial statements are the separate financial statements of the Company. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Waters Corporation, a company incorporated in the State of Delaware, U.S.A., which produces consolidated financial statements available for public use. The registered office of Waters Corporation where the consolidated financial statements can be obtained is as follows: 34 Maple Street, Milford, Massachusetts, United States 01757.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Sales are presented, net of goods and services tax, rebates and discounts. Revenue is recognised as follow:

(a) Sale of goods

Revenue from sale of goods is recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables is reasonably assured.

(b) Rendering of services

Revenue from rendering of services is recognised when the services are rendered and when collectability of the related receivables is reasonably assured.

Revenue from maintenance equipment contracts is recognised on a straight-line basis over the period of the maintenance contract. Deferred revenue relates to unearned maintenance income at the end of the financial year.

(c) Management fees / Research and development fees

Management and research and development fees are recognised when the services are rendered.

(d) Interest income

Interest income is recognised using the effective interest method.

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.3 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.4 Operating lease payments

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

When a lease is terminated before the lease period expires, any payment made by the Company as penalty is recognised as an expense when termination takes place.

2.5 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.5 Income taxes (continued)

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold improvements	5 to 6 years
Plant and equipment	3 to 5 years
Computers	3 years
Furniture and fittings	3 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

Demo inventory is classified under plant and equipment, and has a useful life of 3 years. Demo inventory is reclassified from inventory to property, plant and equipment after being placed in service for more than 1 calendar year.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

2.8 Intangible assets – customer relationships

Customer relationships acquired are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Customer relationships are amortised to profit or loss using the straight-line method over their estimated useful lives of 10 years.

The amortisation period and amortisation method of intangible assets – customer relationships are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.9 Investment in subsidiaries

Investment in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

Property, plant and equipment, intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.11 Loans and receivables

Bank balances

Trade and other receivables

Bank balances and trade and other receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2.12 Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value. Changes in fair values are recognised in other comprehensive income and accumulated in the fair value reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.12 Available-for-sale financial assets (continued)

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2.14 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.16 Currency translation

The financial statements are presented in United States Dollar, which is the functional currency of the Company.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.18 Dividends

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

2.19 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants are recognised over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income taxes

The Company was granted an initial 5-year pioneer status by the Singapore Economic Development Board ("EDB"), which expired on 31 March 2011. Subsequently, the Company has been granted by EDB a 5-year extension of its pioneer status, which has expired on 31 March 2016 (Note 7). The Company was granted an additional 5-year extension of its pioneer status by EDB which will expire on 31 March 2021. The Company will need to meet all stipulated conditions for the extended pioneer status period within certain timelines. During the Company's pioneer status period, income derived from the Company's pioneer activities is taxed at zero rate and other income, if any, is taxed at the Singapore standard rate of income tax.

The Company recognises the income tax liabilities on the basis that it will qualify for the pioneer tax incentives (Note 7).

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***4. Revenue**

	2017 US\$'000	2016 US\$'000
Sale of goods	378,118	365,153
Rendering of services	3,799	3,569
	<u>381,917</u>	<u>368,722</u>

5. Other income and other gains/(losses)

	2017 US\$'000	2016 US\$'000
(a) Other income		
Interest income from available-for-sale financial assets and bank deposits	9,445	5,124
Income from related corporations		
- Management fee	4,415	4,252
- Research and development fee	3,885	3,245
- Service fee (net)	1,132	967
Income from a subsidiary		
- Service fee (net)	100	57
	<u>18,977</u>	<u>13,645</u>
(b) Other gains/(losses)		
Net currency exchange gains/(losses)	3,755	(1,614)
Net loss on disposal of property, plant and equipment	(1)	-
Net gains on disposal of available-for-sale financial assets	30	32
	<u>3,784</u>	<u>(1,582)</u>

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***6. Expenses**

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

(a) Expenses by nature

	2017 US\$'000	2016 US\$'000
Purchases of inventories	173,596	169,791
Warranty expense	1,033	1,199
Depreciation of property, plant and equipment (Note 13)	1,672	1,494
Amortisation of intangible assets (Note 14)	65	65
Employee compensation (Note 6(b))	7,739	7,140
Rental expense on operating leases	803	803
Royalties expense	48,502	46,638
Changes in inventories	1,714	(717)
Commission expense	4,302	4,536
Service fee	158	165
Freight expense	2,372	2,391
Travel expense	1,204	979
Other expenses	5,464	4,252
Total cost of sales, distribution and marketing costs, research and development fee and administrative expenses	248,624	238,736

(b) Employee compensation

	2017 US\$'000	2016 US\$'000
Wages and salaries	6,395	5,827
Employer's contribution to Central Provident Fund	629	593
Other benefits	715	720
	7,739	7,140

7. Income tax

The Company was granted an initial 5-year pioneer status by the Singapore Economic Development Board ("EDB"), which expired on 31 March 2011. Subsequently, the Company has been granted by EDB a 5-year extension of its pioneer status, which has expired on 31 March 2016. In 2015, the Company was granted an additional 5-year extension of its pioneer status by EDB, which will expire on 31 March 2021. The Company will need to meet all stipulated conditions for the extended pioneer status period within certain timelines.

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***7. Income tax (continued)**

During the Company's pioneer status period, income derived from the Company's pioneer activities is taxed at zero rate and other income, if any, is taxed at the Singapore standard rate of income tax.

(a) Income tax expense

	2017 US\$'000	2016 US\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	232	253
- Deferred income tax (Note 7(c))	1,485	761
	1,717	1,014
Under provision in prior financial years		
- Current income tax	17	506
	1,734	1,520

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2017 US\$'000	2016 US\$'000
Profit before tax	156,054	142,049
Tax calculated at a tax rate of 17% (2016: 17%)	26,529	24,148
Effects of :		
- Income exemption under pioneer tax incentive	(24,795)	(22,628)
Tax charge	1,734	1,520

(b) Movements in current income tax liabilities

	2017 US\$'000	2016 US\$'000
Beginning of financial year	1,002	313
Income tax paid	(976)	(62)
Under provision in prior financial years	17	506
Tax payable on profit for current financial year	232	253
Currency translation differences	35	(8)
End of financial year	310	1,002

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Income tax (continued)

(c) Deferred income taxes

	Unremitted foreign interest income <u>receivables</u> US\$'000	Fair value losses on available-for- sale financial <u>assets</u> US\$'000	<u>Total</u> US\$'000
2017			
Beginning of financial year	1,339	(185)	1,154
Charged/(credited) to:			
- Profit or loss (Note 7(a))	1,485	-	1,485
- Equity (Note 19)	-	(67)	(67)
Currency translation difference	139	-	139
End of financial year	<u>2,963</u>	<u>(252)</u>	<u>2,711</u>
2016			
Beginning of financial year	620	(75)	545
Charged/(credited) to:			
- Profit or loss (Note 7(a))	761	-	761
- Equity (Note 19)	-	(110)	(110)
Currency translation difference	(42)	-	(42)
End of financial year	<u>1,339</u>	<u>(185)</u>	<u>1,154</u>

Deferred income tax liabilities to be settled from the balance sheet date as follows:

	2017 US\$'000	2016 US\$'000
Deferred income tax liabilities		
To be settled after one year	<u>2,711</u>	<u>1,154</u>

8. Cash and cash equivalents

	2017 US\$'000	2016 US\$'000
Cash at bank and on hand	77,754	93,270
Short-term bank deposits	55,251	64,449
	<u>133,005</u>	<u>157,719</u>

Short-term bank deposits at the balance sheet date have an average maturity of 5 months (2016: 6 months) and have a weighted average effective interest rate of 0.48% per annum (2016: 0.25% per annum).

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***9. Trade and other receivables**

	2017 US\$'000	2016 US\$'000
Trade receivables		
- Non-related parties	13,782	19,508
- Related corporations	115,414	150,578
	<u>129,196</u>	<u>170,086</u>
Less: Allowance for impairment of receivables		
- Non-related parties	(3)	(2)
Trade receivables - net	<u>129,193</u>	<u>170,084</u>
Non-trade receivables		
- Non-related parties	102	79
- Related corporations	15,215	8,591
Accrued interest receivable	2,631	1,981
	<u>147,141</u>	<u>180,735</u>

The non-trade receivables are unsecured, interest-free and repayable on demand.

10. Inventories

	2017 US\$'000	2016 US\$'000
Finished goods	<u>4,106</u>	<u>5,820</u>

The cost of inventories recognised as an expense and included in "cost of sales" amounted to US\$175,310,000 (2016: US\$169,074,000).

11. Other current assets

	2017 US\$'000	2016 US\$'000
Deposits	373	348
Prepayments	86	143
	<u>459</u>	<u>491</u>

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Available-for-sale financial assets

	2017 US\$'000	2016 US\$'000
Beginning of financial year	588,047	495,500
Additions	1,192,663	873,733
Disposals	(972,784)	(780,541)
Fair value losses recognised in other comprehensive income (Note 19)	(397)	(645)
End of financial year	807,529	588,047

Available-for-sale financial assets are analysed as follows:

	2017 US\$'000	2016 US\$'000
Listed securities		
- Agency bonds and discounts	54,464	86,498
- Treasury bill	7,957	13,961
- Treasury notes	143,108	83,957
- Corporate debt securities	583,704	403,631
- Sovereign Government	6,952	-
- Yankee	11,344	-
	807,529	588,047

13. Property, plant and equipment

	Leasehold improvements US\$'000	Plant and equipment US\$'000	Computers US\$'000	Furniture and fittings US\$'000	Total US\$'000
2017					
<u>Cost</u>					
Beginning of financial year	1,703	10,500	752	361	13,316
Additions	1	477	32	4	514
Disposals	-	(638)	(14)	(34)	(686)
Transfer	-	268	-	-	268
End of financial year	1,704	10,607	770	331	13,412
<u>Accumulated depreciation</u>					
Beginning of financial year	300	6,225	620	183	7,328
Depreciation charge (Note 6(a))	261	1,263	103	45	1,672
Disposals	-	(332)	(14)	(34)	(380)
Transfer	-	74	-	-	74
End of financial year	561	7,230	709	194	8,694
Net book value					
End of financial year	1,143	3,377	61	137	4,718

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Property, plant and equipment (continued)

	<u>Leasehold improvements</u> US\$'000	<u>Plant and equipment</u> US\$'000	<u>Computers</u> US\$'000	<u>Furniture and fittings</u> US\$'000	<u>Total</u> US\$'000
2016					
Cost					
Beginning of financial year	437	9,336	671	207	10,651
Additions	1,422	1,485	106	198	3,211
Disposals	(156)	(321)	(25)	(44)	(546)
End of financial year	1,703	10,500	752	361	13,316
Accumulated depreciation					
Beginning of financial year	300	5,113	546	198	6,157
Depreciation charge (Note 6(a))	156	1,210	99	29	1,494
Disposals	(156)	(98)	(25)	(44)	(323)
End of financial year	300	6,225	620	183	7,328
Net book value					
End of financial year	1,403	4,275	132	178	5,988

14. Intangible assets

Customer relationships

	2017 US\$'000	2016 US\$'000
Cost		
Beginning of financial year	648	648
End of financial year	648	648
Accumulated amortisation		
Beginning of financial year	76	11
Amortisation charge	65	65
End of financial year	141	76
Net book value	507	572

15. Investment in a subsidiary

	2017 US\$'000	2016 US\$'000
Equity investments at cost		
Beginning of financial year	1,200	1,200
End of financial year	1,200	1,200

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***15. Investment in a subsidiary (continued)**

At the balance sheet date, the details of the subsidiary are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Equity holding</u>	
			<u>2017</u> %	<u>2016</u> %
Waters Analytical Instruments Sdn. Bhd.	Distribution and marketing of high performance liquid chromatography instruments and related consumables and services and contract manufacturing	Malaysia	100	100

16. Trade and other payables

	2017 US\$'000	2016 US\$'000
Trade payables to:		
- Non-related parties	12,655	13,070
- Related corporations	38,135	36,453
	50,790	49,523
Non-trade payables to:		
- Related corporations	11,623	4,838
Other accruals for operating expenses	2,741	3,089
	65,154	57,450

The non-trade payables are unsecured, interest-free and repayable on demand.

17. Deferred revenue

Deferred revenue relates to unearned maintenance income.

Deferred revenue to be settled from the balance sheet date is as follows:

	2017 US\$'000	2016 US\$'000
To be recognised within one year	2,123	1,912
To be recognised after one year	452	629
	2,575	2,541

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. Share capital

The Company's share capital comprise fully paid-up 102 (2016: 102) ordinary shares with no par value, amounting to a total of US\$800,100 (2016: US\$800,100).

19. Fair value reserve

	2017 US\$'000	2016 US\$'000
Beginning of financial year	(897)	(362)
Available-for-sale financial assets		
- Fair value losses (Note 12)	(397)	(645)
- Tax on fair value changes (Note 7(c))	67	110
End of financial year	<u>(1,227)</u>	<u>(897)</u>

Fair value reserve is non-distributable.

20. Dividends

	2017 US\$'000	2016 US\$'000
<i>Ordinary dividends proposed and paid</i>		
Interim dividend paid in respect of current financial year of US\$44,118 (2016: US\$45,098) per share	<u>4,500</u>	<u>4,600</u>

At the Directors' Board meeting on 25 January 2018, an interim dividend of US\$300,000,000 was declared in respect of the year ending 31 December 2018. This dividend was subsequently paid out by 15 February 2018. At a subsequent Directors' Board meetings on 12 April 2018 and 15 May 2018, interim dividend of US\$100,000,000 were declared in respect of the year ending 31 December 2018. These dividends were paid out by 15 May 2018. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

21. Commitments

Operating lease commitments – where the Company is a lessee

The Company leases office space, office equipment and motor vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Commitments (continued)

Operating lease commitments – where the Company is a lessee (continued)

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	2017 US\$'000	2016 US\$'000
Not later than one year	1,604	796
Between one and five years	2,952	3,150
	<u>4,556</u>	<u>3,946</u>

22. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by control treasury department (Corporate Treasury) of the ultimate holding corporation.

Corporate Treasury measures actual exposures against the limits set and prepares regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by the management team.

(a) Market risk

(i) Currency risk

The Company's business is exposed to Singapore Dollar ("SGD"), Euro ("EUR") and South-Korean Won ("KRW") as certain transactions are denominated in these currencies.

WATERS PACIFIC PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2017***22. Financial risk management (continued)****(a) Market risk (continued)****(i) Currency risk (continued)**

The Company's currency exposure to SGD, EUR and KRW is as follows:

	<u>SGD</u> US\$'000	<u>EUR</u> US\$'000	<u>KRW</u> US\$'000
2017			
Financial assets			
Cash and cash equivalents	3,792	-	-
Trade and other receivables	3,602	31,587	-
	<u>7,394</u>	<u>31,587</u>	<u>-</u>
Financial liabilities			
Trade and other payables	(1,339)	(168)	(141)
	<u>(1,339)</u>	<u>(168)</u>	<u>(141)</u>
Currency exposure of net financial assets/ (liabilities)	<u>6,055</u>	<u>31,419</u>	<u>(141)</u>
	<u>SGD</u> US\$'000	<u>EUR</u> US\$'000	<u>KRW</u> US\$'000
2016			
Financial assets			
Cash and cash equivalents	5,051	-	-
Trade and other receivables	3,154	23,937	-
	<u>8,205</u>	<u>23,937</u>	<u>-</u>
Financial liabilities			
Trade and other payables	(1,575)	(165)	(351)
	<u>(1,575)</u>	<u>(165)</u>	<u>(351)</u>
Currency exposure of net financial assets/ (liabilities)	<u>6,630</u>	<u>23,772</u>	<u>(351)</u>

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the SGD, EUR and KRW change against the USD by 1%, 1% and 1% (2016: 1%, 1% and 1%) respectively, with all other variables held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease) profit after tax	
	2017 US\$'000	2016 US\$'000
SGD against USD		
- strengthened	50	55
- weakened	(50)	(55)
EUR against USD		
- strengthened	261	197
- weakened	(261)	(197)
KRW against USD		
- strengthened	(1)	(3)
- weakened	1	3

(ii) Price risk

The Company is exposed to price risk arising from the investments classified as available-for-sale (Note 12). The management of price risk is carried out by the Corporate Treasury of the ultimate holding corporation.

As at 31 December 2017, if prices for securities increased/decreased by 1% (2016: 1%) with all other variables including tax rate being held constant, the Company's equity would have been US\$8,075,000 (2016: US\$5,880,000) higher/lower.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Company has cash balances placed with reputable banks and financial institutions and available-for-sale financial assets which generate interest income for the Company. The Company manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Company has no significant financial assets or liabilities other than cash and bank balances (Note 8) and available-for-sale financial assets (Note 12) that are exposed to interest rate risks. The exposure to interest rate risk from fixed deposits placed with banks and available-for-sale financial assets is not significant.

(b) Credit risk

The Company adopts the policy of dealing only with related corporations and customers of appropriate credit standing and history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Credit exposure to an individual customer is restricted by the credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors. The Company's trade receivables include five debtors (2016: four debtors) that individually represented 8 – 16% (2016: 5 - 26%) of trade receivables at balance sheet date.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Company's major classes of financial assets are cash and bank balances, trade and other receivables and available for sale financial assets.

(i) Financial assets that are neither past due nor impaired

Bank deposits and financial assets classified as available-for-sale are mainly deposits/securities with banks and financial institutions with high credit-ratings as determined by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables that are past due but not impaired is as follows:

	2017 US\$'000	2016 US\$'000
Past due 0 to 3 months	72,423	73,888
Past due 3 to 6 months	14,146	43,813
Past due over 6 months	391	3,356
	<u>86,960</u>	<u>121,057</u>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2017 US\$'000	2016 US\$'000
Gross amount	32	22
Less: Allowance for impairment	<u>(3)</u>	<u>(2)</u>
	<u>29</u>	<u>20</u>
Beginning of financial year	2	9
Allowance made	3	2
Allowance utilised	<u>(2)</u>	<u>(9)</u>
End of financial year (Note 9)	<u>3</u>	<u>2</u>

The impaired trade receivables arise mainly from sales to customers with long outstanding balances that remain unpaid as at the balance sheet date.

(c) Liquidity risk

The Company manages liquidity risk by maintaining cash and money market funds, and available funding through an adequate amount of committed credit facilities sufficient to enable it to meet its operational requirements.

The maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows are less than 1 year (2016: 1 year).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Financial risk management (continued)

(d) Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve optimal capital structure, the Company may issue or redeem additional equity and debt instruments when necessary.

Total capital of the Company as at 31 December 2017 is represented by "Total equity" as presented on the balance sheet.

The Company is not subject to any externally imposed capital requirements.

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) 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 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 2 US\$'000	Total US\$'000
As at 31 December 2017		
Available-for-sale financial assets	807,529	807,529
Total assets	807,529	807,529
As at 31 December 2016		
Available-for-sale financial assets	588,047	588,047
Total assets	588,047	588,047

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair values of the Company's available-for-sale securities are determined through market and other observable sources and have been classified as Level 2. These assets have been initially valued at the transaction price and subsequently valued, typically utilising third-party pricing services. The pricing services use many inputs to determine value, including reportable trades, benchmark yields, and credit spreads, broker/dealer quotes, current spot rates and other industry and economic events. The Company validates the prices provided by third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. After completing these validation procedures with satisfactory outcomes, the Company did not adjust or override any fair value measurements provided by third-party pricing services as of 31 December 2017 and 2016.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate to their fair values.

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value (available-for-sale) are as disclosed on the face of the balance sheet and in Note 12 to the financial statements.

The aggregate carrying amounts of loan and receivables and financial liabilities at amortised cost are as follows:

	2017 US\$'000	2016 US\$'000
Loans and receivables	280,519	338,802
Financial liabilities at amortised cost	65,154	57,450

WATERS PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

(a) Sales and purchase of goods and services

	2017 US\$'000	2016 US\$'000
Sales to related corporations	317,519	300,827
Sales to a subsidiary	-	91
Purchases of inventories from related corporations	50,940	49,425
Purchases of inventories from a subsidiary	-	5
Purchases of fixed assets from related corporations	176	1,268
Inventories returned to related corporations	254	302
Freight expenses charged by related corporations	179	170
Payments made on behalf of related corporations	2,784	2,919
Payments made on behalf of a subsidiary	32	27
Expenses recharged by related corporations	4,294	4,013
Expenses recharged by a subsidiary	-	18
Expenses recharged to related corporations	69	294
Expenses recharged to a subsidiary	7	4
Commission expense charged by a related corporation	4,302	4,536
Royalties expense charged by a related corporation	48,502	46,638

Outstanding balances with related parties at the balance sheet date are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 9 and 16 respectively.

(b) Key management personnel compensation

There was no compensation paid to key management personnel of the Company as key management personnel have employment contracts with and are remunerated by the ultimate holding corporation.

24. Immediate and ultimate holding corporation

The Company's immediate holding corporation is Waters Asia Limited, incorporated in the State of Delaware, U.S.A. The ultimate holding corporation is Waters Corporation, incorporated in the State of Delaware, U.S.A.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 January 2018 and which the Company has not early adopted:

- (a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

(i) *Transition*

The Company plans to adopt the new standard retrospectively from 1 January 2018, in line with the transition provisions permitted under the standard.

(ii) *Debt instruments reclassified from available-for-sale to FVOCI*

The Company plans to elect to recognise changes in fair value of all its debt instruments classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of \$807,529,000 will be reclassified from "available-for-sale financial assets" to "financial assets, at fair value through other comprehensive income ("FVOCI")" on 1 January 2018. Fair value gains and losses will continue to be recognised in other comprehensive income and accumulated in fair value reserve. However, gain or losses realised on the sale of such assets will no longer be transferred to profit or loss on sale, but instead reclassified from fair value reserve to retained profits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. New or revised accounting standards and interpretations (continued)

- (a) FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018) (continued)

(iii) Impairment of financial assets

The following financial assets will be subject to the expected credit losses impairment model under FRS 109:

- trade receivables; and
- debt instruments reclassified to FVOCI

No changes in provision for impairment for the above financial assets is expected to arise from the application of the expected credit losses impairment model.

- (b) FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

(i) Transition

The Company plans to adopt the new standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in the opening retained profits at 1 January 2018 and comparative information for 2017 will not be restated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. New or revised accounting standards and interpretations (continued)

(c) FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the company's commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Company has yet to determine to what extent the commitments as at 31 December 2017 will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Waters Pacific Pte. Ltd. On 11 June 2018.



The Directors
Waters Pacific Pte. Ltd.
1 Science Park Road
#02-08 The Capricorn
Singapore Science Park II
Singapore 117528

Attention: Mr Alan Tan

4 July 2018

Our ref: ASR GA4 / 02522052A000 / CWZM-PG (10)
(When Replying Please Quote Our Reference)

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Dear Sirs

We are pleased to return herewith 1 bound and 3 unbound copies of the annual report, which includes our audit report on the financial statements for the year ended 31 December 2017 duly signed by us as auditors.

When submitting the annual report with the Annual Return to ACRA, the "signing auditor's name" is required. For your information, the public accountant who signed off these "accounts" is Chua Wei Zhen, Magdelene, so please state this name when completing and submitting the electronic Annual Return form to ACRA.

As instructed, a copy of the signed copy for filing with the Comptroller of Income Tax has been forwarded to PricewaterhouseCoopers Singapore Pte Ltd for this purpose.

Yours faithfully

PricewaterhouseCoopers LLP

Encl:

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