

# Illustrative Annual Report

*2003 edition*



## About PricewaterhouseCoopers

PricewaterhouseCoopers ([www.pwc.com](http://www.pwc.com)) provides industry-focused assurance, tax and advisory services for public and private clients. More than 120,000 people in 139 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders. “PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

With more than 1,500 staff members, PricewaterhouseCoopers is a leading professional services firm in Singapore. We count among our clients, many blue-chip multinationals, as well as top-tier local companies. We audit the largest number of top 50 companies listed on the Singapore Exchange (SGX) in terms of market capitalisation, and we have a proven track record in auditing statutory boards and government-linked companies.

Copyright © November 2003. All rights reserved. PricewaterhouseCoopers Singapore.  
Printed in Singapore.

PricewaterhouseCoopers has exercised professional care and diligence in the preparation of this report. However, the information contained herein is intended to be a general guide and should not be used or relied upon as a substitute for specific professional advice. While every effort has been made to ensure accuracy, no liability is accepted by PricewaterhouseCoopers or any employee of the firm on any grounds whatsoever to any party in respect of any errors or omissions, or any action or omission to act a result of the information contained in this publication.

## Foreword

With financial markets becoming increasingly competitive and globalised, and with the unfortunate on-slaught of global corporate scandals and failures in the past 2 to 3 years, investors and regulators are demanding greater transparency and uniformity in corporate reporting. In the international arena, through convergence of national and international accounting standards, companies in Europe and Australia will present financial statements under the International Financial Reporting Standards ("IFRS") by 2005. United States Generally Accepted Accounting Principles have also started to converge with IFRS, spearheaded by the Norwalk Agreement signed between the Financial Accounting Standards Board and International Accounting Standards Board ("IASB") in November 2002.

In Singapore, corporate reporting underwent significant changes for the past 2 years, following recommendations by the privately-led Corporate Governance Committee, Disclosure and Accounting Standards Committee and Company Legislation and Regulatory Framework Committee. One of the most critical changes in corporate reporting is the legislation of Financial Reporting Standards ("FRS") under the Companies Act. With effect from annual financial years commencing on or after 1 January 2003, all Singapore companies, with limited exceptions, are required by law to present their statutory financial statements in accordance with FRS, which are based and modelled principally after IFRS and issued by the Council of Corporate Disclosure and Governance ("CCDG"). CCDG is also progressive in its efforts to keep pace with the IASB and has been exposing IASB exposure drafts in Singapore within weeks of publication by IASB.

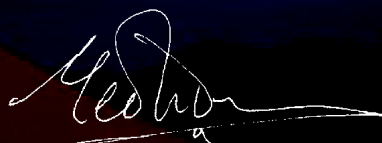
2004 will be an exciting year for corporates and the accounting profession. Almost all existing IFRS will be replaced with new or revised standards in 2004 in gearing up to the 2005 deadline. This is not the end. Accounting standards continue to undergo significant evolution, with the aim of developing a set of "global accounting standards" via collaboration among key capital market territories and with the move towards fair value accounting. Locally, we expect the FRS to move in tandem with IFRS. Local corporates and the accounting profession need to brace themselves for these challenges and plan early. The key areas to focus on would be accounting for goodwill, business combinations, intangible assets, impairment and financial instruments.

That said, the future of corporate reporting lies in the integration and communication of both financial and non-financial information. In this aspect, PricewaterhouseCoopers has developed a methodology called ValueReporting™ framework (see pages 4 to 7), which seeks to identify key value drivers, measure and manage performance around these drivers, and communicate both financial and non-financial information in an open, consistent and timely manner. We believe that this framework will help to narrow, if not eliminate, the value gap between the intrinsic and market value of your company.

In this "Illustrative Annual Report 2003", we have presented the disclosure requirements under Singapore Companies Act, Singapore FRS and their Interpretations, and Singapore Exchange Securities Trading Listing Manual Requirements. We have also included some global best practice disclosures for your consideration. We trust that you will find this publication helpful in drafting your annual report.



Gautam Banerjee  
Leader  
Assurance / Business Advisory Services



Yeoh Oon Jin  
Leader  
Corporate Reporting

November 2003

## Table of Contents

Publication Guide	3
Gear Up for the New Benchmark	4
Be Ready for a Revolution in Communication with XBRL	8
The Way to Good Corporate Governance	10
List of Technical Pronouncements as at October 2003	12
Comparison between Singapore Financial Reporting Standards and International Financial Reporting Standards as at October 2003	16
Illustrative Annual Report 2003 (see index on pages 22 and 23)	22
Index of Singapore Financial Reporting Standards Disclosure Requirements	139

### Abbreviations used

References are made in this publication to the legislation, accounting pronouncement, guideline or listing rule that requires a particular disclosure or accounting treatment. The abbreviations used to identify the source of authority are as follows:

CA	Singapore Companies Act
CCG	Code of Corporate Governance Guidance Notes
FRS	Singapore Financial Reporting Standards, issued by Council on Corporate Disclosure and Governance (CCDG)
IAS	International Accounting Standards, issued by International Accounting Standards Council (IASC), and forms part of the International Financial Reporting Standards
IFRS	International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB)
INT FRS	Singapore Interpretations of Financial Reporting Standard
RAP	Singapore Statements of Recommended Accounting Practice
SGX	Singapore Exchange Securities Trading Listing Manual Requirements
SSA	Singapore Standards on Auditing



## Publication Guide

### Scope

This publication, Illustrative Annual Report 2003, provides a sample annual report of a fictitious group. PwC Holdings Ltd is a company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The names of people and entities included in this publication are fictitious. Any resemblance to a person or entity is purely coincidental.

### Effective date

These financial statements include the disclosures required by the Singapore Companies Act, SGX-ST Listing Manual Requirements, and Singapore Financial Reporting Standards and Interpretations that are in issue as at October 2003.

### Illustrative in nature

The sample disclosures in this illustrative annual report should not be considered to be the only acceptable form of presentation. The form and content of each reporting entity's annual report are the responsibility of the entity's directors, and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX-ST Listing Manual Requirements, and Singapore Financial Reporting Standards.

The illustrative financial statements contained in this annual report is not a substitute for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by the Singapore Companies Act, SGX-ST Listing Manual Requirements and Singapore Financial Reporting Standards. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws and accounting standards and stock exchange regulations in Singapore.

Similarly, the corporate governance disclosures illustrated in this annual report are not meant to be templates to be adopted by each reporting entity. Each board should formulate corporate strategies and control measures tailored to its particular circumstances, using its own corporate governance processes. It therefore follows that corporate governance disclosures in annual report would necessarily differ from one reporting entity to another.

### Guidance notes

Direct references to the source of disclosure requirements are included in the reference column on each page of the illustrative financial statements. Guidance notes are provided where additional matters may need to be considered in relation to a particular disclosure. These notes are inserted within the relevant section or note.

### Seek professional advice

The information contained herein is intended to be a general guide and should not be used or relied upon as a substitute for specific professional advice.

While every effort has been made to ensure accuracy, no liability is accepted by PricewaterhouseCoopers or any employee of the firm on any grounds whatsoever to any party in respect of any errors or omissions, or any action or omission to act a result of the information contained in this publication.

## Communicating to Meet Market Expectations

# ***Gear Up for the New Benchmark***

Rapid changes in technology, new challenges in the business environment and greater competition have made management's strategic and operational decisions more dynamic and certainly, more complex. Investors have also become more sophisticated and global, with higher expectations for performance and greater demands for corporate accountability and transparency.

To succeed in such a challenging business landscape, organisations need to create, preserve and realise value for their shareholders by working with other stakeholders. They need to understand the value continuum and adopt a sound framework to enhance and manage organisation value. They also need to communicate their value-based strategies effectively to all stakeholders.

### **Financial disclosure is just a start**

The future of corporate reporting and the expectation of the market place revolve around transparency. Organisations are also increasingly expected to integrate a broader set of indicators and articulate their "stories" from a holistic perspective. This will include reporting on the following aspects – strategy and plans, targets and benchmarks, actual and desired risk profiles, risk management procedures, internal control systems, compliance programmes and policies, principles of corporate governance, compensation policies, other performance metrics, commitments to other stakeholder groups and others.

Whilst financial statements remain integral to an organisation's external reporting framework, the predominantly historical financial indicators and tangible assets used to measure performance have their inherent limitations in painting a complete picture reflective of the financial well-being of an organisation. In particular, they do not reflect the organisation's capacity to grow, adapt or change, especially when it focuses on measuring the value of an organisation's physical assets, and not the difficult-to-quantify "soft assets" like market share, customer satisfaction, employee skills and intellectual capital, which are the key drivers of value in today's economy. As a result, an organisation's best efforts to create and enhance value often go unreported and hence, unappreciated by the marketplace.

PricewaterhouseCoopers' extensive research programme has identified those industry specific performance measures which investors have indicated as being relevant for making sound investment decisions.

ValueReporting™ seeks to assist management teams and boards of directors in moving towards greater transparency by

- articulating their organisations' value proposition;
- understanding how the businesses create value; and
- ensuring that internal controls and processes are in place to measure and manage performance against organisations' most important value drivers.

It ultimately enables organisations to satisfy the demand for transparency by informing stakeholders of all significant factors, both financial and non-financial, which impact their performances and prospects.

### **Nothing to hide? Then prove it.**

ValueReporting™ is grounded in a simple concept – management does not just rely on financial information in running the business. This, in turn, centres around the premise that insufficient disclosure presents more perils than disclosing over and above what is required.

In communicating with stakeholders, ValueReporting™ addresses four principal reporting dimensions. Collectively, we refer to these as the ValueReporting™ Framework.

Market Overview	Strategy	Value Creating Activities	Financial Performance
<ul style="list-style-type: none"> <li>Competitive Environment</li> <li>Regulatory Environment</li> <li>Macro-economic Environment</li> </ul>	<ul style="list-style-type: none"> <li>Goals and Objectives</li> <li>Organisational Design</li> <li>Governance</li> </ul>	<ul style="list-style-type: none"> <li>Customers</li> <li>People</li> <li>Innovation</li> <li>Brands</li> <li>Supply Chain</li> <li>Environmental, Social and Ethical</li> </ul>	<ul style="list-style-type: none"> <li>Financial Position</li> <li>Risk Profile</li> <li>Economic Performance</li> <li>Segmental Analysis</li> <li>Accounting Policies</li> </ul>

ValueReporting™ provides organisations with a structured and comprehensive manner to evaluate performance and carve out communications about performance to the market :

- **Market Overview** describes the industry dynamics facing the organisation;
- **Strategy** covers the organisation's strategy, including how it intends to create, preserve and realise value;
- **Value Creating Activities** summarise the organisation's activities and relationships that underpin financial performance, including key non-financial areas; and
- **Financial Performance** is the dimension where the elements of risk, return and growth come together. An organisation's ability to deliver financial performance in line with expectations, is a function of how well management understands its market, executes its strategy, manages performance and ultimately communicates that performance publicly.

By going beyond the elements of traditional financial statements, this framework equips management in analysing and directly addressing the broader concerns of all stakeholders of the organisation. It also helps to deliver a deeper appreciation of the health of the organisation through metrics, industry information, strategy and likely outcomes, assisting all stakeholders in better understanding the rationale behind management decisions.

### What's in it for you?

Significant benefits are in store for organisations that embrace this new model of reporting. Our survey of 1,000 analysts and investors confirmed that enhanced transparency and initiatives to provide the community with important information linked to organisation value have resulted in :

- increased share value;
- increased management capability;
- access to new capital;
- increased number of long-term shareholders; and
- reduced share price volatility in the capital markets.

For more information, please refer to our publications below.



#### Trends in Corporate Reporting 2004 Towards ValueReporting

This Review presents real-life examples of best practices in corporate reporting from 68 forward-thinking corporations in 15 countries that are leading the journey towards greater transparency.



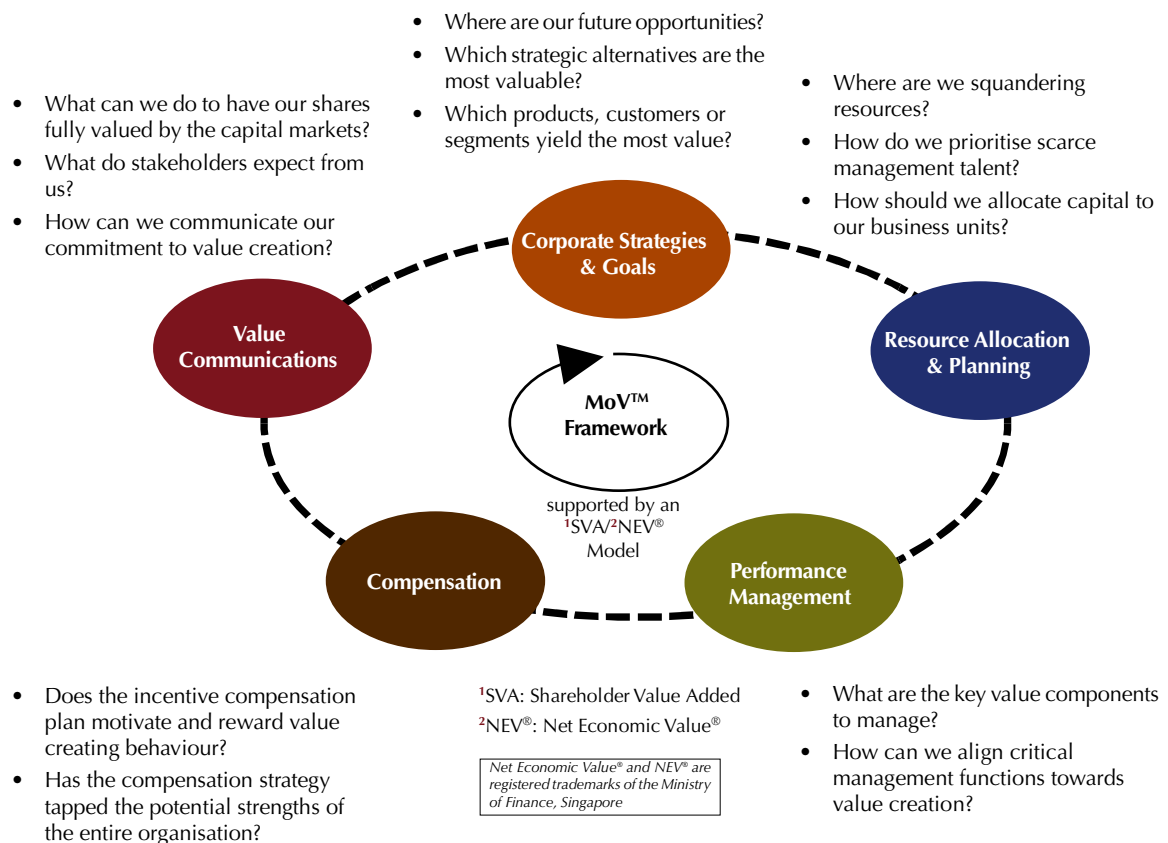
#### Building Public Trust The Future of Corporate Reporting

Public trust in those responsible for reporting corporate performance information has been shaken to its foundation. Investors and other stakeholders are demanding greater corporate transparency. This book offers a fresh view of the responsibilities of every participant in the Corporate Reporting Supply Chain and, more importantly, a revised model for corporate disclosure.

## Are you ready?

For most organisations, the route to this new model of reporting will take a few years as it demands having the organisation unconditionally committed to enhancing organisation value. The board of directors and management teams need to inculcate cultures that emphasise on value throughout the organisations, beginning with creating value for customers and ending with delivering value to all stakeholders.

This process can be facilitated by using **PricewaterhouseCoopers' Managing Organisation Value (MoV™) Framework** which comprised of five key processes.





As evident in the MoV™ Framework, PricewaterhouseCoopers believes in customising solutions that can yield fast and effective results to address your top-priority concerns. With our extensive suite of practical MoV™ services, global resources and proven expertise in value enhancement, you can be assured of our professional and personalised assistance to cater to your diverse needs.

#### **PricewaterhouseCoopers' Suite of MoV™ Services**

<b>Helping Your Organisation Lay the Foundation to Measure Value</b>
<b>ValuePlatform™</b> is a systematic approach to assist you in implementing the SVA/NEV® framework to measure and manage organisation value.
<b>Helping Your Organisation Create Sustainable Economic Value</b>
<b>ValueStrategy™</b> provides a structured approach to assist you in re-designing your business model and selecting appropriate business strategies.
<b>Helping Your Organisation Optimise Resources by Focusing on Value Creation Potential</b>
<b>ValueEnhancer™</b> helps to increase the value of your portfolio by systematically and rapidly transferring scarce resources to areas with the highest value creation potential.
<b>Helping Your Organisation Manage and Preserve Value Created</b>
<b>ValueManagement™</b> is a dynamic performance management tool that builds on value-based management, risk management and balanced scorecard methodologies and frameworks.
<b>Helping Your Organisation Align Employees Interests to Value Creation</b>
<b>ValueIncentive™</b> provides a systematic approach to building a value focus into your incentive plan.
<b>Helping Your Organisation Realise Value in the Marketplace</b>
<b>ValueReporting™</b> framework seeks substantial improvements in your reporting and closes the value gap between the intrinsic and market value of your organisation.

#### **Interested to know more?**

Do visit our website **[www.valuereporting.com](http://www.valuereporting.com)** and contact the PricewaterhouseCoopers MoV™ Services Team:

Kyle Lee	+65 6236 3118	<a href="mailto:kyle.lee@sg.pwc.com">kyle.lee@sg.pwc.com</a>
Keoy Soo Earn	+65 6236 3898	<a href="mailto:soo.earn.keoy@sg.pwc.com">soo.earn.keoy@sg.pwc.com</a>

## A Common Business Language for Corporate Reporting

# *Be Ready for a Revolution in Communication with XBRL*

The market is demanding greater speed and volume of communication, and more transparency in corporate reporting. Much of the attention has been focused on *what* information is reported, but equally important is *how* that information is delivered. The development of the Internet language, XBRL (eXtensible Business Reporting Language), provides significant progress in the delivery aspect.

### What is XBRL?

XBRL is an XML (eXtensible Markup Language) based standard that allows businesses to prepare, exchange, and analyse financial statements and the information they contain. It is an additional format for information included within corporate reports, which is usually presented in 'html', Word ('doc') and Adobe ('pdf') format at present.

XBRL is not a proprietary software application; it is a royalty-free, open specification software designed to benefit all members of the financial information supply chain. It is also supported by over 200 companies, government entities, and non-government organisations in more than 20 countries.

### Why is XBRL important?

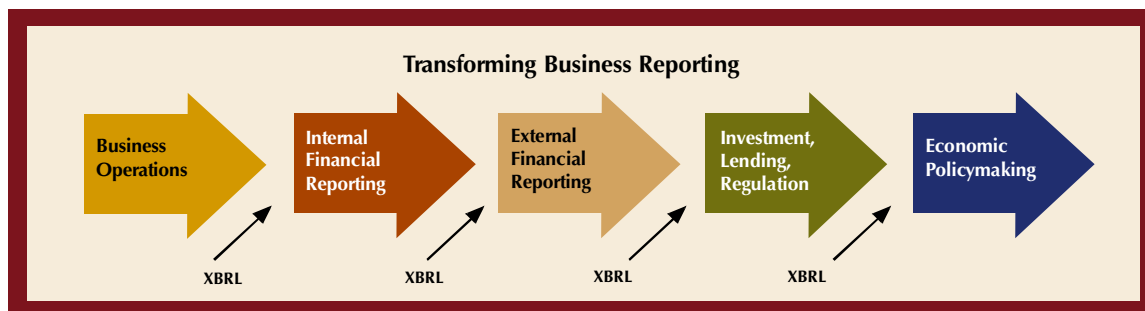
New reporting models and standards and emerging technologies will replace the current historical, periodic, cost-based reporting method with real-time, dynamic, on-line reporting. This will transform both the process and the usefulness of reported information. This "digitisation" of data will allow people to create their own comparisons and analyses over time and across companies and business sectors. XBRL is a key component of this emerging revolution. By combining technology and reporting expertise, XBRL is expected to bring about faster, better and cheaper preparation and use of the information by regulators, management and their stakeholders.

### What are the advantages of XBRL?

The XBRL format is a convergence of three key attributes :

- Technology which uses XML as a primary platform for the transportation of information across disparate information environments;
- Language of corporate reporting information as generally accepted in the market; and
- Corporate Reporting Supply Chain Participants who actively engage in the development of XBRL.

As such, XBRL allows business data to be seamlessly transported across a wide range of software formats and technologies, within company information systems and between company stakeholders. By providing data in digital and reusable form, XBRL eliminates the need to re-enter financial data for different users, reducing risks associated with data entry and lowering the costs to prepare and distribute financial statements. XBRL also reports financial information in accordance with generally accepted accounting principles and can be used for other types of business reporting, such as tax filings and regulatory reporting.



## How does XBRL help me?

### Corporations :

- data need to be created only once (and re-formatted as required for regulatory, tax, operational and financial reporting);
- more efficient consolidation of underlying data;
- enhanced timeliness and integrity of corporate reporting; and
- better distribution and usability of corporate reporting information.

### Analysts, Investors and Regulators :

- reduced information retrieval time;
- financial information can be tailored to suit specific analysis and regulatory requirements;
- enhanced timeliness and integrity of financial information; and
- simplified programming for prospective changes in applications.

### Financial Publishers and Data Aggregators :

- streamlined and more efficient information supply chain;
- reduced operating costs associated with data collection and aggregation (including those arising from unreliable or erroneous data feeds); and
- opportunities to add value and increase transaction volume.

### Software Vendors :

- streamlined internal and external flow of data; and
- interoperability amongst existing and developing financial and analytical applications.

## Interested to know more?

Do visit **[www.xbrl.org](http://www.xbrl.org)** or contact the PricewaterhouseCoopers Core XBRL Team :

Yeoh Oon Jin	+65 6236 3108	<a href="mailto:oon.jin.yeoh@sg.pwc.com">oon.jin.yeoh@sg.pwc.com</a>
Peter Low	+65 6236 3348	<a href="mailto:peter.low@sg.pwc.com">peter.low@sg.pwc.com</a>
Tan Shong Ye	+65 6236 3262	<a href="mailto:shong.ye.tan@sg.pwc.com">shong.ye.tan@sg.pwc.com</a>

## Accountability to Stakeholders

# *The Way to Good Corporate Governance*

Corporate governance has emerged as one of the cornerstones of a well functioning economy. In Singapore, the government established a private sector-led Corporate Governance Committee to examine and report on corporate governance practices. This committee completed its work and submitted its report and accompanying Code of Corporate Governance to the Singapore Government on 21 March 2001. The Code was subsequently adopted by the Singapore Exchange in its totality on 4 April 2001.

Accordingly, amendments were made to the Singapore Exchange Securities Trading Limited Listing Manual to require all listed companies to disclose their corporate governance practices with explanations of deviations from the Code in their annual reports for annual general meetings held on or after 1 January 2003.

## Current Framework

Corporate governance, although commonly used, does not have a standard definition. It encompasses a wide range of items and activities, and holds different meanings for different user groups. According to the Singapore Corporate Governance Committee, corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders.

Good corporate governance practices will likely lead to improved performance and growth in organisation value for the long term benefit of all stakeholders, from employees to shareholders and the business community at large. A key feature of good governance is the style of leadership set by the board of directors and the high degree of cooperation that must exist between the board and the senior management team. A robust corporate governance framework in addition, will need to include the employment of competent and ethical people; structures, systems and processes to manage and monitor the performance of the organisation, including the board of directors and senior management, communication and accountability to all stakeholders.

Recent high profile corporate failures in the United States have focused attention on the need to assure strong corporate governance and amongst other things, confirmed that investors place significant value in good corporate governance. Studies have also shown that companies with good corporate governance are likely to be more resilient during market downturn.

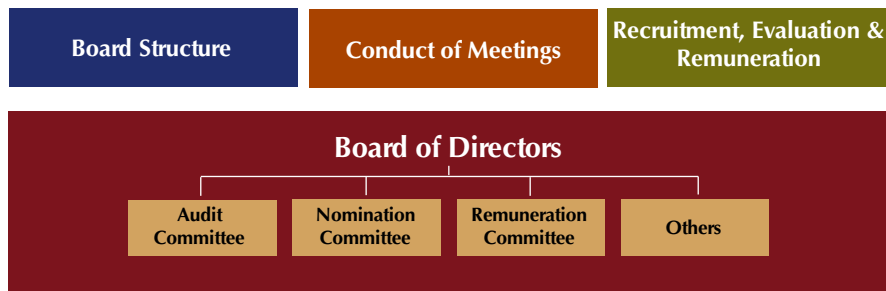
## Our Views on Corporate Governance

At PwC, we are committed to championing good corporate governance. However, we do not believe that there is a “one size fits all” template which can be applied to all companies. Each board must formulate company strategy and control over the business according to its own circumstances. However, we do believe that there are some good corporate governance practices which all listed companies should at least consider, which we will be glad to share with you.

The roles of the Board of Directors can be categorised into two sections :

1. Running the Board; and
2. Running the Business and Influencing the Environment.

## Running the Board

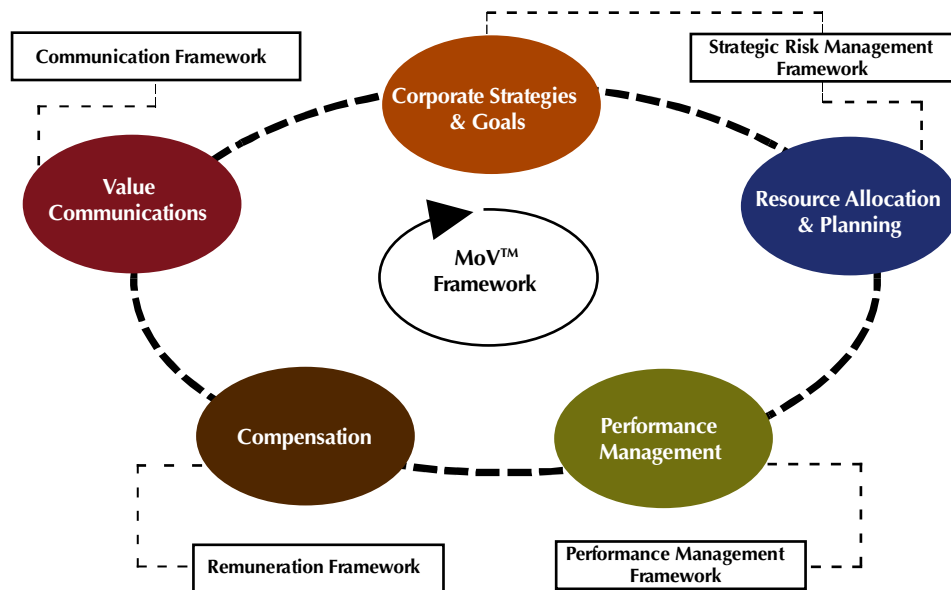


## Running the Business and Influencing the Environment



The primary purpose of the Code is to encourage Singapore listed companies to enhance shareholder value through good corporate governance. To support good corporate governance, key supporting frameworks have to be operating effectively. These frameworks include strategic risk management framework, performance management framework, remuneration framework and communication framework.

To ensure that our clients achieve the intended purpose of the Code which is to enhance shareholder value, our corporate governance advisory solutions have been developed around our MoV™ Framework.



## Interested to know more?

Do contact the PricewaterhouseCoopers Corporate Governance Advisory Team :

Yeoh Oon Jin	+65 6236 3108	oon.jin.yeoh@sg.pwc.com
Kyle Lee	+65 6236 3118	kyle.lee@sg.pwc.com
Keoy Soo Earn	+65 6236 3898	soo.earn.keoy@sg.pwc.com



## Contact Us

For more information or comments on this publication, please contact us :

PricewaterhouseCoopers  
8 Cross Street #17-00  
PWC Building  
Singapore 048424

Main Line : +65 6236 3388  
Facsimile : +65 6236 3300  
Website : <http://www.pwc.com/sg>

Yeoh Oon Jin  
*Leader, Corporate Reporting*  
Email : [oon.jin.yeoh@sg.pwc.com](mailto:oon.jin.yeoh@sg.pwc.com)  
Tel : +65 6236 3108

Peter Low  
*Partner, Corporate Reporting*  
Email : [peter.low@sg.pwc.com](mailto:peter.low@sg.pwc.com)  
Tel : +65 6236 3108

This publication is available for free download from <http://www.pwc.com/sg/corporatewatch>

## Other related publications

Corporate Governance : A Guide for Company Directors

Audit Committees : Good Practices for Meeting Market Expectations

