

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

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

1. General¹

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office² is as follows : 350 Harbour Street, #30-00, Singapore 049929.

FRS 1(102)(a)

The principal activities of the Company consist of trading in component parts used in the electrical and motor trade industries, equipment rental and investment holdings. The principal activities of the Group consist of the manufacturing and sale of component parts used in the electrical and motor trade industries, the manufacture and sale of household and commercial office furniture, construction, property development and investment holding. The glass manufacturing segment was sold during the financial year (note 5).

FRS 1(102)(b)

Guidance Notes**General**

1. *The following items need not be disclosed in the financial statements if they are disclosed elsewhere in information published with the financial statements :*
 - (a) *the domicile and legal form of the enterprise, its country of incorporation and the address of the registered office;*
 - (b) *a description of the nature of the enterprise's operations and its principal activities;*
 - (c) *the name of the parent enterprise and the ultimate parent enterprise of the group; and*
 - (d) *either the number of employees at the end of the period or the average for the period.*
2. *If the principal place of business is different from the registered office, the former should be disclosed.*

FRS 1(102)

FRS 1(102)(a)

2. Significant accounting policies**(a) Effect of changes in Singapore Companies Legislation^{1,2}**

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory accounts in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

FRS 1(11)

Previously, the Company and the Group prepared their statutory accounts in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory accounts for financial year ended 31 December 2002 [except for..... as disclosed in note [] to the financial statements].³

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(b) Basis of preparation

FRS 1(91)(a)
FRS 1(97)(a)

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, and investment properties. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

(c) Revenue recognition

FRS 1(99)(a)
FRS 18(34)(a)

Revenue comprises the invoiced value for the sale of goods and services net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Revenue from construction contracts is disclosed in note 2(h).

FRS 18(13)

FRS 18(19)

Revenue arising from rental is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

FRS 18(29)(a)

FRS 18(29)(c)

(d) Group accounting

(1) Subsidiaries ^{4,5}

FRS 1(99)(b)

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

FRS 27(11)

INT FRS 33(3)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note (g)(1) for the accounting policy on goodwill.

FRS 1(99)(c)
FRS 22(86)(b)

Intercompany transactions, balances unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.⁶

FRS 27(16)

(2) Associated companies

FRS 1(99)(b)

Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

FRS 28(2-3)

FRS 28(7)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Equity accounting involves recognising the Group's share of the results of associated companies in the consolidated income statement and the Group's share of post-acquisition movements in reserves in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of investment. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.⁶

FRS 28(25)(b)

INT FRS 3(3,4)

The Group's investments in associated companies are stated in the balance sheet at an amount that reflects its share of the net assets of the associated companies and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

FRS 28(20)
INT FRS 20(6)**(3) Joint ventures**

FRS 1(99)(d)

Joint ventures are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties. The Group's interest in joint ventures are accounted for in the consolidated financial statements by proportionate consolidation.

FRS 31(19)

FRS 31(25)

Proportionate consolidation involves combining the Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint ventures that result from the purchase of asset by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

FRS 31(28)

FRS 31(39)

FRS 31(40)

(4) Transaction costs

External costs directly attributable to an acquisition is included as part of the cost of acquisition.⁷

FRS 22(25)

(e) Property, plant and equipment

FRS 1(99)(e)

All property, plant and equipment are initially recorded at cost. Freehold and leasehold land and buildings are subsequently stated at fair value, based on triennial valuations by external independent valuers, less subsequent depreciation and impairment losses for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

FRS 16(60)(a)

Increases in the carrying amount arising from the revaluation of individual⁸ land and buildings are taken to an asset revaluation reserve in shareholders' equity, unless they are directly related to previous decreases in carrying amount that were taken to the income statement. Such increases are taken to income statement to the extent that they offset previously recorded decreases. Decreases in the carrying amount that offset previous increases of the same asset are taken to asset revaluation reserve; all other decreases are taken to the income statement.

FRS 16(37)

FRS 16(38)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

No depreciation is provided on freehold land. Leasehold land and buildings are amortised evenly over the term of the lease.

Depreciation is calculated on a straight line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows :

FRS 16(60)(b)

Buildings	the shorter of 50 years or the lease term
Motor vehicles	4 years
Plant and equipment	5 - 15 years

FRS 16(60)(c)

Repairs and maintenance are taken to the income statement during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

FRS 16(25)

FRS 16(61)(b)
FRS 16(23)
INT FRS 23(5)

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use. All other borrowing costs are expensed.

FRS 23(28)(a)
FRS 1(99)(f)

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

FRS 36(58)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

FRS 16(56)
FRS 16(39)**(f) Development properties ⁹**

FRS 1(99)(e)

Development properties are investment properties being developed for future rental. They are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete development and selling expenses. Costs to complete development include cost of land and other direct and related development expenditure, including interest on borrowings, incurred in developing the properties.

Interest on borrowings to finance the development of such properties are capitalised during the period of time that is required to complete and prepare each property for its sale. All other borrowing costs are expensed.

FRS 1(99)(f)
FRS 23(28)(a)**(g) Intangible assets**

FRS 1(99)(e)

(1) Goodwill ¹⁰

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures and associated companies over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

FRS 22(86)(b)
FRS 22(41)

Goodwill on acquisitions of subsidiaries and joint ventures occurring on or after 1 January 2001 is included as intangible assets. Goodwill on acquisitions of associated companies occurring on or after 1 January 2001 is included in investments in associated companies. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

FRS 1(99)(c)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Goodwill is amortised using the straight-line method¹¹ over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years.¹² For all other acquisitions, goodwill is generally amortised over 5 years.

FRS 22(88)(a)
FRS 38(107)(a,b)

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

FRS 36(80)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the goodwill taken to shareholders' equity.¹³

(2) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

INT FRS 6(4)

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of 3 years. Where an indication of impairment exists, the carrying amount of computer software development costs is assessed and written down immediately to its recoverable amount.

FRS 38(107)(b)
FRS 38(107)(a)
FRS 36(58)

(h) Construction contract ¹⁴

FRS 1(99)(g)

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

FRS 11(2)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred. When outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

FRS 11(38)(b)
FRS 11(31)
FRS 11(38)(b)
FRS 11(21)
FRS 11(38)(c)

FRS 11(35)

Costs incurred in the year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from

FRS 11(30)

FRS 11(42)
FRS 11(41)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

customers on construction contracts under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction contracts under trade and other payables.

FRS 11(43)
FRS 11(41)(b)

(i) Investment properties

FRS 1(99)(h)

Investment properties of the Group, principally comprising office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as long-term investments and are stated at fair value, representing open market value determined annually by external valuers. Investment properties are not subject to annual depreciation.

FRS 25(49)(a)(i)
FRS 25(49)(f)

Increases in the carrying amount arising from the revaluation of each class of investment properties are taken to an asset revaluation reserve in shareholders' equity, unless they are directly related to previous decreases in carrying amount that were taken to the income statement. Such increases are taken to income statement to the extent that they offset previously recorded decreases. Decreases in the carrying amount that offset previous increases of the same class of asset are taken to asset revaluation reserve; all other decreases are taken to the income statement.

FRS 25(49)(a)(ii)
FRS 25(32)

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is taken to the income statement; any amount in revaluation reserve relating to that investment property are transferred to the consolidated income statement.¹⁵

FRS 25(49)(a)(iii)
FRS 25(33)

(j) Investments

FRS 1(99)(i)
FRS 32(47)(b)
FRS 25(49)(a)(i)
FRS 27(31)(c)
FRS 28(25)(b)
FRS 31(41)

Investments in subsidiaries, joint ventures and associated companies are stated at cost less impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments, are stated at cost and an allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

FRS 25(49)(a)(i)
FRS 25(23)

Marketable securities (within current assets) are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are taken to the income statement.

FRS 25(49)(a)(i)

FRS 32(54)

FRS 25(31)
FRS 25(49)(a)(ii)

On disposal of an investment, including subsidiaries, joint ventures and associated companies, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

FRS 25(49)(a)(iii)
FRS 25(33)

(k) Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

FRS 36(1,8)

FRS 36(58)

FRS 36(65)
FRS 36(5)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(l) Trade receivables

FRS 32(47)(b)

Trade receivables are stated at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

(m) Borrowings¹⁶

FRS 32(47)(b)

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is shown as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

FRS 32(50)

(n) Leases

FRS 1(99)(j)

(1) When a group company is the lessee :

Finance leases

FRS 32(47)(b)

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

FRS 17(3)

FRS 17(12)

FRS 17(17)

FRS 17(19)

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

FRS 17(3)
FRS 17(25)

INT FRS 15(5)

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

*(2) When a group company is the lessor :**Finance leases*

FRS 32(47)(b)

Where assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

FRS 17(28)

FRS 17(30)

Operating leases

Assets leased out under operating leases are included in investment properties and are stated at revalued amounts and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

FRS 17(41)

FRS 17(42)
INT FRS 15(4)**(o) Research costs**

FRS 1(99)(k)

Research costs are recognised as an expense as incurred.

(p) InventoriesFRS 1(99)(l)
FRS 2(31)(a)

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

FRS 2(5)
INT FRS 1(3)

FRS 2(6-8)

FRS 23(6,7)

FRS 2(3)

Allowance for obsolete, slow-moving or defective inventories is made where necessary.

(q) Deferred income taxes

FRS 1(99)(m)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

FRS 12(14)

FRS 12(46)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FRS 12(23,33)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

FRS 12(38,43)

(r) Provisions

FRS 1(99)(n)

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

FRS 37(14)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past historical experience of the level of repairs and replacements.

FRS 37 AppC
Eg.1

Restructuring

FRS 37(72-83)

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employee affected, or after individual employees have been advised of the specific terms. Costs related to the on-going activities of the Group are not provided in advance. Any property, plant and equipment held for sale because they are no longer required for their original use, are transferred to assets held for sale at the lower of carrying amount and estimated net realisable value.

(s) Employee benefits

FRS 1(99)(o)

Employee leave entitlement

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

FRS 19(11)
FRS 19(128)

Equity compensation benefits ¹⁷

No compensation expense is recognised when share options are issued under the PwC Employee Share Option Scheme. When the options are exercised, the proceeds received net of any transaction costs are taken to share capital (nominal value) and share premium.

FRS 19(147)(b)

(t) Foreign currency translation

FRS 1(99)(p)

(1) Measurement currency ^{18,19,20,21}

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.

FRS 1(46)(d)

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts.²² Exchange differences arising are taken to the income statement.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(3) Group companies

FRS 1(99)(b,p)

- (i) In respect of associated companies, joint ventures and foreign subsidiaries whose operations are not an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries, the Group's share of exchange differences arising from the translation of foreign associated companies, and borrowings and other currency instruments designated as hedges of investments in such foreign entities, are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

FRS 21(29)

- (ii) In respect of joint ventures and foreign subsidiaries whose operations are integral to those of the Company, all monetary assets and liabilities are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, all non-monetary assets and liabilities are recorded at the exchange rates when the relevant transactions occurred, and the results are translated using average monthly exchange rates. The exchange differences arising are taken to the consolidated income statement.

FRS 21(26)

- (iii) Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.²³

FRS 21(44)

(u) Segment reporting

FRS 1(99)(q)

Business segments provide products and services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(v) Cash and cash equivalents

FRS 1(99)(r)

Cash and cash equivalents are stated in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are included under borrowings in current liabilities on the balance sheet.

FRS 7(44)

(w) Share capital¹⁶

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

INT 17(6)

FRS 22(21,25)

(x) Dividend

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

FRS 10(11)
FRS 32(30)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes

Significant accounting policies

Basis of preparation

FRS 1(91)(a)

1. Compliance with FRS

For financial period commencing on or after 1 January 2003, Singapore-incorporated companies are required by law to prepare financial statements that are in compliance with Singapore Financial Reporting Standards ("FRS") issued by Council on Corporate Disclosure and Governance ("CCDG"). Previously, although most Singapore-incorporated companies prepare their statutory financial statements in accordance with Statements of Accounting Standard ("SAS"), there was no statutory requirement for compliance.

CA 201(3)

Under the amended section 201(14) of Companies Act 2002 ("CA 2002"), Singapore-incorporated companies need not comply with any requirements of the FRS if they have obtained approval of the Registrar for such non-compliance. In rare circumstances where the financial statements prepared in accordance with FRS do not present true and fair view of the financial position or results of companies, non-compliance is allowed to the extent that non-compliance is necessary to give a true and fair view. In such cases, a statement by the auditors agreeing to such non-compliance, the particulars of the non-compliance and the reasons and its effect shall be included in the accounts.

CA 201(14)

CA 201(14A)

CA 201(14B)
CA 207(2)(aa)
SGX 1207(5)(e)

2. Use of other accounting standards for listed companies

The new section 201(14C) of CA 2002 allows the Minister to substitute other accounting standards for FRS.

CA 201(14C)

For financial period commencing on or after 1 January 2003, under the Companies (Accounting Standards for Listed Companies) Order 2003, where a Singapore Exchange Securities Trading Limited ("SGX-ST")'s listed company is also listed on a foreign exchange that requires the company to comply with accounting standards other than FRS, the company shall apply these alternative accounting standards if they are approved accounting standards by SGX-ST and the company has notified the Registrar its intention. Currently, SGX-ST allows its primary-listing issuers to prepare their financial statements in compliance with the International Financial Reporting Standards or the Generally Accepted Accounting Principles in the United States, without reconciliation to SAS.

Effect on comparatives prepared under SAS

3. Should an accounting policy that comply with SAS is changed to conform with the requirements of FRS, it shall not be regarded as a change in accounting policy. Nevertheless, disclosure shall be made to show the impact on prior year's statutory accounts.

Basis of consolidation

4. A parent that is a wholly-owned (or virtually wholly-owned - 90% or more of the voting power) subsidiary of another corporation need not present consolidated financial statements. In the case of one that is virtually wholly-owned, the parent needs to obtain the approval of the owners of the minority interest. Such a parent should disclose: (i) the reasons for not presenting consolidated financial statements; (ii) the basis on which subsidiaries are accounted for; and (iii) the name and registered office of the parent that publishes consolidated accounts.

FRS 27(7)

5. Under the Act, a company is a subsidiary of another company if the latter owns more than 50% of the equity interest in the former. Under FRS 27, a subsidiary is defined as an entity that is controlled by another entity. There is a rebuttable presumption that an entity whose majority equity interest are held by another entity, the former entity is a subsidiary of the latter.

CA 4(5)(1)
FRS 27(5)

Guidance Notes

However, there may be a situation that control is not obtained despite owning more than 50% equity interest. For example, an entity may be jointly-controlled by the partners of the joint venture although one venturer may own more than 50% of the equity interest in the joint venture. As companies are required to prepare financial statements that comply with FRS that are true and fair, entities that do not meet the definition of subsidiaries under FRS shall not be consolidated. In such an event, such legal subsidiary should be accounted for in accordance with FRS 31 and disclosed as a non-consolidating entity, together with the reasons for not consolidating. Please refer to the disclosure set out in notes 24 and 48.

Non-uniform accounting policies

6. Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the items in the consolidated financial statements to which the different accounting policies have been applied.

FRS 27(20)

External costs directly attributable to an acquisition

7. Under the exposure draft ED FRS Business Combinations, cost of issuing shares and other capital instrument shall not be included as part of cost of acquisition but shall be accounted for as a deduction from equity.

Revaluation of property, plant and equipment

8. With effect from financial period commencing on or after 1 April 2002, revaluation surplus and deficit of individual properties should not be offset.

Development properties

9. If development properties are developed for sale, the following disclosure is recommended:

“Revenue and cost on development properties sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the project. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

The aggregated costs incurred and the profit/loss recognised in each development project is compared against progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on development projects under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects under trade and other payables.

With effect from financial period commencing on or after 1 April 2002, the alternative treatment to recognise profits on development properties by the completed contracts method has been disallowed.

Guidance Notes**Goodwill**

10. Disclosure of negative goodwill, where applicable, is suggested as follows :

“Negative goodwill represents the excess of the fair value of the Group’s share of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group’s plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary depreciable assets acquired, is recognised in the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately.”

FRS 22(59)

FRS 22(64)

FRS 22(61)

FRS 22(62)

11. Where goodwill is not amortised on the straight-line basis, the Group should disclose basis used and reason why that basis is more appropriate than the straight-line basis.

FRS 22(88)(c)

12. Where goodwill is amortised over a period exceeding 20 years, the Group should disclose the specific reasons including describing the factor(s) that played a significant part in determining the useful life of the goodwill.

FRS 22(88)(b)

13. The requirement to include in the profit or loss on disposal or discontinuance of subsidiaries whose goodwill or negative goodwill on acquisition were previously adjusted against shareholders’ interest in SAS 22, has been removed. FRS 22 is silent on the treatment of such goodwill or negative goodwill. Although companies now have a choice on the treatment of such goodwill or negative goodwill, they should apply the treatment consistently. If companies choose to leave the goodwill or negative goodwill in shareholders’ equity upon disposal or discontinuance, such treatment has to be applied retrospectively.

Construction contracts

14. With effect from financial period commencing on or after 1 April 2002, the alternative treatment to recognise profits on construction contracts by the completed contracts method has been disallowed.

Disposal of investment properties

15. The amount relating to the disposed investment property in revaluation reserve may also be transferred to retained earnings. The choice of transferring to income statement or retained earnings should be applied consistently.

FRS 25(33)

Guidance Notes***Borrowings/share capital***

16. When the Company issues preference shares, a distinction between debt and equity has to be made. The following disclosures should be made :

FRS 32(18)

Borrowings

Preferred shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as non-current liabilities. The dividends on these preferred shares are recognised in the income statement as interest expense.

Share capital

Ordinary shares and non-redeemable preferred shares with discretionary dividends are both classified as equity. Other shares including mandatorily redeemable preferred shares are classified as liabilities.

Equity compensation benefits

17. The wordings of this policy would depend on the measurement policy, if any, being followed by the company. FRS 19 only includes the disclosure requirements for equity compensation plans and does not prescribe the measurement requirements.

Measurement/presentation currency

18. The Ninth Schedule required statutory accounts to be presented in Singapore dollar. With the repeal of the Ninth Schedule, a company can present its statutory financial statements in a currency other than Singapore dollar, which may be the Company's measurement currency.

19. Where the measurement currency is different from the currency of the country in which the enterprise is domiciled, the reason for using a different currency should be disclosed.

FRS 21(42)

20. Where applicable, the reason for any change in the measurement currency or presentation currency should be disclosed.

FRS 21(42)

21. When the financial statements are presented in a currency different from the enterprise's measurement currency, the following are required to be disclosed :

FRS 21(42)

- (i) the measurement currency;
- (ii) the reason for using a different presentation currency;
- (iii) a description of the method used in the translation process; and
- (iv) the fact that the measurement currency reflects the economic substance of the underlying events and circumstances of the enterprise.

INT FRS 30(8)

If the measurement currency is the currency of a hyperinflationary economy, an enterprise should also disclose the closing exchange rates between the measurement currency and the presentation currency existing at the date of each balance sheet presented.

INT FRS 30(9)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes**Translation of monetary assets and liabilities**

22. If the company has adopted FRS 39, the use of forward rate to convert foreign currency monetary assets and liabilities is not permitted.

Translation of goodwill and fair value adjustments arising from acquisition of a foreign entity

23. Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising from an acquisition of a foreign entity can also be treated as the assets and liabilities of the foreign entity and translated at closing rate.

FRS 21(32)(a)

Government grants

24. Where the Company has received government grants the following accounting policy should be considered :

FRS 1(99)(f)
FRS 20(39)(a)

"Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants, relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to assets, are included in non-current liabilities as other liabilities and are taken to the income statement on a straight-line basis over the expected useful lives of the related assets."

FRS 20(12)

FRS 20(24)

Other matters

25. In presenting the accounting policies above, it is recognised that certain items may not necessarily apply to a particular reporting entity. For example, if the reporting entity does not have Government Grants, it is not necessary to include disclosure of the accounting policy for Government Grants. The reporting entity should describe each specific accounting policy that is necessary for a proper understanding of the financial statements.
26. An accounting policy may be significant even if amounts shown for current and prior periods are not material.

FRS 1(101)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

3. Revenue

	The Group		
	2003	2002	
	\$'000	\$'000	
Sale of goods ¹	47,780	37,510	FRS 18(34)(b)(i)
Revenue from services ¹	2,975	1,500	FRS 18(34)(b)(ii)
Construction revenue ¹	2,560	3,345	FRS 11(38)(a)
Total sales	53,315	42,355	
Other operating income :			
- investment property rental income	810	200	FRS 25(49)(b)(i)
- gain on disposal of other investments	90	80	FRS 25(49)(b)(ii)
- dividend ² income from other investments	350	200	FRS 25(49)(b)(i)
Total other operating income	1,250	480	FRS 18(34)(b)(v)
Interest ³ income (note 7)	500	450	FRS 18(34)(b)(iii)
	55,065	43,285	

Guidance Notes**Revenue****Exchange of goods or services**

1. Revenue from exchange of goods or services rendered included in each significant category of revenue should be separately disclosed.

FRS 18(34)(b),c)

Dividend/interest income

2. As the Company and the Group's principal activities include that of investment holding, dividend income is included as part of its operating income. For companies or group that are non-investment holding, dividend income should be included as part of net finance income.
3. Interest income should be included within sales when it relates to the principal activity of the enterprise.

Other matters

4. Revenue arising from royalties should be separately disclosed, if applicable.
5. Items arising from disposal of property, plant and equipment, investments and properties should be disclosed when the items are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period. Please note that for listed companies, these items are required to be disclosed, regardless of their sizes, in the announcements to SGX-ST.

FRS 18(34)(b)(iv)
FRS 25(49)(b)(i)FRS 8(14)
FRS 8(16)(c)

App 7.2(1)(a)(ii)(f)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

4. Exceptional gain ¹

FRS 8(14)

	The Group	
	2003	2002
	\$'000	\$'000
Gain on disposal of :		
- subsidiary	450	–
- property, plant and equipment ²	–	840
	450	840

On 28 June 2003, the Company disposed of its 100% interest in PwC Parts Distribution Pte Ltd ("PwC Distribution"). The sales and results contributed by PwC Distribution to the "Others" segment up to the date of disposal were as follows :

FRS 27(31)(b)(iv)

	The Group	
	6 months to	12 months to
	28 June 2003	31 December 2002
	\$'000	\$'000
Sales	5,803	7,888
Net profit before tax	400	803
Tax	(100)	(280)
Net profit after tax	300	523

The carrying value of net identifiable assets disposed amounted to \$1,500,000 at 28 June 2003 (2002: \$1,642,000).

FRS 27(31)(b)(iv)

Please refer to note 11 for the effect of disposals of the subsidiary and a discontinued operation (note 5) on the Group's cash flows.

Guidance Notes***Exceptional gain******Exceptional item***

1. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.

FRS 8(14)

Gain on disposal of property, plant and equipment

2. Previously, disclosure of gain/loss on disposal of PPE was required under Ninth Schedule of Companies Act. With the repeal of Ninth Schedule, this item need only be disclosed when it is of such size, nature or incidence that its disclosure is relevant to explain the performance of the enterprise for the period.

FRS 8(16)(c)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

5. Loss on disposal of a discontinued operation ¹

On 31 January 2003 the Group publicly announced its intention to sell the glass segment (note 45). The subsidiary comprising this segment, PwC Glass Manufacturing Pte Ltd was sold on 31 July 2003 and is reported in these financial statements as a discontinued operation. The sales, results and cash flows of the glass segment were as follows :

FRS 35(27)(a-d)
FRS 35(38,39)

	The Group		
	7 months to 31 July 2003 \$'000	12 months to 31 December 2002 \$'000	
Revenue	2,200	4,225	FRS 35(27)(f)
Operating expenses	(1,988)	(4,356)	FRS 35(27)(f)
Profit/(loss) from operations	212	(131)	FRS 35(27)(f)
Finance cost	(585)	(1,258)	FRS 35(27)(f)
Loss before tax	(373)	(1,389)	FRS 35(27)(f)
Income tax expense	(37)	(192)	FRS 35(27)(f)
Loss after tax	(410)	(1,581)	FRS 12(79)(h)(ii)
Operating cash flows	(765)	5,670	FRS 35(27)(g)
Investment cash flows	1,832	(3,514)	FRS 35(27)(g)
Financing cash flows	(1,639)	1,338	FRS 35(27)(g)
Total cash (outflows) / inflows	(572)	3,494	

The loss on disposal was determined as follows :

	As at 31 July 2003 \$'000	As at 31 December 2002 \$'000	
Total assets	1,120	2,494	
Total liabilities	(502)	(1,428)	
Net identifiable assets disposed	618	<u>1,066</u>	FRS 35(31)(b)
Reclassifications from shareholder's equity :			
- goodwill previously written off to shareholders' equity ³	824		
- currency translation differences (note 35)	66		
Cash proceeds from disposal	(549)		FRS 35(31)(b)
Loss on disposal	959		FRS 35(31)(a)

Please refer to note 11 for the effect of disposals of a subsidiary (note 4) and discontinued operation on the Group's cash flows.

Guidance Notes***Discontinuing operation***

1. A discontinuing operation is a component of an enterprise :

FRS 35(2)

- (a) that the enterprise, pursuant to a single plan, is :
 - (i) disposing of substantially in its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the enterprise's shareholders;
 - (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or
 - (iii) terminating through abandonment;
- (b) that represents a separate major line of business or geographical area of operations; and
- (c) that can be distinguished operationally and for financial reporting purposes.

2. Discontinuing operations include an operation that has not been discontinued, but the plan for its discontinuance has been publicly announced and the company is actively seeking for a buyer. The gain/loss arising from such an operation will be categorised as gain/loss of a discontinuing operation. Should there be a discontinued operation and a discontinuing operation during the year, the aggregate gain/loss arising from them will be classified as gain/loss from discontinuing operations on the face of income statement. Please note, however that all other disclosures required by FRS 35 should be presented separately for each discontinuing operation in the notes to the financial statements.

Goodwill

3. Under SAS 22, there was a requirement to include any goodwill or negative goodwill on acquisition, which were previously adjusted against shareholders' interest, in the profit or loss on disposal of discontinued operations. FRS 22 is silent on the treatment of such goodwill or negative goodwill (i.e. companies may choose to include such goodwill either in the profit or loss, or retain such goodwill in the shareholders' equity). However, companies should apply the choice consistently. If companies choose to leave the goodwill or negative goodwill in shareholders' equity upon disposal, such treatment has to be applied retrospectively, and may result in the restatement of prior year's comparatives.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

6. Profit from operations**(Alternative 1 : Illustrating the classification of expenses by function) ¹**

The following items have been included in arriving at profit from operations :

	The Group		
	2003	2002	
	\$'000	\$'000	
<i>Charging / (Crediting)</i>			
Amortisation charge :			FRS 1(83)
- goodwill (included in 'Other operating expenses') ¹ (note 27(a))	215	200	FRS 22(88)(d)
- computer software license and development costs (included in 'Administrative expenses') ¹ (note 27(b))	40	20	FRS 38(107)(d)
Auditors' remuneration paid/payable to ³ :			
- auditors of the Company	60	56	
- other auditors*	30	28	
Other fees paid/payable to auditors of the Company ^{4, 5}	25	20	SGX 1207(6)(a)
Depreciation of property, plant and equipment (note 26) :			FRS 1(83) FRS 16(60)(e)(vii)
- freehold land and buildings	15	5	
- leasehold land and buildings	15	15	
- plant and equipment	1,105	1,000	
- motor vehicles	125	50	
Foreign exchange loss ⁶ – net	55	37	FRS 21(41)(a)
Impairment of :			FRS 36(113)(a)
- plant and equipment (included in 'Other operating expenses') ¹ (note 26)	335	–	
- goodwill (included in 'Other operating expenses') ¹ (note 27(a))	60	–	
Inventories :			
- costs of inventories recognised as an expense ² (included in cost of sales)	22,125	16,590	FRS 2(33)(a)
- write-down of inventory ⁷	100	–	FRS 8(14,16(a))
- reversal of part of inventory write-down made in 2001 ⁷ (note 13)	–	(200)	FRS 2(31)(d)
Provision ⁸ for :			FRS 37(84)(b)
- warranty (note 32(a))	110	275	
- restructuring costs (note 32(b))	300	–	FRS 8(14,16(b))
- legal claims (note 32(c))	240	–	
Rental expense - operating lease	150	150	FRS 17(27)(c)
Research costs ⁹	473	200	FRS 38(115)
Revaluation losses on investment properties (note 25)	123	10	FRS 25(49)(b)(iii)

* Includes PricewaterhouseCoopers firms outside Singapore.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

7. Finance income / (cost) - net

	The Group		
	2003	2002	
	\$'000	\$'000	
Interest income :			FRS 18(34)(b)(iii)
- investments in bonds and debentures	410	400	FRS 25(49)(b)(i)
- loan to immediate holding corporation	90	50	FRS 24(22-24)
Net foreign exchange gain ⁶ (net)	195	120	FRS 21(41)(a)
	695	570	
Interest expense on balances with			
- bank loans	(360)	(520)	
- overdrafts	(142)	(140)	
- convertible bonds (note 30)	(90)	—	
- finance leases	(60)	(22)	
	(652)	(682)	
	43	(112)	

8. Staff costs

	The Group		
	2003	2002	
	\$'000	\$'000	
Wages and salaries	9,785	7,810	
Employer's contribution to defined contribution plans including Central Provident Fund ¹⁰	1,202	814	FRS 19(46)
Termination benefits ¹¹ (note 44(c))	100	80	FRS 19(142)
	11,087	8,704	

During the year, an amount of \$2,532,000 (2002: \$1,940,000) included under the Group's staff costs has been capitalised under inventory, being the direct production costs incurred by some subsidiaries within the Group.¹²

The number of persons employed at the end of financial year : ^{13, 14}

FRS 1(102)(d)

	The Group	
	2003	2002
Full time	1,470	1,190
Part time	294	238
	1,764	1,428

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes**Disclosures relating to Income Statement****Classification of expenses (by function versus by nature)**

1. Enterprises classifying expenses by function should disclose additional information on the nature of expenses, including depreciation and amortisation expense and staff costs.
2. Enterprises presenting their income statement based on the nature of expenses need not disclose the cost of inventories recognised as an expense during the period.

FRS 1(83)

FRS 2(35)

Auditors' remuneration

3. Not required to be disclosed under FRS or SGX-ST Listing Manual for all companies. Recommended to be disclosed for SGX-ST listed companies in view of PAB restrictions on non-audit services. Remuneration of member firms of PricewaterhouseCoopers would normally be included under "Other Auditors" and not "Auditors of the Company". If the amount paid/payable to PwC firms outside Singapore is significant, the footnote ('includes PricewaterhouseCoopers firms outside Singapore') should be included. Otherwise, it is acceptable not to include the footnote.

Other fees paid/payable to Auditors of the Company

4. There may be fees paid to auditors of the Company which are not included in determining the Group/Company's operating profit. It may be appropriate for such fees to be disclosed in the note relating to the asset or equity.
5. Audit Committee should provide confirmation in the financial statements that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors. Please refer to Principle 11 in the Corporate Governance Report for the disclosure.

SGX 1207(6)(b)

Net foreign exchange gain/(loss)

6. Foreign exchange gain/(loss) arising from operating activity should form part of operating expenses while those arising from financing activities should form a part of net finance costs.

Write-down of inventories

7. Although the reversal of any write-down that is recognised as income is a required disclosure under FRS 2(31)(d), the disclosure of the write-down to net realisable value is not mandatory, unless the write-down is of such size, incidence or nature to warrant a separate disclosure under FRS 8(16)(a). Please note that for listed companies, inventory write-down is required to be disclosed, regardless of its size, in the announcements to SGX-ST.
8. Additional provision made during the year should be disclosed for each provision. Although it is possible to disclose such information in the note on provisions, we recommend including it in this note as well as the note on provisions for completeness.

FRS 2(36)
FRS 8(14)
FRS 8(16)(a)SGX App 7.2(1)(a)
(ii)(F)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes**Research costs**

9. Grants may be received for research activities. Grants related to income are sometimes presented as a credit in the income statement in "Other income" or deducted against the related expense. Both methods are regarded as acceptable for presentation of grants related to income. Disclosure of grant may be necessary for a proper understanding of the financial statements. Disclosure of the effect of the grant on any item of income or expense, which is required to be disclosed separately, is usually appropriate.

FRS 20(29-31)

Wages and salaries

10. Defined contribution plans include the employer's contribution to the Central Provident Fund.
11. As required by FRS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, an enterprise discloses the nature and amount of an expense if it is of such size, nature or incidence that its disclosure is relevant to explain the performance of the enterprise for the period. Termination benefits may result in an expense needing disclosure in order to comply with this requirement. Otherwise, an enterprise should disclose information about termination benefits for key management personnel as required by FRS 24, Related Party Disclosures.
12. The note regarding capitalisation of salary cost under inventory is not mandatory; however the amount capitalised should be included under the wages and salaries amounts.

FRS 19(142)

FRS 19(143)

Average number of employees

FRS 1(102)(d)

13. Alternatively, average number of persons employed during the financial year may be disclosed.
14. Either disclosure need not be included in the financial statements if it is disclosed elsewhere in the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

9. Tax**(a) Tax expense**

	The Group		
	2003	2002	
	\$'000	\$'000	
Tax expense attributable to profit is made up of :			FRS 12(77)
Current income tax			FRS 12(78)(a)
- Singapore	2,680	2,375	
- Foreign	289	259	
	2,969	2,634	
Deferred tax	(731)	(737)	FRS 12(78)(c)
Share of tax of associated companies ¹ (note 22)	70	53	FRS 28(26)
	2,308	1,950	
Under / (over) provision in preceding financial years			
- current income tax	11	10	FRS 12(78)(b,e)
- deferred tax	(16)	(40)	FRS 12(78)(b,f)
	2,303	1,920	

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following :

FRS 12(79)(c)(i)
FRS 12(83)

	The Group		
	2003	2002	
	\$'000	\$'000	
Profit before tax	7,910	6,000	
Tax calculated at a tax rate of 22% ^{2, 3} (2002: 22%)	1,740	1,320	
Effect of changes in tax rate	—	(24)	
Effect of different tax rates in other countries	415	521	
Expenses not deductible for tax purposes	501	408	
Income not subject to tax	(278)	(237)	
Utilisation of previously unrecognised :			
- tax losses	(44)	(23)	
- capital allowances	(26)	(15)	
Tax charge	2,308	1,950	

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(b) Movements in current tax liabilities ⁴

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
At the beginning of financial year	725	587	325	285
Exchange difference	20	15	–	–
Income tax paid	(2,210)	(2,521)	(399)	(145)
Current financial year's tax expense on profit	2,969	2,634	327	185
Acquisition of subsidiary (note 11)	100	–	–	–
Disposal of subsidiaries (note 11)	(80)	–	–	–
Under provision in preceding financial years	11	10	–	–
At the end of financial year	1,535	725	253	325

Included in the Company's current tax liabilities is an amount of \$32,000 (2002: \$25,000) representing the approximate consideration payable for the transfer of tax losses from a subsidiary. This amount is provisional in nature and will be finalised upon agreement of the tax loss available for claim with the authority.

Guidance Notes**Tax****Share of tax of joint ventures**

1. Where the Group's interest in joint ventures are accounted for in the consolidated financial statements by the equity method of accounting, Group's share of tax of joint ventures should be disclosed together with Group's share of tax of associated companies.

Applicable tax rate(s)

2. An explanation of changes in the applicable tax rate(s) compared to the previous accounting period should be included, where applicable.
3. In explaining the relationship between tax expense (income) and accounting profit, an enterprise uses an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the enterprise is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an enterprise operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each individual jurisdiction.

FRS 12(79)(d)

FRS 12(83)

Movements in current tax liabilities

4. This is a voluntary disclosure. Recommended as a good practice.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to members of PwC Holdings Ltd by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2003	2002
Net profit attributable to members of PwC Holdings Ltd (\$'000)	4,577	3,693
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	7,536	6,572
Basic earnings per share	61 cents	56 cents

FRS 33(49)(a)

FRS 33(49)(b)

The weighted average number of shares for both 2003 and 2002 has been adjusted to reflect the bonus element inherent in the rights issue.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares : convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The differences is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	The Group	
	2003	2002
	\$'000	\$'000
Net profit attributable to members of PwC Holdings Ltd	4,577	3,693
Interest expense on convertible bonds (net of tax)	70	–
Net profit used to determine diluted earnings per share	4,647	3,693
	'000	'000
Weighted average number of ordinary shares in issue for basic earnings per share	7,536	6,572
Adjustments for:		
– assumed conversion of convertible bonds	780	–
– share options	70	60
Weighted average number of ordinary shares for diluted earnings per share	8,386	6,632
Diluted earnings per share	55 cents	56 cents

FRS 33(49)(a)

FRS 33(49)(b)

Guidance Notes**Earnings per share****Application of FRS 33**

1. FRS 33 Earnings Per Share applies to all companies listed on the SGX-ST.
2. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation or bonus issue or share split or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented should be adjusted retrospectively. If these changes occur after the balance sheet date but before issue of the financial statements, the per share calculations for those and any prior period financial statements presented should be based on the new number of shares. When per share calculations reflect such changes in the number of shares, that fact should be disclosed. In addition, basic and diluted earnings per share of all periods presented should be adjusted for :
 - (a) the effects of fundamental errors, and adjustments resulting from changes in accounting policies, dealt with in accordance with the benchmark treatment in FRS 8; and
 - (b) the effects of a business combination which is a uniting of interests.
3. When the Group changes its accounting policies, for comparative purposes, the basic and diluted earnings per share in prior period should be adjusted for the prior year adjustments.
4. An enterprise is encouraged to disclose a description of ordinary share transactions or potential ordinary share transactions, other than capitalisation issues and share splits, which occur after the balance sheet date when they are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions (see FRS 10, Events After the Balance Sheet Date). Examples of such transactions include the issue of shares for cash; the redemption of ordinary shares on issue; the issue of warrants, options or convertible securities. Earnings per share are not adjusted for such transactions as they do not affect the amount of capital used to produce the net profit or loss for the period.
5. If an enterprise discloses, in addition to basic and diluted earnings per share, per share amounts using a reported component of net profit other than net profit or loss for the period attributable to ordinary shareholders, such amounts should be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. If a component of net profit is used which is not reported as a line item in the income statement, a reconciliation should be provided between the component used and a line item which is reported in the income statement. Basic and diluted per share amounts should be disclosed with equal prominence.

FRS 33(43)

FRS 33(45)

FRS 33(51)

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

11. Cash and cash equivalents

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	250	200	200	100
Fixed deposits with financial institutions	3,952	2,881	2,132	1,011
	4,202	3,081	2,332	1,111

The fixed deposits with financial institutions mature on varying dates within 6 months (2002: 6 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 December 2003 was 2.5% (2002: 3.0%) per annum.

FRS 32(56)(a)

FRS 32(56)(b)

For the purposes of the consolidated cash flow statement, the financial year-end consolidated cash and cash equivalents comprise the following :

FRS 7(44)

	The Group	
	2003	2002
	\$'000	\$'000
Cash and bank balances (as above)	4,202	3,081
Less : Bank overdrafts (note 29)	(2,350)	(2,250)
Cash and cash equivalents per consolidated cash flow statement	1,852	831

FRS 7(7)

Acquisition and disposals of subsidiaries

On 28 June 2003, the Company disposed of its 100% interest in PwC Parts Distribution Pte Ltd for \$1,950,000 (note 4). On 30 June 2003, the Group sold the subsidiary comprising glass segment, PwC Glass Manufacturing Pte Ltd for \$549,000 and this is reported as a discontinued operation (note 5).

On 1 October 2003, the Company acquired 70% of the issued share capital of PwC Components Manufacturing Pte Ltd for \$1,550,000 (note 24).

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

The aggregate effects of the acquisition and disposals of subsidiaries are as follows:

	The Group		
	Acquisition	Disposals	
	\$'000	\$'000	
Property, plant and equipment (note 26)	1,000	(1,380)	FRS 7(39)(d)
Trade and other receivables	800	–	FRS 7(39)(d)
Inventories	840	–	FRS 7(39)(d)
Cash and bank balances	100	(804)	FRS 7(39)(d)
Other current assets	–	(694)	FRS 7(39)(d)
Total assets	2,740	(2,878)	
Borrowings	(150)	–	
Trade and other payables	(560)	523	FRS 7(39)(d)
Current tax liabilities (note 9(b))	(100)	80	FRS 7(39)(d)
Deferred tax liabilities (note 33)	(15)	157	FRS 7(39)(d)
Total liabilities	(825)	760	
Net identifiable assets	1,915	(2,118)	
Less : Minority interest (note 37)	(575)		
Net identifiable assets purchased	1,340		
Goodwill (note 27(a))	210		
Total cash consideration	1,550		FRS 7(39)(a,b)
Less : Cash and cash equivalents in subsidiary acquired :			FRS 7(39)(c)
- cash and cash balances	(100)		
- bank overdraft	150		
Net cash outflow from acquisition of a subsidiary	1,600		

The aggregate cash inflows arising from disposals are as follows :

	The Group	
	\$'000	
Net identifiable assets sold (as above)	2,118	
Reclassifications from shareholders' equity :		
- goodwill previously written off to shareholders' equity	824	
- currency translation differences (note 35)	66	
Gain on disposal of a subsidiary (note 4)	450	
Loss on disposal of a discontinued operation (note 5)	(959)	
Cash proceeds from disposals	2,499	FRS 7(39)(a,b)
Less : Cash and cash equivalents in subsidiaries sold	(804)	FRS 7(39)(c)
Net cash inflow on disposals	1,695	

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

12. Trade and other receivables - current

FRS 1(73)(b)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Finance leases :					
- gross receivables (note 19)	236	316	236	316	FRS 17(39)(a)
- unearned finance income (note 19)	(80)	(98)	(80)	(98)	FRS 17(39)(b)
	156	218	156	218	
Trade receivables :					
- associated companies	108	97	–	–	FRS 1(72)
- third parties	3,916	1,562	1,899	1,697	FRS 24(22-24)
	4,024	1,659	1,899	1,697	
Less : Allowance for doubtful receivables	(125)	(100)	(100)	(100)	
Trade receivables – net	3,899	1,559	1,799	1,597	
Construction contracts :					
- due from customers (note 16)	1,384	1,188	–	–	FRS 11(41)(a)
- retentions (note 16)	60	40	–	–	FRS 11(39)(c)
	1,444	1,228	–	–	
Staff loans (note 20)	60	25	30	20	FRS 1(72)
Other receivables	40	40	20	15	
	5,599	3,070	2,005	1,850	

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed, cover a large spectrum of manufacturing and distribution and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and Company's trade receivables.

FRS 32(66)(a,b)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

13. InventoriesFRS 1(73)(c)
FRS 2(31)(b)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
<i>At cost</i>					
Finished goods ¹	1,711	685	1,000	400	FRS 2(32)
Work-in-progress ¹	600	400	–	–	FRS 2(32)
Raw materials ¹	900	800	–	–	FRS 2(32)
	3,211	1,885	1,000	400	
<i>At net realisable value</i>					FRS 2(31)(c)
Finished goods ¹	300	750	240	572	FRS 2(32)
	3,511	2,635	1,240	972	

Inventories of \$1,200,000 (2002: \$1,000,000) of the Group and \$600,000 (2002: \$300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (note 29).

FRS 2(31)(f)

In 2002, the Group reversed² \$200,000, being part of an inventory write-down made in 2001, as the inventories were sold above the carrying values in 2002.

FRS 2(31)(d,e)

Guidance Notes***Inventories******Inventories classified as current assets***

1. Disclosure is required of the total carrying amount of inventories and further sub-classifications as appropriate to the entity's operations. Common classifications of inventories are merchandise, production supplies, materials, work-in-progress and finished goods. The inventories of a service provider may simply be described as work-in-progress.

FRS 2(31)(b)
FRS 2(32)***Reversal of write-down***

2. Where there is any reversal of write-down of inventories, the following should be disclosed :
 - (a) Amount of any reversal of write-down that is recognised as income in the period; and
 - (b) The circumstances or events that led to the reversal.

FRS 2(31)(d,e)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

14. Assets held for sale ¹

	Cost \$'000	Accumulated depreciation \$'000	Net book value \$'000
The Group – 2003			
Leasehold land and building	100	–	100
Plant and equipment	1,022	(422)	600
	<u>1,122</u>	<u>(422)</u>	<u>700</u>

As a consequence of the restructuring of the furniture segment (note 32(b)), certain items of property, plant and equipment are no longer required for the purposes for which they were originally purchased. These assets have been written down by \$300,000 (note 26(c)) to their estimated recoverable amounts prior to the reclassification from property, plant and equipment at 31 December 2003.

FRS 16(60)(e)(v)

Guidance Notes**Assets held for sale**

1. This note is a voluntary disclosure. Recommended as a good practice. If the reclassification occurred during the year, the assets should continue to be depreciated after reclassification.

15. Development property

	The Group	
	2003	2002
	\$'000	\$'000
Freehold land and other related costs	2,000	2,000
Development costs	400	40
	<u>2,400</u>	<u>2,040</u>

FRS 16(61)(c)

Borrowing costs of \$29,000 (2002: \$25,000), arising on financing specifically entered into for the development of property for rental, were capitalised during the year, and are included in development costs. A capitalisation rate of 6.75% (2002: 6.25%) per annum was used, representing the borrowing cost of the loans used to finance the project.

FRS 23(28)(b)

FRS 23(28)(c)

The land under development property has been charged as security for bank loans (note 29), granted to a subsidiary.

FRS 16(61)(a)

Guidance Notes**Development property****Disclosure of development properties and investment properties for listed companies**

1. For listed companies, please refer to disclosure note (d) under Additional Singapore Exchange Securities Trading Listing Manual Requirements.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

16. Construction contract work-in-progress

	The Group		
	2003	2002	
	\$'000	\$'000	
At the beginning of financial year	147	347	
Contract costs incurred during financial year	1,345	2,040	
Contract expenses recognised during financial year	(1,230)	(2,240)	
At the end of financial year ¹	262	147	
Aggregate contract costs incurred and recognised profits (less recognised losses) to date	2,067	3,325	FRS 11(39)(a)
Less : Progress billings	(763)	(2,197)	
	1,304	1,128	
Due from customers on construction contracts ² (note 12)	1,384	1,188	FRS 11(41)(a)
Due to customers on construction contracts ² (note 28)	(80)	(60)	FRS 11(41)(b)
	1,304	1,128	
Advances received on construction contracts (note 28)	541	262	FRS 11(39)(b)
Retentions on construction contracts (note 12)	60	40	FRS 11(39)(c)

Guidance Notes**Construction contract work-in-progress**

1. Construction contract work-in-progress mainly arise from :

FRS 11(30)

(a) contract costs that relate to future activity on the contract, such as costs of materials that have been delivered to a contract site or set aside for use in a contract but not yet installed, used or applied during contract performance, unless the materials have been made specially for the contract; and

(b) payments made to subcontractors in advance of work performed under the subcontract.

Such costs shall be excluded from contract costs incurred to date when determining the stage of completion of a contract.

2. The determination of amounts due to and from customers on construction contracts should be made on a contract-by-contract basis. These balances shall not be offset against each other.

17. Other current assets

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Deposits for the purchase of plant, equipment and motor vehicles	607	318	—	—	
Prepayments	200	155	50	50	
	807	473	50	50	

FRS 1(73)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

18. Trade and other receivables – non-current

FRS 1(73)(b)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Finance leases :					
- gross receivables (note 19)	846	747	846	747	FRS 17(39)(a)
- unearned finance income (note 19)	(246)	(147)	(246)	(147)	FRS 17(39)(b)
	600	600	600	600	
Other receivables :					FRS 1(72)
- loan to immediate holding corporation (note 44(d))	1,200	250	1,200	250	FRS 24(22-24)
- loans to subsidiaries (note 44(e))	–	–	4,520	3,798	FRS 24(22-24)
- staff loans due after 12 months (note 20)	200	150	150	100	
	2,000	1,000	6,470	4,748	

The current receivables relating to the above items are shown in note 12. All non-current receivables are due within 5 years from the balance sheet date.

FRS 32(56)(a)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
<i>Fair values</i>					FRS 32(77)
Loan to immediate holding corporation	1,340	300	1,340	300	
Loans to subsidiaries	–	–	4,620	3,976	
Staff loans	211	154	156	114	

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date.

The effective interest rates on receivables (current and non-current) were as follows :

FRS 32(56)(b)

	The Group		The Company		
	2003	2002	2003	2002	
Lease receivables	7.1%	6.8%	7.1%	6.8%	
Loan to immediate holding corporation	3.0%	3.0%	3.0%	3.0%	
Loans to subsidiaries	–	–	3.7%	3.5%	
Staff loans	4.5%	4.2%	4.5%	4.2%	

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

19. Finance lease receivables

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Gross receivables from finance leases :					FRS 17(39)(a)
- not later than 1 year	236	316	236	316	
- later than 1 year and not later than 5 years	846	747	846	747	
- later than 5 years	—	—	—	—	
	1,082	1,063	1,082	1,063	
Unearned finance income on finance leases	(326)	(245)	(326)	(245)	FRS 17(39)(b)
Net investment in finance leases	756	818	756	818	

The net investment in finance leases may be analysed as follows :

FRS 17(39)(a)
FRS 32(56)(a)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Not later than 1 year (note 12)	156	218	156	218	
Later than 1 year and not later than 5 years (note 18)	600	600	600	600	
Later than 5 years	—	—	—	—	
	756	818	756	818	

20. Staff loans

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Amount due within 12 months (note 12)	60	25	30	20	FRS 32(56)(a)
Amount due after 12 months (note 18)	200	150	150	100	
	260	175	180	120	

Loans were made under an approved staff loan scheme and include loans made to a director of the Company as follows :

FRS 24(22)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Amount due within 12 months	20	20	20	20	FRS 32(56)(a)
Amount due after 12 months	15	35	15	35	
	35	55	35	55	

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

21. Other investments

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<i>At cost</i>				
Quoted investments	710	600	600	500
Unquoted investments	100	100	100	100
	810	700	700	600
<i>Fair values</i>				
Quoted investments, at market value	900	800	800	700
Unquoted investments, at fair value	150	142	150	142

FRS 32(77)

FRS 25(49)(c)

Investments are classified as non-current assets, unless they are expected to be realised within 12 months of the balance sheet date or unless they need to be sold to raise operating capital.

Market value of quoted investments is determined by reference to Stock Exchange quoted bid prices. The fair value of unquoted investments is estimated by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.¹

FRS 32(47)(b)
FRS 32(54)

Quoted investments of the Company and the Group included \$350,000 (2002: \$300,000) of listed bonds and debentures with effective weighted average interest rate of 6.5% (2002: 6%) per annum and have maturity dates ranging from August 2005 to December 2006.

FRS 32(56)(b)

FRS 32(56)(a)

Guidance Notes***Others investments******Disclosure of fair value of unquoted investments***

1. Sometimes it might be impracticable to disclose the fair value of unquoted investments. FRS 32(77) allows non-disclosure, but requires that fact to be disclosed with any pertinent information which might be relevant for the end-users to make their judgements of the fair value.

A suggested wording is as follows : "Unquoted investment comprised of 5% equity interest in an unlisted company in Australia. This company was incorporated in June 2002 to specialise in producing biomedical diagnostic and treatment kits. It does not have a history of profits and cash flows and is not similar in size and activity to any listed entity. There is also no active market for the equity interest as the purchase agreement stipulated the requirement to sell all interests to the main shareholder, when the need arises. As such, it is not practicable to determine with sufficient reliability the fair value of the unquoted investments."

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

22. Investments in associated companies

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Investment at cost			1,000	1,000
At the beginning of financial year	1,255	1,090		
Share of results before tax	270	203		
Share of tax (note 9)	(70)	(53)		
Share of results after tax	200	150		
Dividends received, net of tax	(39)	(76)		
Other movements	10	60		
Exchange differences	(21)	31		
At the end of financial year	1,405	1,255		

FRS 28(26)

The share of results before tax includes \$20,000 (2002: \$20,000) representing the amortisation charge of goodwill in respect of the acquisition of associated companies. Investments in associated companies at 31 December 2003 includes goodwill of \$400,000, net of accumulated amortisation of \$40,000 (2002: \$400,000, net of accumulated amortisation of \$20,000).

Details of associated companies are included in note 48.

Guidance Notes***Investments in associated companies***

1. *If an enterprise's share of losses in an associated company exceeds the carrying amount of the investment, recognition of further losses should be discontinued, unless the enterprise has incurred obligations (e.g. guarantees) to satisfy obligations of the associated company over and above its interest in the associated company. Unrecognised amounts of an investor's share of losses of an associated company for the period and cumulatively should be disclosed in the notes to the financial statements.*
2. *Where applicable, the investor should disclose :*
 - (a) *its share of the contingent liabilities and capital commitments of an associated company for which it is also contingently liable; and*
 - (b) *those contingent liabilities that arise because the investor is severally liable for all the liabilities of the associated company.*

FRS 28(20)

INT 20(10)

FRS 28(24)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

23. Investment in a joint venture

The Company has a 50% interest amounting to \$880,000 (2002: \$880,000) at cost in a joint venture, PwC Joint Venture Furniture Pte Ltd, which provides products and services in the furniture industry. The following amounts represent the Group's 50% share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated balance sheet and income statement using the line-by-line format of proportionate consolidation :

FRS 31(47)

	The Group	
	2003	2002
	\$'000	\$'000
Non-current assets	2,730	2,124
Current assets	803	717
	3,533	2,841
Non-current liabilities	(1,081)	(1,073)
Current liabilities	(388)	(406)
	(1,469)	(1,479)
Net assets	2,064	1,362
Sales	5,276	5,618
Profit before tax	2,271	2,402
Income tax expense	(749)	(793)
Profit after tax	1,522	1,609
Proportionate interest in joint venture's commitments	90	92

FRS 31(47)

FRS 31(46)

There are no contingent liabilities relating to the Group's interest in the joint venture.

FRS 31(45)

Details of the joint venture are included in note 48.

Guidance Notes***Investment in a joint venture******Consolidated accounts – legal subsidiary/joint venture not required to be consolidated***

1. Please refer to guidance note 5 under Significant Accounting Policies.

Additional information

2. Disclosure of the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation is not compulsory but encouraged as it may be relevant to users in understanding the financial position and liquidity of an enterprise.

FRS 7(49)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

24. Investments in subsidiaries

	The Group ^{1, 2}		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Investments at cost ⁷	200	200	3,850	2,250

Details of significant subsidiaries are included in note 48.

A wholly-owned subsidiary, PwC Overseas Ltd, incorporated in Cambodia, is not consolidated as the Cambodia government holds a golden share that enables the government to replace the board of directors with its nominees if it decides that this would be in the national interest. As the Company is restricted from reducing the scale of operations or workforce, or change other aspects of the business that might be against national interest, it is deemed as not controlling the subsidiary's financial and operating policies.

FRS 27(31)(b)(i)
FRS 27(31)(b)(iii)

Acquisition of a subsidiary

On 1 October 2003 the Company acquired 70% of the issued share capital of PwC Components Manufacturing Pte Ltd for \$1,550,000 in cash. The acquired subsidiary is involved in the manufacture and sale of component parts for the electrical and motor trade industry.

FRS 22(87)(a,b)
FRS 22(86)(a)

The acquired subsidiary contributed revenue of \$1,500,000 and operating profit of \$275,000 to the Group for the period from 1 October 2003 to 31 December 2003. The subsidiary's assets and liabilities at 31 December 2003 were \$2,950,000 and \$890,000 respectively.

FRS 27(31)(b)(iv)
FRS 22(86)(c)

The fair value of the net assets approximated to the book value of the net assets acquired, and no plant closure provisions or other restructuring provisions were established. The effect of the acquisition to the Group's financial position are disclosed in note 11.

FRS 22(92)

Included in cost of acquisition is an amount of \$220,000 paid to the auditors of the Company for due diligence work in respect of the acquisition.

SGX 1207(6)(a)

There were no acquisitions in the year ended 31 December 2002. Information about an acquisition that took place on 1 March 2004 is shown in note 46.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes

Investments in subsidiaries

Consolidated accounts – legal subsidiary not required to be consolidated.

1. Please refer to guidance note 5 under Significant Accounting Policies.
2. Investments in subsidiaries that are excluded from consolidated financial statements should be either : (i) stated at cost; (ii) accounted for using the equity method as described in FRS 28, Accounting for Investments in Associated companies; or (iii) accounted for as available-for-sale financial assets as described in FRS 39, Financial Instruments: Recognition and Measurement.

FRS 27(29)

Intra-group balances and transactions

3. Intragroup balances and intragroup transactions and resulting unrealised profits should be eliminated in full. Unrealised losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

FRS 27(16)

Different balance sheet dates

4. CA 200 requires the company's directors to ensure that the financial year of subsidiary coincides with the financial year of the holding company within 2 years of acquisition.
5. The financial statements of subsidiaries used in the consolidation should be drawn up to the same reporting date as that of the parent. When financial statements used in the consolidation are drawn up to different reporting dates, that fact should be disclosed for each consolidated subsidiary. In addition, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements. In any case, the difference between reporting dates should be no more than three months.

CA 200(1)

FRS 27(18)

Uniform accounting policies

6. Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

FRS 27(20)

Investments in subsidiaries

7. Where applicable, loans to subsidiaries that form part of an enterprise's net investments in subsidiaries should be separately disclosed.

FRS 1(67)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

25. Investment properties

	The Group		
	2003	2002	
	\$'000	\$'000	
At the beginning of financial year	2,635	2,585	
Revaluation gain recognised in revaluation reserve (note 35)	253	60	FRS 25(49)(g)
Revaluation loss taken to income statement (note 6)	(123)	(10)	FRS 25(49)(b)(iii)
At the end of financial year	2,765	2,635	

Investment properties are valued annually on 31 December at fair value comprising open market value by an independent professionally qualified valuer. It is the intention of the Directors to hold the investment properties long term.¹

FRS 25(49)(f)

The investment properties are leased to third parties under operating leases (note 40(c)).

FRS 17(48A)

The investment properties are mortgaged to secure bank loans (note 29(b)).²

FRS 25(49)(e)

Guidance Notes***Investment properties***

1. For listed companies, please refer to the disclosure note (d) under Additional Singapore Exchange Securities Trading Listing Manual Requirements.

Restrictions

2. Any significant restrictions on the realisability of investments or the remittance of income and proceeds of disposal should be disclosed.

FRS 25(49)(e)

Investment holding business

3. For enterprises whose main business is the holding of investments, an analysis of the portfolio of investments should be given.

FRS 25(49)(h)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

26. Property, plant and equipment

FRS 1(73)(a)

The Group*Cost or valuation*

At 1 January 2003

Cost

Valuation

Exchange differences

Acquisition of subsidiary (note 11)

Additions

Disposals ¹Revaluation surplus ²

Transfer to assets held for sale (note 14)

At 31 December 2003

Representing :

Cost

Valuation

Accumulated depreciation

At 1 January 2003

Exchange differences

Depreciation charge (note 6)

Disposals

Impairment charge (note 6)

Revaluation adjustments

Transfer to assets held for sale (note 14)

At 31 December 2003

Net book value**at 31 December 2003**

Net book value

at 31 December 2002 ³

Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
---	--	----------------------------------	-----------------------------	-----------------

–	–	11,850	500	12,350
800	1,000	–	–	1,800
800	1,000	11,850	500	14,150
–	–	45	–	45
–	–	1,000	–	1,000
1,000	600	5,485	600	7,685
–	(65)	(2,683)	–	(2,748)
150	110	–	–	260
–	(100)	(1,022)	–	(1,122)
1,950	1,545	14,675	1,100	19,270

–	–	14,675	1,100	15,775
1,950	1,545	–	–	3,495
1,950	1,545	14,675	1,100	19,270

20	50	5,525	50	5,645
–	–	20	–	20
15	15	1,105	125	1,260
–	–	(628)	–	(628)
–	–	335	–	335
(35)	(65)	–	–	(100)
–	–	(422)	–	(422)
–	–	5,935	175	6,110

1,950	1,545	8,740	925	13,160
--------------	--------------	--------------	------------	---------------

780	950	6,325	450	8,505
-----	-----	-------	-----	-------

FRS 16(60)(e)

FRS 16(60)(a)

FRS 16(60)(a)

FRS 16(60)(d)

FRS 16(60)(e)(viii)

FRS 16(60)(e)(iii)

FRS 16(60)(e)(i)

FRS 16(60)(e)(ii)

FRS 16(60)(e)(iv)

FRS 16(60)(e)(ix)

FRS 16(60)(a)

FRS 16(60)(a)

FRS 16(60)(d)

FRS 16(60)(d)

FRS 16(60)(e)(viii)

FRS 16(60)(e)(vii)

FRS 16(60)(e)(ii)

FRS 16(60)(e)(v)

FRS 16(60)(e)(iv)

FRS 16(60)(e)(ix)

FRS 16(60)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Total \$'000	
The Company				FRS 16(60)(e)
<i>Cost or valuation</i>				
At 1 January 2003				
Cost	–	50	50	FRS 16(60)(a)
Valuation	410	–	410	FRS 16(60)(a)
	410	50	460	FRS 16(60)(d)
Additions	–	358	358	FRS 16(60)(e)(i)
Disposals	–	(55)	(55)	FRS 16(60)(e)(ii)
Revaluation surplus ²	127	–	127	FRS 16(60)(e)(iv)
At 31 December 2003	537	353	890	
 Representing :				
Cost	–	353	353	FRS 16(60)(a)
Valuation	537	–	537	FRS 16(60)(a)
	537	353	890	FRS 16(60)(d)
<i>Accumulated depreciation</i>				
At 1 January 2003	20	40	60	FRS 16(60)(d)
Disposals	–	(20)	(20)	FRS 16(60)(e)(ii)
Depreciation charge	3	15	18	FRS 16(60)(e)(vii)
Revaluation adjustments	(23)	–	(23)	FRS 16(60)(e)(iv)
At 31 December 2003	–	35	35	FRS 16(60)(d)
 Net book value				
at 31 December 2003	537	318	855	
 Net book value				
at 31 December 2002 ³	390	10	400	

- (a) Additions in consolidated financial statements include \$600,000 (2002: \$300,000) motor vehicles leased under finance lease (where the Group is the lessee). The carrying amount of motor vehicles held under finance leases at 31 December 2003 amounted to \$925,000 (2002: \$450,000).

FRS 7(42)**FRS 17(23)(a)**

Disposals in the Company's and consolidated financial statements include \$20,000 (2002: \$15,000) assets sold under finance lease (where the Group is the lessor).

FRS 7(42)

- (b) An impairment charge of \$35,000 (note 6) for plant and equipment is related to component parts segment. The recoverable amount (the higher of the value in use or net selling price) was determined at the cash-generating unit level (the segment) and represents the net selling price, determined by reference to market prices for equivalent assets.

FRS 16(65)
FRS 36(117)
(a-b), (d-f)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

- (c) In respect of the restructuring in the furniture segment, certain property, plant and equipment will be disposed of because they are no longer required for the purpose for which they were originally acquired; the carrying amounts have been written down by \$300,000 (note 6) and transferred to assets held for sale (note 14).

FRS 36(117)(a-c)
FRS 16(59)

- (d) For the purpose of calculating depreciation of buildings, the amounts attributed to land and buildings at valuation as at the balance sheet date are as follows ⁵ :

The Group

	2003		2002	
	Land \$'000	Building \$'000	Land \$'000	Building \$'000
Freehold properties	1,400	550	500	280
Leasehold properties	1,100	445	800	150

The Company

	2003		2002	
	Land \$'000	Building \$'000	Land \$'000	Building \$'000
Leasehold properties	370	167	290	100

- (e) The freehold and leasehold land and buildings of the Group and the Company were valued on the basis of open market value by independent valuers ⁶ on 31 December 2003 ⁷. The revaluation surpluses (net of applicable deferred income taxes) of \$281,000 and \$117,000 were taken to the asset revaluation reserve of the Group and of the Company respectively (note 35).

FRS 16(64)(a-c)

FRS 16(64)(f)

- (f) If the leasehold land and buildings stated at valuation had been included in the financial statements at cost less depreciation, the net book value would have been as follows :

FRS 16(64)(e)

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Freehold properties	1,500	700	—	—
Leasehold properties	940	565	117	120

- (g) Bank borrowings are secured on properties of the Group and the Company with carrying values of \$3,495,000 and \$505,000 respectively (2002: \$1,730,000 and \$390,000) (note 29(b)).

FRS 16(61)(a)

Guidance Notes**Property, plant and equipment****Disposals**

1. Disposals on cessation of a subsidiary's operations may be included in Disposals.

Revaluations of Non-Current Assets

2. Where an entity revalues depreciable assets, it may restate separately the gross amounts and related accumulated depreciation of the assets comprising the class of revalued assets. In all other cases, any balance of accumulated depreciation existing as at the revaluation date must be taken to the asset account to which it relates. The asset account must then be increased or decreased by the amount of the revaluation increments or decrements.

FRS 16(33)(b)

Comparative information

3. The comparative information is not required for the movements on property, plant and equipment.

FRS 16(60)

Property, plant and equipment in the course of construction

4. Where applicable, the amount of expenditure of property, plant and equipment in the course of construction should be disclosed.

FRS 16(61)(c)

Land and buildings

5. If the company discloses land and buildings in one category, it is recommended as a good practice to disclose, as a separate note, the amounts attributed to land and buildings for the purpose of calculating depreciation.

Valuation

6. With the legislation of FRS 16, the requirement to disclose names of valuers and particulars of their qualifications has been removed.
7. Previously, companies, in practice, do not perform regular subsequent revaluation if their initial revaluations were performed before 1996. With the legislation of FRS 16, companies are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the company should explain why the PPE should be exempted from subsequent revaluation and obtain its auditor's concurrence on this.

FRS 16(67)

Non-mandatory disclosures

8. The following disclosures are encouraged :

FRS 16(66)

- (a) carrying amount of temporarily idle property, plant and equipment;
- (b) gross carrying amount of any fully depreciated property, plant and equipment that is still in use;
- (c) carrying amount of property, plant and equipment retired from active use and held for disposal; and
- (d) fair value of property, plant and equipment when this is materially different from the carrying amount.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

27. Intangible assets

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Goodwill arising on consolidation (note(a))	2,290	2,355	–	–	FRS 22(88)(e)(ix)
Computer software license and development costs (note (b))	460	100	200	100	
	2,750	2,455	200	100	

(a) Goodwill arising on consolidation

FRS 22(88)(e)

	The Group		
	2003	2002 ³	
	\$'000	\$'000	
At the beginning of financial year	2,355	2,555	FRS 38(107)(e)
Acquisition of subsidiary (note 24)	210	–	FRS 22(88)(e)(ii)
Impairment charge from restructuring (note 32(b))	(60)	–	FRS 22(88)(e)(vi)
Amortisation for the financial year (note 6)	(215)	(200)	FRS 22(88)(e)(v)
At the end of financial year	2,290	2,355	FRS 38(107)(e)
Gross goodwill	3,710	3,500	FRS 38(107)(c)
Accumulated amortisation	(1,420)	(1,145)	FRS 22(88)(e)(i, ix)
Net book value	2,290	2,355	

The impairment charge arose as part of the restructuring of the furniture segment (note 32(b)).

FRS 36(117)(a-b)

(b) Computer software license and development costs ¹

	The Group		The Company		
	2003	2002 ³	2003	2002 ³	
	\$'000	\$'000	\$'000	\$'000	
At the beginning of financial year	100	–	100	–	FRS 38(107)(e)
License acquired during financial year	120	–	–	–	
Development costs recognised as an asset	280	120	120	120	FRS 38(107)(e)(i)
Amortisation for the financial year (note 6)	(40)	(20)	(20)	(20)	FRS 38(107)(e)(vi)
At the end of financial year	460	100	200	100	FRS 38(107)(e)
Cost	520	120	240	120	FRS 38(107)(c)
Accumulated amortisation	(60)	(20)	(40)	(20)	FRS 38(107)(c)
	460	100	200	100	

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Computer software development costs principally comprises internally generated expenditure on major computer software development projects where it is probable that those costs will enable the software to generate specifically attributable future economic benefits in excess of its originally assessed standard of performance and those costs can be measured and attributed to the asset reliably.

INT FRS 6(6)

Guidance Notes***Intangible assets******Computer software license and development costs***

1. *Computer software license and development costs should be recognised as intangible assets when they meet criteria set in FRS 38 and comprise of those software not integral to the related hardware. Computer software integral to the related hardware should be included in property, plant and equipment.*

FRS 38(3)

Intangible assets acquired by way of government grant

2. *For intangible assets acquired by way of a government grant and initially recognised at fair value, the following should be disclosed :*

FRS 38(111)(c)

(a) *the fair value initially recognised for these assets;*

(b) *their carrying amount; and*

(c) *for subsequent measurement, whether intangible assets are treated under*

(i) *benchmark treatment : stated at cost less accumulated amortisation and impairment losses; or*

FRS 38(63)

(ii) *allowed alternative treatment : stated at revalued amount, being its fair value at the date of revaluation, less accumulated amortisation and impairment losses.*

FRS 38(64)

Comparative information

3. *The comparative information is not required for the reconciliation of movements on intangible assets including goodwill, but is encouraged.*

FRS 38(107)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

28. Trade and other payables

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Trade payables to :					
– third parties	1,558	1,872	264	399	
– immediate holding corporation (note 43)	200	195	–	–	FRS 1(72) FRS 24(22-24)
	1,758	2,067	264	399	
Construction contracts:					
– advances received (note 16)	541	262	–	–	FRS 11(39)(b)
– due to customers (note 16)	80	60	–	–	FRS 11(41)(b)
	621	322	–	–	
Security deposits received	300	250	200	330	
Accrued expenses	110	350	100	315	
	2,789	2,989	564	1,044	

29. Borrowings

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					FRS 1(54, 57)
Bank overdrafts	2,350	2,250	300	200	
Bank loans	910	1,480	200	1,000	
Finance lease liabilities (note 31)	120	75	–	–	
	3,380	3,805	500	1,200	
<i>Non-current</i>					FRS 1(54, 57)
Bank loans	3,880	3,540	2,250	2,080	
Convertible bonds (note 30)	1,960	–	1,960	–	
Loan from ultimate holding corporation (note 44(f))	200	–	200	–	
Finance lease liabilities (note 31)	805	375	–	–	
	6,845	3,915	4,410	2,080	
	10,225	7,720	4,910	3,280	

(a) On 25 February 2004, the Group issued \$200,000 6.5% SGD bonds to finance the purchase of new equipment in the construction segment. The bonds are repayable on 25 February 2006.

FRS 10(20)
FRS 10(21)(c)

(b) The bank overdrafts of the Group and the Company are secured by debenture deeds which provide for first floating charges on inventories (note 13) of the Company and certain subsidiaries. The bank loans of the Group and the Company are secured by a first mortgage over the Group's development property (note 15), investment properties (note 25), and land and buildings (note 26(g)). The finance lease liabilities are effectively secured as the rights to the leased motor vehicles of the Group (note 26(a)) revert to the lessor in the event of default by the Group.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(c) Interest rate risk

FRS 32(56)(b)

	2003	2002
<i>The weighted average effective interest rates at the balance sheet date are as follows :</i>		
Bank overdrafts	6.0%	6.2%
Bank loans	7.3%	7.8%
Convertible bonds	9.0%	–
Loan from ultimate holding corporation	5.0%	–
Finance lease liabilities	7.4%	7.0%

The exposure of borrowings of the Group and Company to interest rate changes and the periods in which the borrowings reprice are as follows :

FRS 32(56)(a)
FRS 32(60)

	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
The Group					
At 31 December 2003					
Total borrowings	4,890	485	2,890	1,960	10,225
Effect of interest rate swaps (note 42)	(550)	–	(1,620)	2,170	–
	4,340	485	1,270	4,130	10,225
At 31 December 2002					
Total borrowings	4,770	400	2,550	–	7,720
Effect of interest rate swaps (note 42)	(3,241)	–	3,241	–	–
	1,529	400	5,791	–	7,720
The Company					
At 31 December 2003					
Total borrowings	650	300	2,000	1,960	4,910
Effect of interest rate swaps (note 42)	(590)	–	(1,580)	2,170	–
	60	300	420	4,130	4,910
At 31 December 2002					
Total borrowings	1,395	285	1,600	–	3,280
Effect of interest rate swaps (note 42)	(1,200)	–	1,200	–	–
	195	285	2,800	–	3,280

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(d) Carrying amounts and fair values

The carrying amounts and fair values of certain non-current borrowings are as follows :

FRS 32(77)

The Group

	Carrying amounts		Fair values	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Convertible bonds	1,960	–	1,960	–
Non-current bank loans	3,880	3,540	3,870	3,345
Loan from ultimate holding corporation	200	–	190	–

The Company

	Carrying amounts		Fair values	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Convertible bonds	1,960	–	1,960	–
Non-current bank loans	2,250	2,080	2,050	1,750
Loan from ultimate holding corporation	200	–	190	–

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short-term borrowings and finance lease obligations approximate their fair values.

FRS 32(54)
FRS 32(77)**(e) Maturity of non-current borrowings**

FRS 32(56)(a)

Maturity of non-current borrowings (excluding finance lease liabilities (note 31)) is as follows :

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Between 1 and 2 years	1,800	1,800	1,100	1,000
Between 2 and 5 years	2,080	1,740	1,150	1,080
Over 5 years	2,160	–	2,160	–
	6,040	3,540	4,410	2,080

Guidance Notes**Borrowings**

1. Disclosure of the undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities, is encouraged.

FRS 7(49)(a)

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

30. Convertible bonds

On 2 July 2003, the Company issued 30,000 8% convertible bonds at a nominal value of \$3,000,000. The bonds are repayable 15 years from the issue date on 1 July 2008 at their nominal value of \$3,000,000 unless converted into the Company's ordinary shares at the holder's option at the rate of 26 shares per \$100. The holders have the option to convert the bonds into the Company's ordinary shares at any half-yearly interest payment date during the tenure of the bonds.

FRS 32(47)(a)

FRS 32(56)(a)

The fair values of the liability component and the equity conversion component were determined on the issue of the bond. The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in revaluation and other reserves (note 35), net of deferred income taxes.

FRS 32(50)

FRS 32(18, 23)
FRS 32(77)

FRS 32(18,28(a))

In subsequent periods, the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bonds. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods.

The convertible bond is recognised in the balance sheet as follows :

	The Group and The Company	
	2003	2002
	\$'000	\$'000
Face value of convertible bond issued on 2 July 2003	3,000	—
Equity conversion component, net of deferred tax liability (note 35(b))	(788)	—
Deferred tax liability (note 33)	(222)	—
Liability component on initial recognition at 2 July 2003	1,990	—
Interest expense (note 7)	90	—
Interest paid	(120)	—
Liability component at 31 December 2003 (note 29)	1,960	—

FRS 12AppA(9)

Interest expense on the convertible bond is calculated on the effective yield basis by applying the interest rate of 9.0% per annum for an equivalent non-convertible bond to the liability component of the convertible bond.

FRS 32(56)(b)

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

31. Finance lease liabilities

	The Group		
	2003	2002	
	\$'000	\$'000	
Minimum lease payments due :			FRS 17(23)(b)
- not later than 1 year	164	84	
- later than 1 year but not later than 5 years	615	319	
- later than 5 years	517	227	
	1,296	630	
Less : Future finance charges	(371)	(180)	
Present value of finance lease liabilities	925	450	
The present value of finance lease liabilities is as follows :			FRS 17(23)(b) FRS 32(56)(a)
- not later than 1 year (note 29)	120	75	
- later than 1 year but not later than 5 years	500	265	
- later than 5 years	305	110	
Total non-current liability (note 29)	805	375	
	925	450	

Guidance Notes***Obligations under finance leases***

1. *Where they exist, disclosure should be made of the basis for determining contingent rent payments, renewal or purchase options and escalation clauses, and financing restrictions arising from leases such as those concerning dividends, additional debt, and further leasing.*

FRS 17(23)(e)
(i-iii)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

32. Provisions

FRS 1(73)(d)

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Warranty (note (a))	220	380	100	210
Restructuring (note (b))	300	–	300	–
	520	380	400	210
<i>Non-current</i>				
Legal claims (note (c))	240	–	140	–
Total	760	380	540	210

FRS 1(54, 60)

FRS 1(54, 60)

(a) Warranty

The Group and the Company give two year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the financial year end for expected warranty claims based on past experience of the level of repairs and returns.

FRS 37(85)(a)

Movements in provision for warranty are as follows :

	The Group		The Company	
	2003	2002 ¹	2003	2002 ¹
	\$'000	\$'000	\$'000	\$'000
At the beginning of financial year	380	200	210	90
Exchange difference	10	15	–	–
Provision made during the financial year	110	275	60	170
Utilised during financial year	(280)	(110)	(170)	(50)
At the end of financial year	220	380	100	210

FRS 37(84)(a)

FRS 37(84)(b)

FRS 37(84)(c)

FRS 37(84)(a)

(b) Restructuring

The restructuring of part of the furniture segment will result in the loss of 110 jobs in total at two factories. An agreement has been reached with the local union representatives that specifies that the number of staff involved and quantifies the amounts payable to those made redundant. The full amount of these costs estimated to be incurred has been recognised in the current period. Other restructuring expenses mainly comprise penalties on the early termination of leases on vacated property.

FRS 37(85)(a)

The provision for restructuring of \$300,000 is an update of the amount of \$200,000 recorded in the Group's interim financial report for the six month ended 30 June 2003, following the finalisation of certain of the restructuring costs in the second half of 2003. The provision of \$300,000 at 31 December 2003 is expected to be fully utilised during the first half of 2004.²

FRS 34(26)

In conjunction with the restructuring, goodwill on the original acquisition in March 1995 have been fully written off (note 27), and certain items of property, plant and equipment have been written down (note 26(c)) and reclassified to assets held for sale (note 14).

FRS 36(117)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Movements in provision for restructuring are as follows :

	The Group		The Company		
	2003	2002¹	2003	2002¹	
	\$'000	\$'000	\$'000	\$'000	
At the beginning of financial year	—	—	—	—	FRS 37(84)(a)
Provision made during the financial year (note 6)	300	—	300	—	FRS 37(84)(b)
At the end of financial year	300	—	300	—	FRS 37(84)(a)

(c) Legal claims

The amounts shown comprise gross provisions in respect of certain legal claims brought against the Group by customers. The balance at 31 December 2003 is expected to be utilised in 2005. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided at 31 December 2003. The directors consider that disclosure of further details of these claims would seriously prejudice the Group's negotiating position and accordingly further information on the nature of the obligation has not been provided.

FRS 37(85)(a)

Movements in provision for legal claims are as follows :

	The Group		The Company		
	2003	2002¹	2003	2002¹	
	\$'000	\$'000	\$'000	\$'000	
At the beginning of financial year	—	—	—	—	FRS 37(84)(a)
Provision made during the financial year	240	—	140	—	FRS 37(84)(b)
At the end of financial year	240	—	140	—	FRS 37(84)(a)

Guidance Notes**Provisions**

1. This is a voluntary disclosure as comparative is not required for the movement of each class of provisions.
2. If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate should be disclosed in a note to the annual financial statement for that financial year.

FRS 37(84)

FRS 34(26)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

33. Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 22% (2002: 22%).

The movement on the deferred income tax account is as follows :

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
At the beginning of financial year	1,304	2,051	41	33
Exchange differences	17	41	–	–
Acquisition of a subsidiary (note 11)	15	–	–	–
Disposal of subsidiaries (note 11)	(157)	–	–	–
Tax charge/(credit) to :				
– income statement (note 9(a))	(747)	(777)	(24)	20
– equity (note 35(b))	356	13	255	–
Effect of changes in tax rates	–	(24)	–	(12)
At the end of financial year	788	1,304	272	41

The deferred tax taken to equity during the year is as follows :

FRS 12(79)(a)

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Revaluation reserves in shareholders' equity :				
– investment properties (note 35)	55	13	–	–
– land and buildings (note 35)	79	–	33	–
	134	13	33	–
Convertible bond – equity conversion component (notes 30 and 35)	222	–	222	–
	356	13	255	–

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of \$521,000 and \$478,000 (2002: \$723,000 and \$600,000) respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date except for an amount of \$213,000 which will expire in 2006. Unutilised capital allowances do not have expiry dates.

FRS 12(79)(e)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Deferred tax liabilities of \$170,000 (2002: \$127,500) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of an overseas subsidiary as such amounts are permanently reinvested; such unremitted earnings totalled \$2,000,000 at 31 December 2003 (2002: \$1,500,000).

FRS 12(79)(f)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows :

FRS 12(79)(g)(i)
FRS 12(79)(g)(ii)**The Group ¹***Deferred tax liabilities*

	Accelerated tax depreciation \$'000	Revaluation gains \$'000	Share of profits of associated companies \$'000	Convertible bonds \$'000	Total \$'000
At 31 December 2002	1,512	4	10	–	1,526
(Credited)/charged to income statement	(832)	–	8	–	(824)
Charged to equity	–	11	–	222	233
Acquisition of a subsidiary	15	–	–	–	15
Disposal of subsidiaries	(10)	–	–	–	(10)
Exchange differences	(8)	–	(1)	–	(9)
At 31 December 2003	677	15	17	222	931

Deferred tax assets

	Provisions \$'000	Impairment of assets \$'000	Tax losses \$'000	Others \$'000	Total \$'000
At 31 December 2002	(115)	(32)	(53)	(22)	(222)
Charged/(credited) to income statement	66	(7)	12	6	77
Exchange differences	–	–	2	–	2
At 31 December 2003	(49)	(39)	(39)	(16)	(143)

The Company ¹*Deferred tax liabilities*

	Accelerated tax depreciation \$'000	Revaluation gains \$'000	Convertible bonds \$'000	Total \$'000
At 31 December 2002	62	9	–	71
Charged to income statement	15	–	–	15
(Credited)/charged to equity	(3)	1	222	220
At 31 December 2003	74	10	222	306

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Deferred tax assets

	Provisions \$'000	Others \$'000	Total \$'000
At 31 December 2002	(20)	(10)	(30)
(Credited)/charged to income statement	(6)	2	(4)
At 31 December 2003	<u>(26)</u>	<u>(8)</u>	<u>(34)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets :

FRS 12(72)

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	(125)	(36)	–	–
Deferred tax liabilities	913	1,340	272	41
	<u>788</u>	<u>1,304</u>	<u>272</u>	<u>41</u>

The amounts shown in the balance sheet included the following :

Deferred tax assets to be recovered after more than 12 months	(120)	(34)	–	–	FRS 1(54, 60)
Deferred tax liabilities to be settled after more than 12 months	867	1,283	250	32	FRS 1(54, 60)

Guidance Notes***Deferred income taxes******Movements in deferred tax assets and liabilities***

1. Movements in deferred tax assets and liabilities are required for the Group as well as the Company.

Changes in tax rates

2. Where material adjustments arise from the restatement of deferred tax liabilities to take account of changes in tax rates, the corresponding amount recognised in the income statement must be disclosed.

FRS 12(77)
FRS 12(78)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

34. Share capital of PwC Holdings Ltd**(a) Authorised ordinary share capital**

The total authorised number of ordinary shares is 20 million shares (2002: 8 million shares) with a par value of \$1 per share (2002: \$1 per share).

FRS 1(74)(a)(i,iii)

(b) Issued ordinary share capital

	2003	2002	2003	2002	
	Shares	Shares	\$'000	\$'000	
	'000	'000	\$'000	\$'000	
At the beginning of financial year	6,200	6,200	6,200	6,200	
Rights issue during financial year	1,860	–	1,860	–	
At the end of financial year	8,060	6,200	8,060	6,200	

FRS 1(74)(a)(iv)

All issued shares are fully paid.¹

FRS 1(74)(a)(ii)

The issued ordinary share capital was increased from \$6,200,000 to \$8,060,000 by way of a rights issue of 1,860,000 ordinary shares of \$1 each at a premium of 36.45 cents per share, for cash, and on the basis of three ordinary shares of \$1 each for every ten shares held, to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

FRS 1(74)(a)(v)

The movements in the share premium account are set out in the Statements of Changes in Equity.

(c) Share options²

FRS 1(74)(a)(vii)

Share options are granted to management and key employees with more than three years of service under the PwC Employee Share Option Scheme commencing on 1 January 2002. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of four years.

FRS 19(147)(a)

Movements in the number of share options outstanding are as follows :

	2003	2002	
	'000	'000	
At the beginning of financial year	100	–	FRS 19(147)(d)
Granted during financial year	500	100	FRS 19(147)(e)
At the end of financial year	600	100	FRS 19(147)(d)

On 1 January 2003, 500,000 share options were granted to directors and employees at the market share price on that date of \$1.45 per share. These options are exercisable from 1 January 2004 to 31 December 2007.

FRS 19(147)(e)

During the financial year, no share options have lapsed and no shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company.

FRS 19(147)(g)

FRS 19(147)(f)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Share options outstanding to subscribe for ordinary shares of \$1 each at the end of financial year have the following terms :

FRS 19(147)(d)
FRS 1(74)(a)(vii)

<u>Scheme</u>	<u>Exercise period</u>	<u>Exercise price</u>	2003 '000	2002 '000
2002 Options	1.1.2003 – 31.12.2006	\$1.10	100	100
2003 Options	1.1.2004 – 31.12.2007	\$1.45	500	–
			600	100

On 1 January 2004, 800,000 share options were granted to directors and employees at the market share price on that date of \$1.53 per share. The options are exercisable from 1 January 2005 to 31 December 2008.

FRS 10(20)
FRS 10(21)(f)

Guidance Notes**Share capital of PwC Holdings Ltd****Capital that may be called up**

1. Where applicable, disclosure is required of the amount of any capital that may be called up only in the event of winding up.

Share options

2. Where applicable, disclosure is required in respect of the number, exercise dates and exercise prices of share options exercised under equity compensation plans during either the current or the previous years.

FRS 19(147)(f)

Preference share capital

3. The issuer of a financial instrument should classify the instrument, or its component parts, as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability and an equity instrument. Therefore, if the preference shares are in the nature of a debt, it should be classified as a liability and any dividend paid should be disclosed as interest expense.

FRS 32(18)
FRS 32(22)

4. Where applicable, the following disclosure is required for redeemable preference shares:

"On xxx, the Company issued xx million cumulative preference shares with a par value of \$xx per share. The shares are redeemable at their par value on xxx or by the Company at any time before that date. The shares pay dividends at xx%."

FRS 1(74)(a)
FRS 1(74)(a)(v)
FRS 32(56)(a-b)

Events after balance sheet date

5. Where applicable, disclosure is required of date granted, number, exercise price and expiry date of share options issued subsequent to balance sheet date but before issue of the financial statements. The per share calculations for those and any prior period financial statements presented should reflect the changes in number of shares and be disclosed accordingly. The basic and diluted earnings per share of all periods presented should be adjusted as well.

FRS 10(20)
FRS 10(21)(f)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

35. Revaluation and other reservesFRS 1(86)(f)
FRS 1(74)(b)

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(a) Composition :				
Asset revaluation reserve	618	139	138	21
Foreign currency translation reserve	19	112	–	–
General reserve	1,695	1,065	500	400
Equity component of convertible bonds	788	–	788	–
	3,120	1,316	1,426	421

(b) Movements :**Asset revaluation reserve**

At the beginning of financial year
 Surplus on revaluation of
 investment properties (note 25)
 Surplus on revaluation of land and
 buildings (note 26)
 Deferred tax on revaluation :
 - investment properties (note 33)
 - land and buildings (note 33)

	139	92	21	21
	253	60	–	–
	360	–	150	–
	(55)	(13)	–	–
	(79)	–	(33)	–
	479	47	117	–
At the end of financial year	618	139	138	21

FRS 1(86)(f)
FRS 16(64)(f)

FRS 25(49)(g)

FRS 16(37)

FRS 12(79)(a)

FRS 12(79)(a)

Foreign currency translation reserve

At the beginning of financial year
 Reclassification on disposal of
 subsidiary (note 5)
 Net exchange differences on
 translation of financial statements of
 foreign subsidiary

	112	67	–	–
	66	–	–	–
	(159)	45	–	–
	(93)	45	–	–
At the end of financial year	19	112	–	–

FRS 1(86)(f)
FRS 21(41)(b)**General reserve**

At the beginning of financial year
 Transfer from retained earnings
 At the end of financial year

	1,065	45	400	–
	630	1,020	100	400
At the end of financial year	1,695	1,065	500	400

FRS 1(86)(f)

Equity component of convertible bonds

Convertible bond – equity component
 Tax on equity component (note 33)
 Convertible bond – equity component,
 net of deferred tax

	1,010	–	1,010	–
	(222)	–	(222)	–
	788	–	788	–

FRS 1(86)(f)

FRS 12(79)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

General reserve represents amount set aside in compliance with local laws in certain countries where the Group and the Company operates, and are distributable subject to approval of relevant authorities.

FRS 1(74)(b)

Asset revaluation reserve, foreign currency translation reserve and equity component of convertible bonds are non-distributable.¹

Guidance Notes

Revaluation and other reserves

Distributability of reserves

1. Distributability or otherwise of the reserves would depend on the Articles of Association of the Company.

36. Retained earnings

- (a) Retained earnings of the Group and the Company are distributable except for accumulated retained earnings of associated companies amounting to \$405,000 (2002: \$255,000) which are included in the Group's retained earnings.¹
- (b) Movement in retained earnings for the Company are as follows² :

FRS 1(74)(b)

	The Company	
	2003 \$'000	2002 \$'000
At the beginning of financial year	1,140	618
Net profit during financial year	1,631	1,295
Transfer to general reserve	(100)	(400)
Dividends paid (note 38)	(955)	(373)
At the end of financial year	1,716	1,140

Movement in retained earnings for the Group is shown in the Consolidated Statement of Equity.

Guidance Notes

Retained earnings

1. Strictly speaking, there is no requirement to disclose accumulated retained earnings of associated companies and joint ventures. However, it is recommended as a good practice to disclose such reserve that is not controlled by the Group.
2. This note is a voluntary disclosure. Recommended as a good practice to reconcile net profit for the year to retained earnings.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

37. Minority interests ¹

	The Group	
	2003	2002
	\$'000	\$'000
At the beginning of financial year	1,600	1,373
Acquisition of a subsidiary (note 11)	575	–
Share of profit after tax of subsidiaries	1,030	387
Dividends paid	(230)	(160)
At the end of financial year	2,975	1,600

Guidance Notes**Minority interests**

1. This note is a voluntary disclosure. Recommended as a good practice.

38. Dividends

	The Group and The Company	
	2003	2002
	\$'000	\$'000
<i>Ordinary dividends paid or proposed :</i>		
Final dividends of 12.17 cents (2002: nil) per share, paid net of tax at 22%	570	–
Interim dividend of 6.11 cents (2002: 7.96 cents) per share, paid net of tax at 22% (2002: 22%)	385	373
	955	373

FRS 1(85)

At the Annual General Meeting on 5 April 2004, a final dividend of 15.87 cents per share amounting to a total of \$1,000,000 net of tax at 22% is to be recommended. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2004.

FRS 1(74)(c)
FRS 10(12)(b)

FRS 10(11)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

39. Contingent liabilities ¹

Details and estimates of maximum amounts of contingent liabilities are as follows :

(a) Guarantees

FRS 37(86)(a)

	The Group		The Company	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Performance guarantees on construction contracts	1,490	1,145	1,490	1,145
Trade debts assigned by a subsidiary to a finance company under a recourse agreement	250	255	–	–
	1,740	1,400	1,490	1,145

- (b) A claim for unspecified damages was lodged during the financial year against a subsidiary and certain of its executives in respect of damages allegedly caused by the use of a product supplied by the subsidiary. The subsidiary has disclaimed liability and is defending the action. Legal advice obtained indicates that it is unlikely that any significant liability will arise.

FRS 37(86)(a, b)

The directors are of the view that no material losses are anticipated in respect of any of the above contingent liabilities.

Guidance Notes***Contingent liabilities***

1. Disclosure is not required when the possibility of any outflow in settlement is remote.

40. Commitments**(a) Capital commitments**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows :

	The Group and The Company	
	2003	2002
	\$'000	\$'000
Property, plant and equipment	800	600
Intangible assets – software licenses	400	200
	1,200	800

FRS 16(61)(d)

FRS 38(111)(e)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(b) Operating lease commitments – where a group company is lessee

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

FRS 17(27)(a)

	The Group		The Company		
	2003	2002	2003	2002	
	\$'000	\$'000	\$'000	\$'000	
Not later than 1 year	150	150	–	–	FRS 17(27)(a)(i)
Later than 1 year but not later than 5 years	200	200	–	–	FRS 17(27)(a)(ii)
Later than 5 years	750	600	–	–	FRS 17(27)(a)(iii)
	1,100	950	–	–	

(c) Operating lease commitments – where a group company is lessor¹

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows :

FRS 17(48)(a)

	The Group and The Company		
	2003	2002	
	\$'000	\$'000	
Not later than 1 year	48	52	FRS 17(48)(a)(i)
Later than 1 year but not later than 5 years	182	–	FRS 17(48)(a)(ii)
Later than 5 years	–	–	FRS 17(48)(a)(iii)
	1,230	52	

Guidance Notes**Commitments****Lessors – operating leases**

1. SAS 15 exempted lessors from disclosing minimum lease payments under non-cancellable operating leases. FRS 17 removed this exemption and require lessors of operating leases to disclose the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods :

FRS 17(48)(a)

- (a) not later than one year;
 (b) later than one year and not later than five years; and
 (c) later than five years.

Contingent rents

2. Where applicable, disclosure is required of total contingent rents recognised in income.

FRS 17(27)(c)
FRS 17(48)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

41. Financial risk management*Financial risk factors*

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

FRS 32(43A)

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(i) Foreign exchange risk

FRS 32(43)(a)(i)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to [names of currencies]. Entities in the Group use forward contracts, transacted with Group Treasury, to hedge their exposure to foreign currency risk in connection with the measurement currency. Group Treasury is responsible for hedging the net position in each currency by using currency borrowings and external forward currency contracts.

FRS 32(47)(a)

For financial reporting purposes, each subsidiary designates contracts with Group Treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

The Group hedges between 20% and 60% of anticipated export sales in each major currency for the following 12 months. Approximately 42% (2002: 38%) of projected sales in each major currency qualified as 'highly probable' for which hedge accounting was used in 2003.

The Group also hedges the foreign currency exposure of its contract commitments to purchase certain production parts mainly from Europe. The forward contracts used in its programme mature in 18 months or less, consistent with the related purchase commitments. The Group generally hedges between 40% and 80% of its forward purchase contracts.

The Company has a number of investments in foreign subsidiaries and associated companies, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's subsidiary and associated company in Cambodia and Hong Kong is managed primarily through borrowings denominated in the relevant foreign currencies. The Group also enters into forward exchange contracts to hedge the foreign currency exposure of its subsidiary in Philippines. These agreements are in place for each subsidiary and have contract terms of nine months to one year.

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

(ii) Interest rate risk

FRS 32(43)(a)(ii)

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group policy is to maintain approximately 90% of its borrowings in fixed rate instruments. At the year end, 95% was at fixed rates. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

FRS 32(47)(a)
FRS 32(60)*(iii) Credit risk*

FRS 32(43)(b)

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

FRS 32(66)(a,b)

(iv) Liquidity risk

FRS 32(43)(c)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

42. Financial instruments

FRS 1(99)(i)

In order to manage the risks arising from fluctuations in currency exchange rates and interest rates, the Company and the Group makes use of the following derivative financial instruments :

Interest rate swaps

The Company and the Group has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts and oblige it to pay interest at fixed rates on the same amounts. The interest rate swaps allow the Company and the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if it borrowed at fixed rates directly. Under the interest rate swaps, the Company and the Group agree with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts. At 31 December 2003, the fixed interest rates vary from 6.5% to 8.2% (2002: 6.7% to 8.5%) and the floating rates are linked to Singapore Interbank Offered Rates.

FRS 32(47)(a)

The notional principal amounts of outstanding interest rate swap contracts at 31 December 2003 of the Group and the Company were \$2,170,000 (2002: \$3,241,000) and \$2,170,000 (2002: \$1,200,000) respectively.

Forward foreign exchange contracts

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rate on specific transactions. In general, the Group's policy is to enter into forward foreign exchange contracts for up to 75% of net foreign currency receipts anticipated in each month over the following two years.

FRS 32(47)(a)

At 31 December 2003 and 2002 the settlement dates on open forward contracts ranged between 3 months and 1 year. The local currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were :

FRS 32(56)(a)

	The Group	
	2003	2002
	\$'000	\$'000
Euros [at rates averaging S\$1 = Euro 1.61 (2002: S\$1 = Euro 1.55)]	222	104
US dollars [at rates averaging S\$1 = USD 1.82 (2002: S\$1 = USD 1.77)]	149	63
	371	167

Notes to the Financial Statements*for the financial year ended 31 December 2003*

Reference

Trade accounts receivable and payable at 31 December 2003 include aggregate net receivables of \$495,000 (2002: \$223,000) in respect of sales proceeds and purchases due in foreign currencies, of which \$247,000 (2002: \$112,000) has been hedged¹ using the forward foreign exchange contracts included above.

The net unrecognised gains at 31 December 2003 on open contracts which hedge anticipated future foreign currency sales amounted to \$12,000 (2002: \$3,000).¹ These gains will be recognised in the income statement when these open contracts mature, at various dates between 6 months to 1 year from the balance sheet date.

FRS 32(47)(b)
FRS 32(52)**Net fair values**

The net fair values of the Company's derivative financial instruments at the balance sheet date were :

FRS 32(77)

	The Group	
	2003	2002
	\$'000	\$'000
Favourable interest rate swap contracts	12	110
Favourable forward foreign exchange contracts	25	12
Unfavourable interest rate swap contracts	(11)	(35)
Unfavourable forward foreign exchange contracts	(6)	(4)

The fair values of interest rate swaps and forward foreign exchange contracts have been calculated (using rates quoted by the Group's bankers) to terminate the contracts at the balance sheet date.

FRS 32(54)

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values : cash, trade receivables and payables, other receivables and payables, finance lease receivables and obligations and current borrowings. Information on the fair values of borrowings is included in note 29.

Guidance Notes**Financial instruments**

1. Following the adoption of FRS 39, the requirement regarding disclosure of hedges of anticipated future transactions has been deleted from FRS 32. However, it is considered best practice to include this information in the note.

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

43. Immediate and ultimate holding corporations ¹

The Company's immediate holding corporation is Merlion Limited, incorporated in Singapore. The ultimate holding corporation is Lion Limited, also incorporated in Singapore.

FRS 1(102)(c)
FRS 24(20)
CA 201(10)**Guidance Notes*****Immediate and ultimate holding corporations***

1. This disclosure need not be included in the financial statements if it is disclosed elsewhere in information published with the financial statements.

FRS 1(102)(c)

44. Related party transactions

The following transactions ^{1,2} took place between the Group and related parties ³ during the financial year :

FRS 24(22)
FRS 24(23)**(a) Sales and purchases of goods and services**

	The Group	
	2003	2002
	\$'000	\$'000
Sales of goods to associated companies:		
– Big Hide Ltd	800	792
– Cuddly Bear Ltd	270	143
– Platypus Pte Ltd	200	586
	1,270	1,521
Purchases of materials from immediate holding corporation	601	504
Professional fees paid to ABAS Consultancy Pte Ltd	212	149
Technical fees paid to Haven Pte Ltd	15	10

Sales to associated companies were carried out on commercial terms and conditions and at market prices. Purchases of materials from immediate holding corporation were carried out at cost. Services rendered by ABAS Consultancy Pte Ltd are based on long term agreement which enables the Group to obtain professional services slightly under the normal sales price. ABAS Consultancy Pte Ltd is a firm belonging to the wife of Mr Ang Boon Chew, a director of the Company. As an average, services were charged at 5% under the normal sales price in 2003 (4% under the normal sales price in 2002). Haven Ltd is owned by P. Wallace, the Managing Director of the ultimate holding corporation and charged the Group under the same terms as other customers.

FRS 24(22)
FRS 24(23)

Outstanding balances at 31 December 2003, arising from sale/purchase of goods and services, are set out in notes 12 and 28 respectively.

FRS 24(23)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

(b) Share options granted to directors

The aggregate number of share options granted to the directors of the Company during the year was 50,000 (2002: 30,000). The share options were given on the same terms and conditions as those offered to other employees of the Company (note 34(c)). The outstanding number of share options granted to the directors of the Company at the end of financial year was 80,000 (2002: 30,000).

FRS 24(22)
FRS 19(151)**(c) Directors' remuneration ⁴**FRS 24(22)
FRS 19(23)

Directors' remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit is included. In 2003, the total directors' remuneration is as follows :

	The Group	
	2003	2002
	\$'000	\$'000
Directors' remuneration :		
– directors of the Company	1,030	940
– directors of subsidiaries	270	240

The remuneration for 2003 included termination benefits of \$100,000 paid to Mr Selamat Baharuddin who left the Company during the year (2002: \$80,000 paid to Mr Francis Wong).

FRS 19(143)

The banding of directors' remuneration is disclosed in note (c) of Additional Singapore Exchange Securities Trading Listing Manual Requirements.

(d) Loan to immediate holding corporation

The loan to immediate holding corporation amounting to \$1,200,000 (2002: \$250,000), as set out in note 18, is unsecured and repayable in full on 1 January 2005. Interest is payable at 3.2% per annum.

FRS 24(22, 23)
FRS 32(47)(a)**(e) Loans to subsidiaries**

The loans to subsidiaries amounting to \$4,520,000 (2002: \$3,798,000), as set out in note 18, are unsecured, bears interest at 4.0% per annum and will not be repaid within the next twelve months.

FRS 24(22, 23)
FRS 32(47)(a)**(f) Loan from ultimate holding corporation**

The loan from ultimate holding corporation amounting to \$200,000 (2002: nil), as set out in note 29, is unsecured, interest free, and with no specific repayment date. The ultimate holding corporation has indicated that it will not request settlement within one year from 31 December 2003.

FRS 24(22, 23)
FRS 32(47)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes

Related party transactions

Materiality

1. *Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.*
2. *It is particularly important to consider the nature of related party transactions. For example, services may be provided free of charge to a related party and a conclusion on whether the services provided are material can only be made by considering their nature.*

FRS 24(20)

Definition

3. *The following are deemed not to be related parties :*
 - (a) *two companies simply because they have a director in common (but it is necessary to consider the possibility, and to assess the likelihood that the director would be able to affect the policies of both companies in their mutual dealings);*
 - (b) *(i) providers of finance;*
 - (ii) *trade unions;*
 - (iii) *public utilities;*
 - (iv) *government departments and agencies, in the course of their normal dealings with an enterprise by virtue only of those dealings; and*
 - (c) *a single customer, supplier, franchiser, distributor or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence.*

FRS 24(6)

Directors' remunerations

4. *Please refer to guidance notes 4, 5 and 6 under Additional Singapore Exchange Securities Trading Listing Manual Requirements.*

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

45. Segment information ^{1,2}

Primary reporting format - business segments

FRS 14(50)

	Component parts \$'000	Furniture \$'000	Construction \$'000	Glass manufacture \$'000	Others \$'000	Elimination \$'000	Group \$'000	
Year ended								
31 December 2003								
Sales :								
- external sales	25,890	13,015	2,560	2,200	9,650	—	53,315	FRS 14(51,67)
- inter-segment sales	34	98	—	—	—	(132)	—	
	<u>25,924</u>	<u>13,113</u>	<u>2,560</u>	<u>2,200</u>	<u>9,650</u>	<u>(132)</u>	<u>53,315</u>	
Segment result ³	4,707	1,767	1,330	373	1,339	—	9,516	FRS 14(52)
Exceptional gain	—	—	—	—	450	—	450	
Loss on segment sold	—	—	—	(959)	—	—	(959)	
Unallocated costs							(1,410)	
Profit from operations							<u>7,597</u>	FRS 14(67)
Finance income - net							43	
Share of results of associated companies	—	—	—	—	270	—	270	FRS 14(64)
Profit before tax							<u>7,910</u>	
Income tax expense							<u>(2,303)</u>	
Profit after tax							<u>5,607</u>	
Minority interest							<u>(1,030)</u>	
Net profit							<u>4,577</u>	FRS 14(67)
Segment assets	19,558	10,279	3,524	—	3,774	(2,931)	34,204	FRS 14(55)
Associated companies	—	—	—	—	1,405	—	1,405	FRS 14(66)
Unallocated assets							<u>5,087</u>	
Consolidated total assets							<u>40,696</u>	FRS 14(67)
Segment liabilities	(5,810)	(4,412)	(3,076)	—	(689)	213	(13,774)	FRS 14(56)
Unallocated liabilities							<u>(2,448)</u>	
Consolidated total liabilities							<u>(16,222)</u>	FRS 14(67)
Other segment items								
Capital expenditure	3,753	2,232	1,610	—	2,040	—	9,635	FRS 14(57)
Depreciation	450	370	200	170	70	—	1,260	FRS 14(58)
Amortisation	—	—	—	—	255	—	255	FRS 14(58)
Impairment charges	35	360	—	—	—	—	395	FRS 36(116)(a)
Other non-cash expenses	221	174	130	—	198	—	723	FRS 14(61)
Restructuring costs ⁴	—	300	—	—	—	—	300	FRS 14(59)
Write-down of inventory ⁴	100	—	—	—	—	—	100	FRS 14(59)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

	Component parts \$'000	Furniture \$'000	Construction \$'000	Glass manufacture \$'000	Others \$'000	Elimination \$'000	Group \$'000	
Year ended 31 December 2002								
Sales :								
- external sales	11,881	10,016	3,345	4,225	12,888	–	42,355	FRS 14(51,67)
- inter-segment sales	32	79	–	–	–	(111)	–	
	<u>11,913</u>	<u>10,095</u>	<u>3,345</u>	<u>4,225</u>	<u>12,888</u>	<u>(111)</u>	<u>42,355</u>	
Segment result ³	2,185	2,100	1,105	(1,389)	2,018	–	6,019	FRS 14(52)
Exceptional gain	–	–	–	–	840	–	840	
Unallocated costs							(950)	
Profit from operations							5,909	FRS 14(67)
Finance cost - net							(112)	
Share of results of associated companies	–	–	–	–	203	–	203	FRS 14(64)
Profit before tax							6,000	
Income tax expense							(1,920)	
Profit after tax							4,080	
Minority interest							(387)	
Net profit							<u>3,693</u>	FRS 14(67)
Segment assets	8,951	8,900	3,213	2,494	1,711	(2,109)	23,160	FRS 14(55)
Associated companies	–	–	–	–	1,255	–	1,255	FRS 14(66)
Unallocated assets							3,817	
Consolidated total assets							<u>28,232</u>	FRS 14(67)
Segment liabilities	(3,406)	(3,900)	(2,902)	(1,428)	–	547	(11,089)	FRS 14(56)
Unallocated liabilities							(2,065)	
Consolidated total liabilities							<u>(13,154)</u>	FRS 14(67)
Other segment items								
Capital expenditure	1,338	1,300	90	40	40	–	2,808	FRS 14(57)
Depreciation	170	330	210	220	140	–	1,070	FRS 14(58)
Amortisation	–	–	–	–	220	–	220	FRS 14(58)
Other non-cash expenses	124	54	21	31	80	–	310	FRS 14(61)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

At 31 December 2003, the Group is organised into three main business segments :

FRS 14(81)
FRS 1(99)(q)

- Furniture - the manufacture and sale of household and commercial office furniture
- Component parts - the manufacture and sale of component parts used in the electrical and motor trade industries
- Construction – the construction of building and equipment

On 30 June 2003, the glass manufacturing segment was sold (note 5).

Other operations of the Group mainly comprise equipment rental, investment holding, and property development, neither of which are of a sufficient size to be reported separately.

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment (note 26), and intangible assets (note 27), including additions resulting from acquisitions through business combinations (note 24).

Secondary reporting format - geographical segments

The Group's three business segments operate in three main geographical areas :

FRS 14(81)
FRS 1(99)(q)

The Company is headquartered in Singapore and it is also an operating company. The areas of operation mainly arise from furniture activities, component parts activities, construction of building and equipment, property development, investment holding, and other operations of the Group.

Hong Kong - the areas of operation mainly arise from component parts activities, furniture activities, and investment management.

South East Asia and other countries - the main activities are furniture activities, component parts activities and equipment rental.

	Sales		Total assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	37,188	29,760	32,554	23,557	6,695	1,532
Hong Kong	10,663	8,471	5,568	3,320	300	650
South East Asia	3,199	2,541	3,261	2,374	1,300	350
Other countries	2,397	1,694	1,587	894	400	276
	53,447	42,466	42,970	30,145	8,695	2,808
Eliminations	(132)	(111)	(2,274)	(1,913)	–	–
	53,315	42,355	40,696	28,232	8,695	2,808

FRS 14(69)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

With the exception of Singapore and Hong Kong, no other individual country contributed more than 10% of consolidated sales and assets. Sales are based on the country in which the customer is located. It would not be materially different if based on the country in which the order is received. Total assets and capital expenditure are shown by the geographical area where the assets are located.

FRS 14(69)

Guidance Notes**Segment information****Application**

1. Segment information is only required for enterprises whose equity or debt securities are publicly traded and for enterprises that are in the process of issuing equity or debt securities in public securities markets. In this example, the primary reporting format comprises the business segments, whilst the secondary reporting format comprises the geographical segments.

FRS 14(3)

Holding corporation

2. Segment information disclosures are not required in the accounts of a holding corporation if the corresponding information is included in the consolidated accounts.

FRS 14(6)

Segment results

3. Interest income and interest expense are not normally allocated in segment result unless operations are primarily of a financial nature. Taxes, minority interests and extraordinary items are also usually not included.

FRS 14(16)

Exceptional items

4. An enterprise is encouraged, but not required to disclose the nature and amount of any items of segment revenue and segment expense that are of such size, nature, or incidence that their disclosure is relevant to explain the performance of each reportable segment for the period.

FRS 14(59)

46. Event occurring after balance sheet date

On 1 March 2004, the Group acquired a 100% interest in Scarlet Private Limited, a company incorporated in Singapore and which is engaged in the manufacture of building equipment, for a cash consideration of \$3,000,000. The fair value of the net identifiable assets of Scarlet Private Limited at the date of acquisition was \$2,500,000. Goodwill arising on this acquisition of \$500,000 will be amortised on a straight-line basis over 10 years. Scarlet Private Limited will be consolidated with effect from 1 March 2004.

FRS 10(20)
FRS 10(21)(a)
FRS 22(96)**47. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Limited on 18 March 2004.

FRS 10(16)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

48. Listing of significant ¹ companies in the Group

Name of company	Principal activities	Country of incorporation	Equity holding ²	
			2003 %	2002 %
<i>Significant subsidiaries held by the Company</i>				
PwC Construction Pte Ltd ^(a)	Construction of building and equipment	Singapore	100	100
PwC Land Pte Ltd ^(a)	Property development	Singapore	100	100
PwC Manufacturing Pte Ltd ^(a)	Manufacture and sale of furniture	Singapore	85	85
PwC Trading Pte Ltd ^(a)	Manufacture and sale of component parts	Singapore	65	65
PwC Glass Manufacturing Pte Ltd	Manufacture and sale of glass	Singapore	–	100
PwC Parts Distribution Pte Ltd ^(a)	Distribution of component parts	Singapore	–	100
PwC Overseas Limited ^{(b),(d)}	Investment management	Cambodia	100	100
PwC Components Manufacturing Pte Ltd ^(b)	Manufacture and sale of component parts	Philippines	70	–
<i>Significant joint venture held by the Company</i>				
PwC Joint Venture Furniture ^(b)	Manufacture and sale of furniture	Thailand	50	50
<i>Significant associated companies held by the Company</i>				
Big Hide Ltd ^(b)	Husbandry	Hong Kong	25	25
Cuddly Bear Ltd ^(c)	Real Estate	Singapore	35	35

FRS 27(31)(a)

FRS 31(47)

FRS 28(25)(a)

- (a) Audited ³ by PricewaterhouseCoopers, Singapore
(b) Audited ³ by PricewaterhouseCoopers firms outside Singapore
(c) Audited ³ by Tan & Co., Singapore
(d) Not consolidated ⁴ as the entity is not controlled by the Company (note 24)

SGX 715
SGX 717
SGX 718
FRS 27(31)
(b)(i, iii)

Notes to the Financial Statements

for the financial year ended 31 December 2003

Reference

Guidance Notes***Listing of significant companies in the Group***

- | | |
|---|----------------------------------|
| <p>1. Significant is not defined in FRS. However, SGX 718 considers a subsidiary or associated company significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. Propose follow the definition in SGX Securities Trading Listing Manual.</p> | <p>SGX 718</p> |
| <p>2. If the proportion of voting power held differs to that of equity holding, it should be disclosed.</p> | <p>FRS 27(31)(a)</p> |
| <p>3. To disclose name(s) of auditing firm(s) of :</p> <p style="margin-left: 20px;">(a) Singapore incorporated subsidiaries and significant associated companies</p> <p style="margin-left: 20px;">(b) significant foreign subsidiaries and associated companies; and</p> | <p>SGX 717</p> |
| <p>4. Where applicable, to disclose :</p> <p style="margin-left: 20px;">(a) reason(s) for not consolidating a subsidiary;</p> <p style="margin-left: 20px;">(b) nature of relationship between parent and subsidiary if parent does not own, directly or indirectly, more than 50% of the voting power; and</p> <p style="margin-left: 20px;">(c) name of an enterprise in which more than 50% of the voting power is owned, directly or indirectly, but which, because of the absence of control, is not a subsidiary, where applicable.</p> | <p>FRS 27(31)(b)
(i-iii)</p> |