

Notes to the Financial Statements

for the financial year ended 31 December 2004

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

1. General ^{1,2}

PwC Holdings Ltd (the “Company”) is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office ³ is as follows: 350 Harbour Street, #30-00, Singapore 049929.

FRS 1(102)(a)

The principal activities of the Company are the manufacturing of component parts used in the electrical and electronic industry, and investment holding. The principal activities of the Company and its subsidiaries (the “Group”) are manufacturing of component parts used in the electrical and electronic industry, manufacturing of furniture, and construction of buildings and equipment. The glass business segment was sold during the financial year (note 5).

FRS 1(102)(b)

Guidance Notes

General

- The following items need not be disclosed in the financial statements if they are disclosed elsewhere in information published with the financial statements:
 - the domicile and legal form of the company, its country of incorporation and the address of the registered office;
 - a description of the nature of the company's operations and its principal activities;
 - the name of the parent company and the ultimate parent company of the group; and
 - the number of employees either at the end of the period or the average for the period.

FRS 1(102)

- If the Company changes its name during the financial year, all references to the company's name in the directors' report, auditors' report and financial statements should be based on the new name, followed by the words *“Formerly known as [old name]”*.

Disclosure of this change should also be made in the directors' report and notes to the financial statements, as follows:

“On [date of change], the company's name was changed from XYZ Pte Ltd to ZYX Pte Ltd.”

- If the principal place of business is different from the registered office, the former should be disclosed.

FRS 1(102)(a)

2. Significant accounting policies ^{20,21,22,23}

FRS 1(91)(a)

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) ^{1,2,3}. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, land and buildings.

FRS 1(11)

FRS 1(97)(a)

The preparation of financial statements in conformity with FRS 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 events and actions, actual results may ultimately differ from those estimates.

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(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

FRS 1(99)(a)
FRS 18(34)(a)
FRS 18(8)

(1) Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

FRS 18(13)

Component parts and furniture are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(2) Rendering of services

Revenue from logistics services is recognised during the financial year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed. The accounting policy for revenue from construction contracts is disclosed in note 2(h).

FRS 18(19)

(3) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

FRS 18(29)(a)

(4) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

FRS 18(29)(b)

(5) Dividend income

Dividend income is recognised when the right to receive payment is established.

FRS 18(29)(c)

(6) Rental income

Rental income from operating leases on investment properties are recognised on a straight-line basis over the lease term. Rental income from finance leases on plant and equipment is recognised based on a constant periodic rate of return over the lease term using the net investment method.

FRS 17(42)

FRS 17(30)

(c) Group accounting ⁴

(1) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

FRS 1(99)(b)
FRS 27(11)
INT FRS 33(3)

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, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(f)(1) for the accounting policy on goodwill on acquisition of subsidiaries.

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

FRS 22(32)

Notes to the Financial Statements

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Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and 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.⁵

FRS 27(16)

FRS 27(20)

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

FRS 22(8)

FRS 27(26)

Please refer to note 2(j) for the Company's accounting policy on investments in subsidiaries.

(2) Associated companies

FRS 1(99)(b)

Associated companies are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to note 2(f)(1) for the Group's accounting policy on goodwill.

FRS 28(2-3)

FRS 28(7)

Equity accounting involves recording investments in associated companies initially at cost, and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

FRS 28(25)(b)

FRS 28(20)
INT FRS 20(6)

In applying the equity method, 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, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.⁵

INT FRS 3(3,4)

Please refer to note 2(j) for the Company's accounting policy on investments in associated companies.

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(3) Joint ventures

FRS 1(99)(d)

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties. The Group's interest in joint ventures is 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 to the extent that it is attributable to the other venturers. The Group does not recognise its share of results from the joint ventures that arose from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

FRS 31(28)

FRS 31(39)

FRS 31(40)

FRS 31(39)

Please refer to note 2(j) for the Company's accounting policy on investments in joint ventures.

(4) Transaction costs

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

FRS 22(25)

(d) Property, plant and equipment

FRS 1(99)(e)

(1) Land and buildings

Land and buildings are initially recorded at cost. Freehold land are subsequently stated at fair value less accumulated impairment losses (note 2(k)). Buildings and leasehold land are subsequently stated at fair value less accumulated depreciation and accumulated impairment losses (note 2(k)). Their fair values are determined by an independent professional valuer on a triennial basis and whenever their carrying amounts are likely to differ materially from their fair values.⁶

FRS 16(60)(a)

FRS 16(29)

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset; the net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.⁶

FRS 16(37)

FRS 16(38)

(2) Other property, plant and equipment

Motor vehicles, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2(k)).

FRS 16(60)(a)

(3) Depreciation

FRS 1(99)(e)

Freehold land are not depreciated. Depreciation is calculated using a straight line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

FRS 16(60)(b)

Buildings and leasehold land	the shorter of 50 years and the lease term	FRS 17(19)
Motor vehicles	4 years	FRS 16(60)(c)
Plant and equipment	5-15 years	

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(3) Subsequent Expenditure

FRS 16(61)(b)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to 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 the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

FRS 16(23)
INT FRS 23(5)

FRS 16(25)

(4) Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement; any amount in revaluation reserve relating to that asset is transferred to retained earnings.

FRS 16(56)
FRS 16(39)

(e) Development properties ⁷

FRS 1(99)(e)

Development properties are investment properties being constructed or developed for future rental. They are stated at cost less accumulated impairment losses (note 2(k)), until construction or development is completed, at which time they are reclassified to be accounted for as investment properties. Cost capitalised include cost of land and other directly related development expenditure, including borrowing costs incurred in developing the properties.

FRS 16(14)

(f) Intangible assets

FRS 1(99)(e)

(1) Goodwill ⁸

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or 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 the retained earnings; such goodwill has not been retrospectively capitalised and amortised.

FRS 1(99)(c)

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses (note 2(k)). Goodwill is amortised using the straight-line method ⁹ 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.¹⁰ For other acquisitions, goodwill is generally amortised over 5 years.

FRS 38(107)(a,b)

FRS 22(88)(a)

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, but exclude those goodwill previously taken to retained earnings (pre-1 January 2001 acquisitions).

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(2) Trademark and licenses

Acquired trademarks and licenses are stated at cost less accumulated amortisation and accumulated impairment losses (note 2(k)). Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 15 to 20 years.

FRS 38(63)
FRS 38(107)(b)
FRS 38(107)(a)

(3) Computer software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its original specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

FRS 38(3)
INT FRS 6(6)

Computer software development costs and acquired computer software licenses are stated at cost less accumulated amortisation and accumulated impairment losses (note 2(k)). These costs are amortised using the straight-line method over their estimated useful lives of three to five years.

INT FRS 6(4)

FRS 38(107)(b)
FRS 38(107)(a)

(g) Borrowing costs

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are taken to the income statement over the period of borrowing using the effective interest method.

FRS 1(99)(f)
FRS 23(28)(a)
FRS 23(8)

(h) Construction contracts

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 1(99)(g)
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 the 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(21)
FRS 11(38)(c)
FRS 11(35)

Costs incurred during the financial 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 financial year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from 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(30)
FRS 11(42)
FRS 11(41)(a)
FRS 11(43)
FRS 11(41)(b)

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(i) Investment properties

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 non-current investments and are stated at revalued amounts, representing open market value determined on an annual basis by an independent professional valuer. Investment properties are not subject to depreciation.

FRS 1(99)(h)

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

When an investment property is revalued, revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same investment¹¹ that were taken to the income statement. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same investment that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are taken to the income statement.

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

If investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as development properties until construction or development is completed, at which time it is reclassified and accounted for as investment property.

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 is also transferred to the income statement.¹²

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

(j) Investments

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated 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.

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

Other investments comprise long-term equity and non-equity securities. They are stated at cost less allowance for diminution in value based on a review at the balance sheet date. 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; such reduction being determined and made for each investment individually. 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)

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 assets

Assets including property, plant and equipment, goodwill and other intangible assets, are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

FRS 36(1,8)

FRS 36(58)

FRS 36(55)
FRS 36(5)

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(l) Trade receivables

FRS 32(47)(b)

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

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings. Any fee incurred to effect factoring is net-off against borrowings, and taken to the income statement over the period of factoring using the effective interest method.

(m) Borrowings

FRS 32(47)(b)

(1) Borrowings

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

(2) Redeemable preference shares

Preference shares¹³, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are taken to the income statement as interest expense.

FRS 32(47)(b)

FRS 32(50)

(3) Convertible bonds

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 recorded as a non-current liability on the amortised cost basis until it 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 carrying amount of the conversion option is not changed in subsequent periods.

FRS 32(50)
FRS 32(18,23)
FRS 32(77)

FRS 32(18,23)(a)

When conversion option is exercised, the carrying amount of the conversion option will be taken to the share capital and the share premium accounts. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

(n) Financial instruments

FRS 1(99)(i)

(1) Forward foreign exchange contracts

Forward foreign exchange contracts are used to hedge the Group's exposure to foreign currency risks. The notional principal amounts of the forward foreign exchange contracts are recorded as off-balance sheet items. The contracted rates of the forward foreign exchange contracts are used to translate the hedged foreign currency monetary assets and liabilities. The fair values of the forward foreign exchange contracts are not recognised in the financial statements.

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(2) Interest rate swap contracts

Interest rate swap contracts are used to hedge the Group's exposure to interest rate risks. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise non-current borrowings at floating rates and swap them into fixed rates that are lower than those available if it borrowed the 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 rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts. This difference is taken to the income statement on an accrual basis. The excess of fixed rate interest payables over floating rate interest receivables is recorded as current payables; the excess of floating rate interest receivable over fixed rate interest payable is recorded as current receivables.

The notional principal amounts of the interest rate swap contracts are recorded as off-balance sheet items. The fair values of the interest rate swap contracts are not recognised in the financial statements.

(o) Leases

FRS 1(99)(j)

(1) When a group company is the lessee:

Finance leases

FRS 32(47)(b)

Leases of assets in which the Group assumes substantially 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 and 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.

FRS 17(3)

FRS 17(12)

FRS 17(17)

Operating leases

Leases of assets in which 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)

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.

INT FRS 15(5)

(2) When a group company is the lessor:

Finance leases

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 lease term using the net investment method, which reflects a constant periodic rate of return.

FRS 32(47)(b)

FRS 17(28)

FRS 17(30)

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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(45)

FRS 17(42)

INT FRS 15(4)

(p) Research costs

Research costs are recognised as an expense when incurred.

FRS 1(99)(k)

(q) Inventories

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 cost of completion and selling expenses.

FRS 1(99)(l)

FRS 2(31)(a)

FRS 2(5)

INT FRS 1(3)

FRS 2(6-8)

FRS 23(6,7)

FRS 2(3)

(r) Deferred income taxes

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. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

FRS 1(99)(m)

FRS 12(14)

FRS 12(46)

Deferred income 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)

(s) Provisions for other liabilities and charges

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 1(99)(n)

FRS 37(14)

(1) 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

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(2) Restructuring

FRS 37(72-83)

Restructuring provisions mainly comprise lease termination penalties and employee termination payments. They are recognised in the financial year 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.

(t) Employee benefits

FRS 1(99)(o)

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

FRS 19(7)

FRS 19(44)

(2) 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)

(3) Equity compensation benefits ¹⁴

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)

(u) Foreign currency translation

FRS 1(99)(p)

(1) Measurement currency ^{15,16,17}

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 currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

FRS 1(99)(b),(p)
FRS 21(29)

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(3) Translation of Group entities' financial statements

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:

INT FRS 30(6)

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

FRS 21(16)

FRS 21(36)

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.¹⁸

FRS 21(44)

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

FRS 1(99)(q)

FRS 14(9)

(w) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheet.

FRS 1(99)(r)

FRS 7(45)

(x) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2(m)(2)).¹³

Incremental costs directly attributable to the issuance of new equity instruments, other than for the acquisition of businesses, are taken to equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issuance of new equity instruments for the acquisition of businesses are included in the cost of acquisition as part of the purchase consideration.

INT 17(6)
FRS 22(21,25)

(y) Dividend

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

FRS 10(11)
FRS 32(30)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Significant accounting policies

Basis of preparation

1. Compliance with FRS

Singapore-incorporated companies are required by law to prepare financial statements (for financial periods beginning on or after 1 January 2003) that are in compliance with Singapore Financial Reporting Standards ("FRS"). FRS are issued by the Council on Corporate Disclosure and Governance ("CCDG").

Under the Companies Act, 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 the 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.

2. Use of other accounting standards for listed companies

The Minister is allowed to substitute other accounting standards for FRS.

Under the Companies (Accounting Standards for Listed Companies) Order 2003, where a listed company on the Singapore Exchange Securities Trading Limited ("SGX-ST") and also listed on a foreign exchange that requires the company to comply with accounting standards other than FRS, the company shall apply the alternative accounting standards for their financial statements for financial periods commencing on or after 1 January 2003. This is provided that the alternative accounting standards are accounting standards approved by SGX-ST and the company has notified the Registrar of its intention. At present, the foreign accounting standards approved by SGX-ST are International Financial Reporting Standards ("IFRS") and United States Generally Accepted Accounting Principles ("US GAAP").

3. Early adoption of revised or new FRS

Where the company early adopts revised or new FRS and that early adoption has a material effect on the current period or any prior period presented, or may have a material effect in subsequent periods, the following disclosure should be made:

- (a) the reasons for the change;
- (b) the amount of the adjustment recognised in net profit or loss in the current period; and
- (c) the amount of the adjustment included in each period for which pro forma information is presented and the amount of the adjustment relating to periods prior to those included in the financial statements. If it is impracticable to present pro forma information, this fact should be disclosed.

Where the early adoption of specific standards does not have any impact on the financial statements, the following disclosure is recommended:

"The early adoption of new or revised FRS did not have any material impact on the accounting policies and figures presented in the balance sheet of the Company and the consolidated financial statement of the Group for the financial year ended 31 December 2004 [except for XXXX as disclosed in note []."

FRS 1(91)(a)

CA 201(3)
SGX 1207(5)(d)

CA 201(14)

CA 201(14A)

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

CA 201(14C)

FRS 8(51)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Basis of consolidation

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

FRS 27(7)

"Consolidated financial statements are not prepared as the Company is a wholly-owned subsidiary of Merlion Limited, a Singapore-incorporated company which prepares consolidated financial statements. The basis on which the subsidiaries are accounted for is disclosed in note 2(j). The registered office of Merlion Limited is as follows: 320 Pier Street, #17-00 Singapore 049900."

Non-uniform accounting policies

FRS 27(20)

5. Consolidated financial statements should be prepared using uniform accounting policies for 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.

Revaluation of property, plant and equipment

6. Revaluations are required to be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The revaluation surplus from one property should not be offset against the revaluation loss of another property.

Development properties

7. If the Company is in the business of developing properties for the purpose of sale, of which some have been sold before completion, the following disclosure is recommended:

"Development properties are properties being developed for future sale."

Unsold development properties

Development properties that are unsold, are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete development and selling expenses.

Sold development properties

Revenue and cost on development properties that have been 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 property. 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 property that have been sold is compared against progress billings up to the financial 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.

Guidance Notes**Goodwill**

8. The following disclosure of negative goodwill, where applicable, is recommended:

“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.

FRS 22(59)

FRS 22(64)

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 taken to 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 taken to the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets is taken to the income statement immediately.”

FRS 22(61)

FRS 22(62)

FRS 22(88)(c)

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

FRS 22(88)(b)

10. 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.

Investment properties

11. Under FRS 25 Accounting for Investments, the term “same investment” can be interpreted as “same category of investment(s)” and this latter phrase can then be used, if more appropriate.

FRS 25
Foreword

FRS 25(33)

12. The amount relating to the disposed investment property in revaluation reserve may alternatively be transferred to retained earnings. The choice of transferring to income statement or retained earnings should be disclosed appropriately and applied consistently.

Redeemable preference shares

FRS 32(18)

13. Preference shares which are redeemable on a specific date or at the option of the shareholder, or which carry non-discretionary dividend obligations, should be classified as liabilities. The dividends on these preference shares are taken to the income statement as interest expense. Non-redeemable preference shares with discretionary dividends should be classified as equity.

Equity compensation benefits

14. The wording of this policy should include the measurement policy, if any, adopted by the company. FRS 19 Employee Benefits sets out only the disclosure requirements for equity compensation plans. It does not prescribe the measurement policy or requirements.

Measurement/Presentation currency

15. Where the measurement currency is different from the currency of the country in which the company is domiciled, the reason for using a different currency should be disclosed. In addition, it is recommended as a best practice to prominently denote the use of an non-S\$ measurement or presentation currency in the primary statements and notes to the financial statements.

FRS 21(42)
INT FRS 19(10)(a)FRS 21(42)
INT FRS 19(10)(b)

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

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

FRS 21(42)
INT FRS 19(10)(c)

- (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 company.

FRS 30(8)

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

FRS 30(9)

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

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

FRS 21(32)(a)

Government grants

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

FRS 1(99)(t)
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 attached conditions. Government grants relating to costs, are deferred and taken to 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

20. The illustrative accounting policies may include items which are not applicable to a particular reporting entity. For example, if the reporting entity does not receive any Government Grants, it is neither required to or prohibited from disclosing the accounting policy for Government Grants. However, the reporting entity should include and describe specific accounting policies that are necessary for a proper understanding of the financial statements.

21. An accounting policy may be significant even if amounts shown for current and prior periods are not material.

FRS 1(101)

22. When preparing financial statements, management should make an assessment of a company's ability to continue as a going concern. Financial statements should be prepared on a going concern basis unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions which may cast significant doubt upon the company's ability to continue as a going concern, those uncertainties should be disclosed. When the financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason why the company is not considered to be a going concern.

FRS 1(23)

23. A company should not prepare its financial statements on a going concern basis if management determines after the balance sheet date that it either intends to liquidate the enterprise or to cease trading, or has no realistic alternative but to do so.

FRS 10(13)

Notes to the Financial Statements

for the financial year ended 31 December 2004

3. Revenue

	The Group		
	2004	2003	
	\$'000	\$'000	
Sales of goods ¹	43,780	36,510	FRS 18(34)(b)(i)
Construction revenue ¹	7,560	4,345	FRS 11(38)(a)
Rendering of services ¹	1,975	1,500	FRS 18(34)(b)(ii)
Total sales	53,315	42,355	
Other operating income :			FRS 25(49)(b)
- investment property rental income	820	212	
- interest income	700	570	FRS 18(34)(b)(iii)
- royalty income	300	154	FRS 18(34)(b)(iv)
- gain on disposal of other investments	80	68	
- dividend income from other investments	50	46	FRS 18(34)(b)(v)
Total other operating income	1,950	1,050	
	55,265	43,405	

Contingent rent is that portion of lease payments that is not fixed in amount but is based on a factor other than the passage of time. Included in the investment property rental income is contingent rent amounting to \$10,000 (2003: \$12,000), which was computed based on the sales achieved by tenants.

FRS 17(48)(b)

Guidance Notes

Revenue

Exchange of goods or services

1. The amount of revenue arising from exchange of goods or services rendered which are included in each significant category of revenue should be separately disclosed.

FRS 18(34)(b,c)

Other matters

2. 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 company for the period. For listed companies, these items are required to be disclosed, regardless of their quantum, in the financial results announcements to SGX-ST.

FRS 8(14)
FRS 8(16)(c)

App 7.2(1)(a)(ii)(J)

Notes to the Financial Statements

for the financial year ended 31 December 2004

4. Exceptional gain ¹

FRS 8(14)

	The Group	
	2004 \$'000	2003 \$'000
Gain on disposal of :	450	—
- subsidiary	—	840
- property, plant and equipment	450	840

On 28 June 2004, the Company disposed of its 100% interest in PwC Logistics Pte Ltd ("PwC Logistics") for a cash consideration of \$1,950,000. The sales and results contributed by PwC Logistics to the 'Others' segment up to the date of disposal were as follows:

FRS 27(31)(b)(iv)

	The Group	
	Period to 28 June 2004 \$'000	12 months to 31 December 2003 \$'000
Sales	1,403	2,888
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 2004 (2003: \$1,642,000).

FRS 27(31)(b)(iv)

Please refer to note 40 for details on additional consideration payable in respect of the disposal of PwC Logistics. 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 items

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

FRS 8(14)
SGX App 7.2(1)(a)

Circumstances which may give rise to the separate disclosure of such items include:

FRS 8(16)

- the write-down of inventories to net realisable value or property, plant and equipment to recoverable amount, as well as the reversal of such write-downs;
- a restructuring of the activities of a company and the reversal of any provisions for the costs of restructuring;
- disposals of items of property, plant and equipment;
- disposals of long-term investments;
- discontinued operations;
- litigation settlements; and
- other reversals of provisions.

Notes to the Financial Statements

for the financial year ended 31 December 2004

5. Loss on disposal of a discontinued operation¹

On 31 January 2004, the Group publicly announced the intention to sell its glass segment. The subsidiary comprising this segment, PwC Glass Manufacturing Pte Ltd, was sold (note 46) on 31 July 2004. The disposal 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)

	Period to 31 July 2004 \$'000	12 months to 31 December 2003 \$'000	
Sales	2,200	4,225	FRS 35(27)(f)
Operating expenses	(2,512)	(5,483)	FRS 35(27)(f)
Loss from operations	(312)	(1,258)	FRS 35(27)(f)
Finance cost	(61)	(131)	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)(iii)
Operating cash (outflows) / inflows	(76)	5,670	FRS 35(27)(g)
Investment cash inflows / (outflows)	1,143	(3,514)	FRS 35(27)(g)
Financing cash outflows	(1,639)	(1,338)	FRS 35(27)(g)
Total cash (outflows) / inflows	(572)	818	

The loss on disposal was determined as follows:

	As at 31 July 2004 \$'000	As at 31 December 2003 \$'000	
Total assets	2,690	3,280	FRS 35(27)(e)
Total liabilities	(1,248)	(1,428)	FRS 35(27)(e)
Net identifiable assets disposed	1,442	1,852	FRS 35(31)(b)
Transfer from shareholder's equity :			
- currency translation differences (note 36(b))	66		FRS 35(31)(b)
Cash proceeds from disposal	(549)		FRS 35(31)(a)
Loss on disposal	959		

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Discontinuing operation

FRS 35(2))

1. A discontinuing operation is a component of a company:
 - (a) that the company, pursuant to a single plan, is:
 - (i) disposing substantially its entirety, such as by selling the component in a single transaction, by demerger or spin-off of ownership of the component to the company'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. A discontinuing operation includes 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 financial 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 other disclosures required by FRS 35 Discontinuing Operations should be presented separately for each discontinuing operation in the notes to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2004

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		
	2004 \$'000	2003 \$'000	
<i>Charging / (Crediting):</i>			
Allowance for diminution in value of other investments	100	20	FRS 25(49)(b)(iii)
Amortisation charge ¹ :			FRS 1(83)
- goodwill (included in 'Other Operating expenses') (note 27(a))	215	200	FRS 22(88)(d)
- trademark and licenses (included in 'Other Operating expenses') (note 27(b))	100	60	FRS 38(107)(d)
- computer software license and development costs (included in 'Administrative expenses') (note 27(c))	40	20	FRS 38(107)(d)
Auditors' remuneration paid/payable to ³ :			
- auditors of the Company	140	126	
- other auditors*	110	108	
Other fees paid/payable to auditors of the Company ^{4,5}	25	20	SGX 1207(6)(a)
Depreciation of assets held for sale (note 14)	142	—	FRS 1(83)
Depreciation of property, plant and equipment ¹ (note 26):			FRS 16(60)(e)(vii)
- freehold buildings	15	5	
- leasehold land and buildings	15	15	
- plant and equipment	1,105	1000	
- motor vehicles	125	50	
Foreign exchange losses ⁶ - net	55	37	FRS 21(41)(a)
Impairment losses ¹ of:			FRS 36(113)(a)
- property, plant and equipment (included in 'Other operating expenses') (note 26)	335	—	FRS 16(60)(e)(v)
- goodwill (included in 'Other operating expenses') (note 27(a))	60	—	
Inventories:			
- cost 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 2002 ⁷ (note 13)	(200)	—	FRS 2(31)(d)
Provision ⁸ for:			FRS 37(84)(b)
- warranty (note 33(a))	190	275	
- restructuring costs (note 33(b))	300	—	FRS 8(14,16(b))
- legal claims (note 33(c))	240	—	
Rental expense - operating lease	150	150	FRS 17(27)(c)
Research costs ⁹	473	200	FRS 38(115)
Revaluation loss on investment properties (note 24)	123	10	FRS 25(49)(b)(iii)

* Includes PricewaterhouseCoopers firms outside Singapore.

Notes to the Financial Statements

for the financial year ended 31 December 2004

7. Finance costs - net

	The Group		
	2004	2003	
	\$'000	\$'000	
Interest expense :			
- bank borrowings	(680)	(990)	
- effects of interest rate swap contracts	(200)	40	
- convertible bonds (note 30)	(90)	—	
- dividend on redeemable preference shares (note 31)	(65)	(65)	
- finance lease liabilities	(60)	(22)	
	<u>(1,095)</u>	<u>(1,037)</u>	
Foreign exchange gains ⁶ - net	438	355	FRS 21(41)(a)
	<u>(657)</u>	<u>(682)</u>	

8. Staff costs

	The Group		
	2004	2003	
	\$'000	\$'000	
Wages and salaries	9,545	7,810	
Employer's contribution to defined contribution plans including Central Provident Fund ¹⁰	1,202	814	FRS 19(46)
Termination benefits ¹¹ (notes 33(b) and 45(c))	340	80	FRS 19(142)
	<u>11,087</u>	<u>8,704</u>	

Key management remuneration is disclosed in note 45(c).

Included in total staff costs is an amount of \$2,532,000 (2003: \$1,940,000) which 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 the financial year: ^{13,14}

FRS 1(102)(d)

	The Group	
	2004	2003
Full time	1,470	1,190
Part time	294	238
	<u>1,764</u>	<u>1,428</u>

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

1. Companies presenting their expenses by function should disclose additional information on the nature of expenses, including depreciation and amortisation expense and staff costs. FRS 36 Impairment of Assets and FRS 38 Intangible Assets further require the disclosure of the line items in the income statement to which impairment loss (and/or its reversal), and amortisation expense have been recorded.
2. Companies presenting their expenses by nature need not disclose the cost of inventories recognised as an expense during the period.

FRS 1(83)

FRS 36(113)(a,b)
FRS 38(107)(d)

FRS 2(35)

Auditors' remuneration

3. Not required to be disclosed under FRS or SGX-ST Listing Manual. Recommended to be disclosed for SGX-ST listed companies in view of legal 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 other fees paid to auditors of the Company which are not included in determining the Group/Company's profit from operations (i.e. capitalised rather than expensed). It may be appropriate for such fees to be disclosed in the disclosure note relating to the asset (e.g. disclosure note 23) or equity.
5. Under Section 206(1) of the Companies Act ("the Act"), which is effective from 1 April 2004, a public company shall undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised under prescribed conditions, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the company.

CA 206(1A)

For the purpose of Section 206(1) of the Act, this review shall be undertaken if the total amount of the fees paid to the auditor for non-audit services in any financial year of the company exceeds 50% of the total amount of fees paid to the auditor in that financial year.

CA Regulation 2004

The Audit Committee should also provide a confirmation in the annual report that it has undertaken a review of 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 an example of this disclosure.

SGX 1207(6)(b)

Net foreign exchange gains/(losses)

6. Foreign exchange gains/(losses) arising from operating activity should form part of operating expenses while those arising from financing activities should form 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). For listed companies, inventory write-down is required to be disclosed, regardless of its quantum, in the financial results announcements to SGX-ST. A sample disclosure on the reversal of a write-down on inventory has been included in disclosure note 13.

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 2004

Guidance Notes

Provisions

8. Additional provisions made during the financial year should be disclosed for each provision. Although it is possible to include such information in the disclosure note on provisions, we recommend including it in this disclosure note for completeness.

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 Central Provident Fund.
11. Under FRS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, a company is required to disclose 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 company for the period. Termination benefits may warrant disclosure in compliance with this requirement. Alternatively, a company should disclose information about termination benefits for key management personnel as required by FRS 24, Related Party Disclosures.
12. The disclosure of the amount of salary cost capitalised in inventory is not mandatory; however the amount capitalised should be included in the total staff costs disclosed.

FRS 19(142)

FRS 19(143)

Number of employees

13. Alternatively, the average number of persons employed during the financial year may be disclosed.

FRS 1(102)(d)

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

9. Income Tax

(a) Income tax expense

	The Group		
	2004	2003	
	\$'000	\$'000	
Tax expense attributable to profit is made up of :			FRS 12(77)
Current income tax			FRS 12(78)(a)
- Singapore	2,058	1,775	
- Foreign	1,030	859	
	3,088	2,634	
Deferred income tax	(866)	(777)	FRS 12(78)(c)
Share of tax of associated companies ¹ (note 21)	70	53	FRS 28(26)
	2,292	1,910	
Under provision in the preceding financial years:			
- current income tax (note (b))	11	10	FRS 12(78)(b,e)
	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)

	The Group	
	2004	2003
	\$'000	\$'000
Profit before tax	7,910	6,000
Tax calculated at a tax rate of 20% ^{2,3} (2003: 22%)	1,582	1,320
Effect of changes in tax rate (note 34)	(119)	—
Effect of different tax rates in other countries	235	240
Expenses not deductible for tax purposes	942	625
Income not subject to tax	(278)	(237)
Utilisation of previously unrecognised :		
- tax losses	(44)	(23)
- capital allowances	(26)	(15)
Tax charge	2,292	1,910

Notes to the Financial Statements

for the financial year ended 31 December 2004

(b) Movements in current income tax liabilities ⁴

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of the financial year	725	587	325	285
Exchange differences	20	15	–	–
Income tax paid	(2,329)	(2,521)	(399)	(145)
Tax expense on profit (note (a))				
- current financial year	3,088	2,634	327	185
- under provision in preceding financial years	11	10	–	–
Acquisition of subsidiary (note 11)	100	–	–	–
Disposal of subsidiaries (note 11)	(80)	–	–	–
At end of the financial year	1,535	725	253	325

Included in the Company's current tax liabilities is an amount of \$32,000 (2003: \$25,000) representing the approximate consideration payable for the transfer of tax losses from a subsidiary to the Company for a claim under the Group relief tax system.⁵

Guidance Notes

Tax

Share of tax of joint ventures

- Where the Group's interest in joint ventures are accounted for in the consolidated financial statements by the equity method of accounting, the Group's share of tax of joint ventures should be disclosed in this line item and described accordingly (i.e. "share of tax of associated companies and joint ventures").

Applicable tax rate(s)

- In explaining the relationship between tax expense (income) and accounting profit, a company 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 company 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 a company operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each individual jurisdiction.
- An explanation of changes in the applicable tax rate(s) compared to the previous accounting period should be included, where applicable.

FRS 12(79)(d)

FRS 12(83)

Movements in current tax liabilities

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

Payment for the transfer of tax losses under group relief tax system

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

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	
	2004	2003
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 2004 and 2003 has been adjusted to reflect the bonus element inherent in the rights issue.

The diluted earnings per share is adjusted for the effects 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 issuance of ordinary shares for no consideration. No adjustment is made to earnings (numerator).

	The Group	
	2004	2003
	\$'000	\$'000
Net profit attributable to members of PwC Holdings Ltd	4,577	3,693
Interest expense on convertible bonds (net of tax)	72	–
Net profit used to determine diluted earnings per share	4,649	3,693
Weighted average number of ordinary shares in issue for basic earnings per share	7,536	6,572
Adjustments for		
– assumed conversion of convertible bonds	390	–
– share options	567	93
Weighted average number of ordinary shares for diluted earnings per share	8,493	6,665
Diluted earnings per share	55 cents	55 cents

FRS 33(49)(a)

FRS 33(49)(b)

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

1. The disclosures set out in FRS 33 Earnings Per Share are only applicable to companies whose shares are publicly traded including those listed on the SGX-ST. FRS 33(1)

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 periods presented should be adjusted retrospectively. If these changes occur after the balance sheet date but before issuance 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 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 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies; and
 - (b) the effects of a business combination which is a uniting of interests.FRS 33(43)

3. When the Group changes its accounting policies which result in prior year adjustments, for comparative purposes, the basic and diluted earnings per share in prior period should be recalculated.

4. A company is encouraged to describe 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 issuance of shares for cash; the redemption of ordinary shares on issue; the issuance 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. FRS 33(45)

5. If a company 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 FRS 33 Earnings per Share. 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(51)

Notes to the Financial Statements

for the financial year ended 31 December 2004

11. Cash and cash equivalents

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	250	200	200	100
Short-term bank deposits	3,952	2,881	2,132	1,011
	<u>4,202</u>	<u>3,081</u>	<u>2,332</u>	<u>1,111</u>

The carrying amounts of cash and cash equivalents approximate their fair value.

FRS 32(77)

Cash and cash equivalents are denominated in the following currencies:

FRS 32(47)(a)
FRS 32(49)(h)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	601	501	332	111
United States Dollar	3,000	2,300	2,000	1,000
Others	601	280	—	—
	<u>4,202</u>	<u>3,081</u>	<u>2,332</u>	<u>1,111</u>

Short-term bank deposits have an average maturity of 3 months (2003: 3 months) from the end of the financial year with the following weighted average effective interest rates:

FRS 32(56)(a,b)
FRS 32(64)(d)

	The Group		The Company	
	2004	2003	2004	2003
Singapore Dollar	0.5%	0.2%	0.5%	0.2%
United States Dollar	1.8%	1.0%	1.8%	1.0%
Others	2.7%	2.3%	—	—

The exposure of cash and cash equivalents to interest rate risks is disclosed in note 42(ii).

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents ^{1,2} comprise the following :

FRS 7(44)

	The Group	
	2004	2003
	\$'000	\$'000
Cash and bank balances (as above)	4,202	3,081
Less : Bank overdrafts ² (note 29)	(2,090)	(1,910)
Cash and cash equivalents per consolidated cash flow statement	2,112	1,171

FRS 7(7)

Acquisition and disposals of subsidiaries

On 28 June 2004, the Company disposed of its 100% interest in PwC Logistics Pte Ltd for a cash consideration of \$1,950,000 (note 4). On 30 June 2004, the Group sold its glass segment comprising the subsidiary, PwC Glass Manufacturing Pte Ltd for a cash consideration of \$549,000 (note 5) and this is reported as a discontinued operation .

On 1 October 2004, the Company acquired 50% of the issued share capital of PwC Components (Philippines) Pte Ltd for a cash consideration of \$1,550,000 (note 23).

Notes to the Financial Statements

for the financial year ended 31 December 2004

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

	The Group		
	Acquisition	Disposals	
	\$'000	\$'000	
Cash and cash equivalents	100	(804)	FRS 7(39)(c)
Trade and other receivables	800	(1,404)	FRS 7(39)(d)
Inventories	840	–	FRS 7(39)(d)
Property, plant and equipment (note 26)	1,000	(1,380)	FRS 7(39)(d)
Other current assets	–	(114)	FRS 7(39)(d)
Total assets	2,740	(3,702)	
Bank overdraft	(150)	–	FRS 7(39)(c)
Trade and other payables	(384)	523	FRS 7(39)(d)
Current tax liabilities (note 9(b))	(100)	80	FRS 7(39)(d)
Provisions for other liabilities and charges (note 33(a))	(50)	–	FRS 7(39)(d)
Deferred income tax liabilities (note 34)	(141)	157	FRS 7(39)(d)
Total liabilities	(825)	760	
Net identifiable assets	1,915	(2,942)	
Less: Minority interest (note 38)	(575)	–	
Net identifiable assets purchased/(disposed)	1,340	(2,942)	
Goodwill (note 27(a))	210		
Total cash consideration	1,550		FRS 7(39)(a,b)
Less: Cash and cash equivalents in subsidiary acquired	50		FRS 7(39)(c)
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 disposed (as above)	2,942	
Transfer from shareholders' equity:		
- currency translation differences (note 36(b))	66	
Gain on disposal (note 4)	450	
Loss on disposal (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 2004

Guidance Notes

Cash and cash equivalents

Definition of cash equivalents

1. Under FRS 7 Cash Flow Statements, cash equivalents are defined as “highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the investor’s option and are subject to an insignificant risk of changes in value, and borrowings which are integral to the cash management function and which are not subject to a term facility”. Accordingly, the amount of cash in the balance sheet may differ from the amount shown in the cash and cash equivalents. A reconciliation of the two amounts is required.
2. Bank overdrafts should be included as a component of cash and cash equivalents only when they form an integral part of an enterprise’s cash management. Otherwise, they are generally considered as part of an enterprise’s financing activities.

FRS 7(5-8)

FRS 7(44)

FRS 7(7)

Cash not available for use

3. There may be various circumstances in which cash and bank balances held by an enterprise are not available for use by the Group. Examples include cash and bank balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply. When cash and bank balances are not available for use by the Group, disclosure is required of the amount and the nature of the restrictions placed upon their use.
4. Cash and bank balances that are subject to restrictions should be classified as a current asset only when the duration of restrictions is limited to the term of an obligation that has been classified as a current liability or when the restrictions lapse within one year.

FRS 7(48)

FRS 7(47)

Notes to the Financial Statements

for the financial year ended 31 December 2004

12. Trade and other receivables - current

FRS 1(73)(b)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (note 18)	156	218	156	218	FRS 17(39)(a)
Trade receivables:					FRS 1(72)
- associated companies (note 45(a))	108	97	—	—	FRS 24(22-24)
- third parties	3,916	1,562	1,899	1,697	
	4,024	1,659	1,899	1,697	
Less: Allowance for doubtful receivables - third parties	(125)	(100)	(100)	(100)	
Trade receivables - net	3,899	1,559	1,799	1,597	
Construction contracts:					
- due from customers (note 15)	1,384	1,188	—	—	FRS 11(41)(a)
- retentions (note 15)	60	40	—	—	FRS 11(39)(c)
	1,444	1,228	—	—	
Staff loans (note 19)	60	25	30	20	FRS 1(72)
Accrued interest receivable on interest rate swap contracts	—	20	—	10	
Other receivables	40	20	20	5	
	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, covering a large spectrum of industries and having 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)

The carrying amounts of current trade and other receivables approximate their fair value. The currency denomination and exposure to interest rate risks of current trade and other receivables are disclosed in notes 17 and 42(ii) respectively, together with non-current trade and other receivables.

FRS 32(77)

Trade receivables amounting to \$260,000 (2003: \$340,000) have been factored to a bank with recourse to the Group at the balance sheet date. The corresponding cash received is recorded as bank borrowings (note 29(a)).

Notes to the Financial Statements

for the financial year ended 31 December 2004

13. Inventories

FRS 1(73)(c)
FRS 2(31)(b)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
<i>At cost</i>	1,711	685	1,000	400	FRS 2(32)
Finished goods	600	400	—	—	FRS 2(32)
Work-in-progress	900	800	—	—	FRS 2(32)
Raw materials	3,211	1,885	1,000	400	
<i>At net realisable value</i>	300	750	240	572	FRS 2(31)(c)
Finished goods	3,511	2,635	1,240	972	FRS 2(32)

Inventories of \$1,200,000 (2003: \$1,000,000) of the Group and \$600,000 (2003: \$300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (note 29(a)).

FRS 2(31)(f)

During the year, the Group reversed ² \$200,000 (note 6), part of an inventory write-down made in 2002 as the inventories were sold above the carrying amounts in 2004.

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 2004

14. Assets held for sale ¹

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Total \$'000
The Group			
<i>Cost</i>			
Transfer from property, plant and equipment (note 26)	200	822	1,022
At 31 December 2004	200	822	1,022
<i>Accumulated depreciation and accumulated impairment losses</i>			
Transfer from property, plant and equipment (note 26)	80	100	180
Depreciation charge (note 6)	20	122	142
At 31 December 2004	100	222	322
Net book value			
At 31 December 2004	100	600	700
<i>Net book value</i>			
At 31 December 2003	—	—	—

FRS 16(60)(e)(v)

As a consequence of the restructuring of the furniture segment (note 33(b)), certain items of property, plant and equipment are no longer required for the purposes for which they were originally purchased. The Group has entered into a binding contract with a third party for the sale of these assets, which will take place on 1 April 2005. These assets were written down by \$300,000 to their estimated recoverable amounts prior to the reclassification from property, plant and equipment (note 26(c)).

Guidance Notes

Assets held for sale

1. This disclosure note is voluntary. Recommended as a good practice. With the adoption of FRS 105, this note will be required for financial year beginning on or after 1 January 2005.
2. To be classified as an asset held for sale, it is recommended that :
 - (a) the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset;
 - (b) an appropriate level of management has committed to sell the asset;
 - (c) an active programme to locate a buyer and complete the plan has been initiated;
 - (d) the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value;
 - (e) the sale is expected to be completed within one year from the date of classification; and
 - (f) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Notes to the Financial Statements

for the financial year ended 31 December 2004

15. Construction contract work-in-progress

	The Group		
	2004	2003	
	\$'000	\$'000	
At beginning of the financial year	147	347	
Contract costs incurred during the financial year	1,345	2,040	
Contract expenses recognised during the financial year	(1,230)	(2,240)	
At end of the financial year ¹	262	147	
Aggregate contract costs recognised 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

FRS 11(30)

1. Construction contract work-in-progress may include the following:

- (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, except the materials 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.

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

16. Other current assets

FRS 1(73)(b)

	The Group		The Company	
	2004	2003	2004	2003
	\$'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

The carrying amounts of current deposits approximate their fair value.

FRS 32(77)

17. Trade and other receivables – non-current

FRS 1(73)(b)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Finance lease receivables (note 18)	600	600	600	600
Other receivables :				
- loan to immediate holding corporation (note 45(d))	1,200	250	1,200	250
- loans to subsidiaries (note 45(e))	—	—	4,520	3,798
- staff loans (note 19)	200	150	150	100
	2,000	1,000	6,470	4,748

FRS 17(39)(a)

FRS 1(72)

FRS 24(22-24)

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

FRS 32(56)(a)

The fair values for non-current trade and other receivables are as follows:

FRS 32(77)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Finance lease receivables	620	610	620	610
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 determined based on the credit rating of debtors.

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

Trade and other receivables (current (note 12) and non-current) are denominated in the following currencies:

FRS 32(47)(a)
FRS 32(49)(h)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	2,607	2,501	3,332	3,411
United States Dollar	3,568	1,000	4,800	2,950
Euro	1,123	289	343	237
Others	301	280	—	—
	7,599	4,070	8,475	6,598

The weighted average effective interest rates for current and non-current receivables are as follows:

FRS 32(56)(b)

	The Group		The Company	
	2004	2003	2004	2003
Finance lease receivables	7.1%	6.8%	7.1%	6.8%
Loan to immediate holding corporation	2.5%	2.5%	2.5%	2.5%
Loans to subsidiaries	—	—	3.2%	3.1%
Staff loans	4.5%	4.2%	4.5%	4.2%

The exposure of non-current trade and other receivables to interest rate risks is disclosed in note 42(ii), together with current trade and other receivables.

18. Finance lease receivables

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Gross receivables due:				
- not later than one year	236	316	236	316
- later than one year and not later than five years	700	600	700	600
- later than five years	146	147	146	147
	1,082	1,063	1,082	1,063
Less: Unearned finance income	(326)	(245)	(326)	(245)
Net investment in finance leases	756	818	756	818

FRS 17(39)(a)

FRS 17(39)(b)

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

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

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Not later than one year (note 12)	156	218	156	218
Later than one year (note 17):				
- later than one year and not later than five years	520	530	520	530
- later than five years	80	70	80	70
	600	600	600	600
	756	818	756	818

Notes to the Financial Statements

for the financial year ended 31 December 2004

19. Staff loans

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Not later than one year (note 12)	60	25	30	20	FRS 32(56)(a)
Later than one year but not later than five years (note 17)	200	150	150	100	FRS 32(64)(a)
	260	175	180	120	

Loans are made under an approved staff loan scheme. They include the following loans made to a key management staff of the Group:

FRS 24(22-24)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Not later than one year	20	20	20	20	FRS 32(56)(a)
Later than one year but not later than five years	15	35	15	35	FRS 32(64)(a)
	35	55	35	55	

Notes to the Financial Statements

for the financial year ended 31 December 2004

20. Other investments

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Marketable securities:					
- At cost	710	600	600	500	
- Less: Allowance for diminution in value	(200)	(100)	(200)	(100)	
	510	500	400	400	
Non-marketable securities, at cost	500	400	300	200	
	1,010	900	700	600	
<i>Fair values:</i>					
Marketable securities, at market value	550	520	450	410	FRS 32(77)
Non-marketable securities, at fair value ¹	550	442	350	242	FRS 25(49)(c)

The market value of marketable securities is determined by reference to stock exchange quoted bid prices. The fair value of non-marketable securities 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.

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

Included in marketable securities are listed bonds and debentures, which have a weighted average effective interest rate of 6.5% (2003: 6%) per annum and maturity dates ranging from August 2006 to December 2007.

FRS 32(56)(b)
FRS 32(56)(a)

Included in non-marketable securities is the investment in a wholly-owned entity, PwC Property (Cambodia) Ltd, incorporated in Cambodia. The entity is not consolidated ^{2,3} because 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 entity's scale of operations or workforce, or changing other aspects of the business that might be against national interest, it is deemed as not controlling and not having significant influence over that entity's financial and operating policies.

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

The exposure of other investments to interest rate risks is disclosed in note 42(ii).

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Other Non-current Investments

Disclosure of fair value of non-marketable securities

1. The disclosure of fair value may be omitted when it is not practicable within constraints of timeliness and cost to determine the fair value of a financial asset with sufficient reliability. However, this should arise only in extremely rare circumstances where there is no track record of earnings, no comparative company or industry.

FRS 32(77)

When the disclosure of fair value is omitted, that fact together with any pertinent information which might be relevant for the end-users to make their judgements about the extent of possible differences between the carrying amount of financial assets and financial liabilities and their fair value, should be disclosed. When it has a reasonable basis for doing so, management may indicate its opinion as to the relationship between fair value and the carrying amount of financial assets and financial liabilities for which it is unable to determine fair value.

FRS 32(85)

A suggested disclosure is as follows: *"Non-marketable securities comprise 5% equity interest in an unlisted company in Australia. This company was incorporated in June 2003 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 non-marketable securities. However, the directors do not anticipate that the carrying amount of the unquoted investment will be significantly in excess of its fair value."*

Legal subsidiary not required to be consolidated

2. Please refer to guidance note 1 under Investment in a Joint Venture (disclosure note 22).
3. 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 Associates; or (iii) accounted for as available-for-sale financial assets as described in FRS 39 Financial Instruments: Recognition and Measurement.

FRS 27(29)

Notes to the Financial Statements

for the financial year ended 31 December 2004

21. Investments in associated companies

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Investment at cost			<u>1,000</u>	<u>1,000</u>	
At beginning of the financial year	1,255	1,090			
Exchange differences	(21)	31			
Share of results before tax	270	203			FRS 28(26)
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			
At end of the financial year	<u>1,405</u>	<u>1,255</u>			
Share of associated companies' capital commitments ²	<u>548</u>	<u>2,066</u>			FRS 31(24)(a)
Share of associated companies' contingent liabilities ²	<u>106</u>	<u>240</u>			FRS 31(24)(a)
Contingent liabilities in which the Group is severally liable ²	<u>60</u>	<u>100</u>			FRS 31(24)(b)

Share of results before tax includes goodwill amortisation charge of \$20,000 (2003: \$20,000) in respect of the acquisition of associated companies. Investments in associated companies include the following goodwill:

FRS 22(88)(d)
FRS 22(88)(e)(v)

	The Group		
	2004	2003	
	\$'000	\$'000	
Cost	400	400	FRS 22(88)(e)(i,ix)
Accumulated amortisation	(40)	(20)	
	<u>360</u>	<u>380</u>	

The Group has not recognised losses amounting to \$15,000 (2003: \$5,000) for PwC Insignificant Associate Ltd. The accumulated losses not recognised were \$27,000 (2003: \$12,000).¹

INT 20(10)

Details of significant associated companies are included in note 49.

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Investments in associated companies

1. If an investor's share of losses in an associated company exceeds the carrying amount of the investment, recognition of further losses should be discontinued, unless the investor 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 the liabilities of the associated company.
3. Where applicable, the investor's share of any extraordinary or prior period items should be separately disclosed.

FRS 28(20)

INT 20(10)

FRS 28(24)
FRS 37(38)

FRS 28(26)

Notes to the Financial Statements

for the financial year ended 31 December 2004

22. Investment in a joint venture

The Company has a 60% interest amounting to \$880,000 (2003: \$880,000) at cost in PwC JV Logistics (PRC) Ltd ("PwC JV Logistics"), which provides freight forwarding and warehousing services in the People's Republic of China. PwC JV Logistics is deemed to be a joint venture of the Company as the appointment of its directors and the allocation of voting rights for key business decisions, require the unanimous approval of its venturers.¹

FRS 31(47)

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

The following amounts represent the Group's 60% share of the assets and liabilities and income and expenses of the joint venture and are included in the consolidated balance sheet and income statement using the line-by-line format of proportionate consolidation:²

	The Group		
	2004	2003	
	\$'000	\$'000	
Assets:			
Current assets	803	717	
Non-current assets	2,730	2,124	
	<u>3,533</u>	<u>2,841</u>	
Liabilities:			
Current liabilities	(388)	(406)	
Non-current liabilities	(1,081)	(1,073)	
	<u>(1,469)</u>	<u>(1,479)</u>	
Net assets	<u>2,064</u>	<u>1,362</u>	
Sales	876	618	
Expenses	(354)	(509)	
Profit after tax	<u>522</u>	<u>109</u>	
Operating cash inflows ⁶	640	560	
Investing cash (outflows)/inflows ⁶	(40)	70	
Financing cash outflows ⁶	(20)	(110)	
Total cash inflows ⁶	<u>580</u>	<u>520</u>	
Capital commitments in relation to interest in joint venture ³	–	250	
Proportionate interest in joint venture's commitments ³	<u>90</u>	<u>92</u>	

FRS 31(47)

FRS 7(49)(b)

FRS 31(46)

Details of the joint venture are included in note 49.

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Investment in a joint venture

Legal subsidiary not required to be consolidated

1. Under the Companies 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)

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, 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 disclosure note 49 as well.

Disclosures for significant joint ventures

2. A venturer which reports its interests in jointly controlled entities using the line-by-line reporting format for proportionate consolidation or the equity method should disclose the aggregate amounts of each of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses related to its interests in joint ventures.
3. Where applicable, the venturer should disclose the aggregate amount of the following commitments in respect of the interests in joint ventures separately from other commitments:
 - (a) capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments incurred jointly with other venturers; and
 - (b) its share of the capital commitments of the joint ventures themselves.
4. Where applicable, the venturer should disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from other contingent liabilities:
 - (a) contingencies that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities incurred jointly with other venturers;
 - (b) its share of the contingent liabilities that the joint ventures themselves for which it is contingently liable; and
 - (c) those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.
5. A venturer which does not issue consolidated financial statements, because it does not have subsidiaries, should disclose the information required in guidance notes 2, 3 and 4.

FRS 31(47)

FRS 31(46)

FRS 31(45)

FRS 31(48)

Additional information

6. The 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 a company.

FRS 7(49)(b)

Notes to the Financial Statements

for the financial year ended 31 December 2004

23. Investments in subsidiaries

	The Company	
	2004	2003
	\$'000	\$'000
Investments at cost ⁵	3,850	2,250

Details of significant subsidiaries are included in note 49.

Acquisition of a subsidiary

On 1 October 2004 the Company acquired 50% of the issued share capital of PwC Components (Philippines) Pte Ltd ("PwC Philippines") for a cash consideration of \$1,550,000. Additional consideration of \$200,000 will be payable in cash if the acquired operations achieve certain sales targets. The directors are of the view that no additional consideration is payable at the date of these financial statements.

FRS 22(87)(a,b)

The company is deemed to be a subsidiary as the Company has the right to appoint a majority of its directors. The acquired subsidiary is involved in the manufacture of component parts for the electrical and electronic industry.

FRS 22(86)(a)

The acquired subsidiary contributed revenue of \$7,500,000 and profit from operations of \$675,000 to the Group for the period from 1 October 2004 to 31 December 2004. The subsidiary's assets and liabilities at 31 December 2004 were \$2,950,000 and \$890,000 respectively.

FRS 27(31)(b)(iv)

FRS 22(86)(c)

The fair value of the net assets acquired approximated their book value, and no plant closure provisions or other restructuring provisions were established. The effect of the acquisition to the Group's financial position is 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)

Information about an acquisition that took place on 1 March 2005 is included in note 47.

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Investment in subsidiaries

Intra-group balances and transactions

1. Intragroup balances, 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

2. 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.
3. The company's directors are required to ensure that the financial year of subsidiary coincides with the financial year of the holding company within two years of acquisition.

CA 200(1)

FRS 27(18)

Uniform accounting policies

4. Consolidated financial statements should be prepared using uniform accounting policies for 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

5. Where applicable, loans to subsidiaries that form part of a company's net investments in subsidiaries should be separately disclosed.

FRS 1(67)

Notes to the Financial Statements

for the financial year ended 31 December 2004

24. Investment properties

	The Group		
	2004	2003	
	\$'000	\$'000	
At beginning of the financial year	2,635	2,585	
Revaluation surplus	253	60	FRS 25(49)(g)
Revaluation loss taken to the income statement (note 6)	(123)	(10)	FRS 25(49)(b)(iii)
At end of the financial year	<u>2,765</u>	<u>2,635</u>	

Investment properties are valued annually on 31 December by an independent professional valuer. Valuations are made on the basis of open market value. It is the intention of the Directors to hold the investment properties for the long term.¹

FRS 25(49)(f)

The Group's revaluation surplus (net of applicable deferred income taxes) of \$202,000 (2003: \$47,000) was taken to the asset revaluation reserve (note 36(b)).

Investment properties are leased to third parties under operating leases (note 4(c)).

FRS 17(48)(c)
FRS 17(48A)

Investment properties are mortgaged to secure bank loans (note 29(a)).²

FRS 25(49)(e)

Guidance Notes

Investment properties

Disclosure of development properties and investment properties for listed companies

1. Listed companies are required to provide additional disclosures about investment properties. Please refer to the guidance note 8(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 companies 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 2004

25. Development property

	The Group		
	2004	2003	
	\$'000	\$'000	
Land and other related costs	2,000	2,000	
Development costs	400	40	
	2,400	2,040	FRS 16(61)(c)

Borrowing costs ^{2,3,4} of \$29,000 (2003: \$25,000), arising from financing specifically entered into for the development of property for future rental, were capitalised during the financial year, and are included in 'development costs'.

FRS 23(28)(b)

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

FRS 16(61)(a)

Guidance Notes

Development property

Disclosure of development properties and investment properties for listed companies

1. Listed companies are required to provide additional disclosures about investment properties. Please refer to the guidance note 8(d) under Additional Singapore Exchange Securities Trading Listing Manual Requirements.

Borrowing costs

2. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.
3. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period.
4. Where applicable, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation should be disclosed.

FRS 23(14)

FRS 23(16)

FRS 23(28)(c)

Notes to the Financial Statements

for the financial year ended 31 December 2004

26. Property, plant and equipment

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000	FRS 1(73)(a)
The Group						
<i>Cost or valuation</i>						FRS 16(60)(e)
At 1 January 2004						
Cost	—	—	11,650	700	12,350	FRS 16(60)(a)
Valuation	800	1,000	—	—	1,800	FRS 16(60)(a)
	800	1,000	11,650	700	14,150	FRS 16(60)(d)
Exchange differences	—	—	45	—	45	FRS 16(60)(e)(viii)
Acquisition of subsidiary (note 11)	—	—	1,000	—	1,000	FRS 16(60)(e)(iii)
Additions	1,000	600	5,245	600	7,445	FRS 16(60)(e)(i)
Disposals ¹	—	(739)	(1,983)	—	(2,722)	FRS 16(60)(e)(ii)
Revaluation surplus ²	235	239	—	—	474	FRS 16(60)(e)(iv)
Revaluation adjustments ²	(35)	(65)	—	—	(100)	FRS 16(60)(e)(iv)
Transfer to assets held for sale (note 14)	—	(200)	(822)	—	(1,022)	FRS 16(60)(e)(ix)
At 31 December 2004	2,000	835	15,135	1,300	19,270	
Representing :						
Cost	—	—	15,135	1,300	16,435	FRS 16(60)(a)
Valuation	2,000	835	—	—	2,835	FRS 16(60)(a)
	2,000	835	15,135	1,300	19,270	FRS 16(60)(d)
<i>Accumulated depreciation and accumulated impairment losses</i>						
At 1 January 2004	20	250	5,325	50	5,645	FRS 16(60)(d)
Exchange differences	—	—	20	—	20	FRS 16(60)(e)(viii)
Depreciation charge (note 6)	15	15	1,105	125	1,260	FRS 16(60)(e)(vii)
Disposals ¹	—	(120)	(750)	—	(870)	FRS 16(60)(e)(ii)
Impairment loss (note 6)	—	—	335	—	335	FRS 16(60)(e)(v)
Revaluation adjustments ²	(35)	(65)	—	—	(100)	FRS 16(60)(e)(iv)
Transfer to assets held for sale (note 14)	—	(80)	(100)	—	(180)	FRS 16(60)(e)(ix)
At 31 December 2004	—	—	5,935	175	6,110	FRS 16(60)(d)
Net book value at 31 December 2004	2,000	835	9,200	1,125	13,160	
Net book value at 31 December 2003 ³	780	750	6,325	650	8,505	

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Total \$'000	FRS 1(73)(a)
The Company				
<i>Cost or valuation</i>				
At 1 January 2004				FRS 16(60)(e)
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	150	–	150	FRS 16(60)(e)(iv)
Revaluation adjustments ²	(23)	–	(23)	FRS 16(60)(e)(iv)
At 31 December 2004	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 2004	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 ²	(23)	–	(23)	FRS 16(60)(e)(iv)
At 31 December 2004	–	35	35	FRS 16(60)(d)
Net book value at 31 December 2004	537	318	855	
Net book value at 31 December 2003 ³	390	10	400	

(a) Additions in the consolidated financial statements include \$600,000 (2003: \$300,000) of motor vehicles acquired under finance leases (where the Group is the lessee) ⁵. The carrying amount of motor vehicles held under finance leases at 31 December 2004 amounted to \$925,000 (2003: \$450,000) ⁶.

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

Disposals in the Company's and consolidated financial statements include \$20,000 (2003: \$15,000) of assets under early terminated finance leases (where the Group is the lessor). ⁵

FRS 7(42)

(b) An impairment loss of \$35,000 for plant and equipment relates to an asset in the component parts segment. The carrying amount of that asset has been reduced to its recoverable amount, which is the value in use. The discount rate used to determine current estimate of value-in use is 7.5%(2003: 8.1%), being pre-tax and reflects specific risks relating to the component parts segment.

FRS 16(65)
FRS 36(117)
(a-b), (e-g)

(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. Their carrying amounts have been reduced to their recoverable

FRS 36(117)
(a-c), (e-f)
FRS 16(59)

Notes to the Financial Statements

for the financial year ended 31 December 2004

amount, which is the net selling price based on assets' market prices in an active market less costs of disposal, through recognition of an impairment loss of \$300,000. These assets have been transferred to assets held for sale (note 14).

- (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 ⁷:

The Group

	2004		2003	
	Land \$'000	Building \$'000	Land \$'000	Building \$'000
Freehold properties	1,450	550	500	280
Leasehold properties	500	335	600	150

The Company

	2004		2003	
	Land \$'000	Building \$'000	Land \$'000	Building \$'000
Leasehold properties	370	167	290	100

- (e) Included in total depreciation expense is an amount of \$25,000 (2003: \$20,000) which has been capitalised under inventory, being production costs incurred by some subsidiaries within the Group. The remaining depreciation expense of \$680,000 (2003: \$576,000) has been included in 'cost of sales', \$304,000 (2003: \$288,000) in 'distribution costs' and \$251,000 (2003: \$186,000) in 'administrative expenses'.⁸

- (f) The freehold and leasehold land and buildings of the Group and the Company were valued on the basis of open market value by an independent professional valuer ⁹ at 31 December 2004 ¹⁰.

FRS 16(64)(a-c)

The Group's revaluation surplus (net of applicable deferred income taxes) for the financial year ended 31 December 2004 amounted to \$379,000, of which \$288,000 and \$91,000 were taken to asset revaluation reserve (note 36(b)) and minority interests (note 38) respectively. The Company's revaluation surplus (net of applicable deferred income taxes) of \$120,000 was taken to the asset revaluation reserve of the Company (note 36(b)).

FRS 16(64)(f)

- (g) If the 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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Freehold properties	1,500	700	—	—
Leasehold properties	620	565	520	350

- (h) Bank borrowings are secured on properties of the Group and the Company with carrying amounts of \$2,835,000 and \$537,000 respectively (2003: \$1,530,000 and \$390,000)(note 29(a)).

FRS 16(61)(a)

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

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

Revaluations of non-current assets

2. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is either:
 - (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. This method is often used when an asset is revalued by means of an index to its depreciated replacement cost; or
 - (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. For example, this method is used for buildings which are revalued to their market value.

FRS 16(33)

Comparative information

3. Comparative information is not required for the movements of property, plant and equipment. Comparative information on depreciation expense is included in disclosure note 6.

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)

Leased assets

5. Acquisitions and disposals of leased assets do not involve the use of cash or cash equivalents and should therefore be excluded from cash flow statement.
6. Net carrying amount at the balance sheet date should be disclosed for each class of assets acquired by finance lease.

FRS 7(42)

FRS 17(23)(a)

Land and buildings

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

Line items to which depreciation expense has been charged

8. FRS 36 Impairment of Assets and FRS 38 Intangible Assets require the disclosure of the line items in the income statement to which impairment loss (and its reversal) and amortisation expense have been recorded respectively. On the ground of consistency, similar disclosure is recommended for depreciation expense.

FRS 36(113)(a,b)
FRS 38(107)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Valuation

9. Companies are required to disclose whether an independent professional valuer is involved in the valuation exercise. The name of the valuer or the particulars of his/her qualification is not required.
10. 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 property, plant and equipment 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

11. The following disclosures are encouraged:
 - (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.

FRS 16(66)

Notes to the Financial Statements

for the financial year ended 31 December 2004

27. Intangible assets

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Goodwill arising on consolidation (note(a))	2,290	2,355	–	–
Trademark and licenses (note (b))	1,000	1,000	1,000	1,000
Computer software license and development costs (note (c))	460	100	200	100
	3,750	3,455	1,200	1,100

(a) Goodwill arising on consolidation

	The Group		
	2004	2003 ³	
	\$'000	\$'000	
At beginning of the financial year	2,355	2,555	FRS 38(107)(e)
Acquisition of subsidiary (note 11)	210	–	FRS 22(88)(e)(ii)
Amortisation charge (note 6)	(215)	(200)	FRS 22(88)(e)(v)
Impairment loss from restructuring (note 6)	(60)	–	FRS 22(88)(e)(vi)
At end of the 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	

As a result of the restructuring in the furniture segment (note 33(b)), the carrying amount of furniture segment has been reduced to its recoverable amount through the recognition of an impairment loss against goodwill of \$60,000.

FRS 36(117)(a-b)

(b) Trademark and licenses

	The Group		The Company		
	2004	2003 ³	2004	2003 ³	
	\$'000	\$'000	\$'000	\$'000	
At beginning of the financial year	1,000	400	1,000	400	FRS 38(107)(e)
Acquired during the financial year	100	660	100	660	FRS 38(107)(e)(i)
Amortisation charge (note 6)	(100)	(60)	(100)	(60)	FRS 38(107)(e)(vi)
At end of the financial year	1,000	1,000	1,000	1,000	FRS 38(107)(e)
Cost	1,660	1,560	1,660	1,560	FRS 38(107)(c)
Accumulated amortisation	(660)	(560)	(660)	(560)	FRS 38(107)(c)
	1,000	1,000	1,000	1,000	

Notes to the Financial Statements

for the financial year ended 31 December 2004

(c) Computer software license and development costs¹

	The Group		The Company		
	2004 \$'000	2003 ³ \$'000	2004 \$'000	2003 ³ \$'000	
At beginning of the financial year	100	—	100	—	FRS 38(107)(e)
Acquired during the financial year	120	—	—	—	FRS 38(107)(e)(i)
Development costs recognised as an asset	280	120	120	120	FRS 38(107)(e)(i)
Amortisation charge (note 6)	(40)	(20)	(20)	(20)	FRS 38(107)(e)(vi)
At end of the 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	

Guidance Notes

Intangible assets

Computer software license and development costs

- Computer software license and development costs should be recognised as intangible assets when they meet criteria set in FRS 38 Intangible Assets and when those software are not integral to the related hardware. Computer software which is integral to the related hardware should be included in property, plant and equipment.

FRS 38(3)

Intangible assets acquired by way of government grant

- For intangible assets acquired by way of a government grant and initially recognised at fair value, the following should be disclosed:
 - the fair value initially recognised for these assets;
 - their carrying amount; and
 - for subsequent measurement, whether intangible assets are treated under
 - benchmark treatment: stated at cost less accumulated amortisation and accumulated impairment losses; or
 - allowed alternative treatment: stated at revalued amounts, being its fair value at the date of revaluation, less accumulated amortisation and accumulated impairment losses.

FRS 38(11)(c)

FRS 38(63)

FRS 38(64)

Comparative information

- 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 2004

28. Trade and other payables

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Trade payables to:					FRS 1(72)
- third parties	958	628	154	442	
- immediate holding corporation (note 45(a))	200	195	—	—	FRS 24(22-24)
	1,158	823	154	442	
Construction contracts:					
- advances received (note 15)	541	262	—	—	FRS 11(39)(b)
- due to customers (note 15)	80	60	—	—	FRS 11(41)(b)
	621	322	—	—	
Accrued interest payable:					
- borrowings	250	250	204	220	
- interest rate swap contracts	26	—	26	—	
	276	250	230	220	
Security deposits received	200	250	40	200	
Other accrued expenses	134	200	80	75	
	2,389	1,845	504	937	

The carrying amounts of current trade and other payables approximate their fair value.

FRS 32(77)

Trade and other payables are denominated in the following currencies:

FRS 32(47)(a)
FRS 32(49)(h)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	1,501	1,401	332	811
United States Dollar	587	280	172	126
Others	301	164	—	—
	2,389	1,845	504	937

Notes to the Financial Statements

for the financial year ended 31 December 2004

29. Borrowings

FRS 1(72)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>	2,090	1,910	300	200	FRS 1(54, 57)
Bank overdrafts	1,170	1,820	200	1,000	
Bank borrowings	120	75	–	–	
Finance lease liabilities (note 32)	3,380	3,805	500	1,200	
<i>Non-current</i>					FRS 1(54, 57)
Bank borrowings	3,880	3,540	2,250	2,080	
Convertible bonds (note 30)	1,960	–	1,960	–	
Redeemable preference shares (note 31)	1,000	1,000	1,000	1,000	
Loan from ultimate holding corporation (note 45(f))	200	–	200	–	FRS 24(22-24)
Finance lease liabilities (note 32)	805	375	–	–	
	7,845	4,915	5,410	3,080	
Total Borrowings	11,225	8,720	5,910	4,280	

(a) Security granted

Total borrowings include secured liabilities of \$8,065,000 (2003: \$7,720,000) and \$2,750,000 (2003: \$3,280,000) for the Group and the Company respectively. 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. Bank borrowings of the Group and the Company are secured by a first mortgage over the Group's trade receivables (note 12), investment properties (note 24), development property (note 25), land and buildings (note 26(h)). Finance lease liabilities of the Group are secured by the rights to the leased motor vehicles (note 26(a)), which would revert to the lessor in the event of default by the Group.

FRS 2(31)(f)

FRS 25(49)(e)
FRS 16(61)(a)

(b) Maturity of borrowings

The current borrowings have an average maturity of 7.5 months (2003: 6.5 months) from the end of the financial year. The non-current borrowings (excluding finance lease liabilities (note 32)) have the following maturity:

FRS 32(56)(a)
FRS 32(64)(a)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Later than one year and not later than five years	3,880	3,000	2,370	2,000
Later than five years	3,160	1,540	3,040	1,080
	7,040	4,540	5,410	3,080

Notes to the Financial Statements

for the financial year ended 31 December 2004

(c) Currency risk

The carrying amounts of total borrowings are denominated in the following currencies:

FRS 32(47)(a)
FRS 32(49)(h)

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore Dollar	4,270	3,020	3,460	2,200
United States Dollar	5,265	4,390	2,450	2,080
Others	1,720	1,310	—	—
	11,255	8,720	5,910	4,280

(d) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date are as follows:

FRS 32(56)(b)
FRS 32(64)(d)

The Group	2004			2003		
	SGD	USD	Others	SGD	USD	Others
Bank overdrafts	3.0%	2.2%	4.5%	2.2%	1.8%	4.5%
Bank borrowings	2.8%	3.3%	—	2.5%	3.2%	—
Convertible bonds	9.0%	—	—	—	—	—
Redeemable preference shares	6.5%	—	—	—	—	—
Loan from ultimate holding corporation	—	5.0%	—	—	—	—
Finance lease liabilities	7.4%	—	—	7.0%	—	—

The Company

Bank overdrafts	2.8%	—	—	2.0%	—	—
Bank borrowings	2.6%	3.5%	—	2.5%	3.1%	—
Convertible bonds	9.0%	—	—	—	—	—
Redeemable preference shares	6.5%	—	—	6.5%	—	—
Loan from ultimate holding corporation	—	5.0%	—	—	—	—

The exposure of current and non-current borrowings to interest rate risks is disclosed in note 42(ii).

Notes to the Financial Statements

for the financial year ended 31 December 2004

(e) Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

FRS 32(77)

	Carrying amounts		Fair Values	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The Group				
Bank borrowings	3,880	3,540	3,870	3,345
Convertible bonds	1,960	—	1,950	—
Redeemable preference shares	1,000	1,000	948	962
Loan from ultimate holding corporation	200	—	190	—
Finance lease liabilities	805	375	800	370
The Company				
Bank borrowings	2,250	2,080	2,050	1,750
Convertible bonds	1,960	—	1,950	—
Redeemable preference shares	1,000	1,000	948	962
Loan from ultimate holding corporation	200	—	190	—

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

FRS 32(54)

(f) Undrawn borrowing facilities ¹

The Group and the Company have the following undrawn borrowing facilities:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Floating rate				
- expiring within one year	6,150	4,100	4,010	2,000
- expiring beyond one year	14,000	8,400	6,000	5,220
Fixed rate				
- expiring within one year	18,750	12,500	5,000	7,060
	38,900	25,000	15,010	14,280

The facilities expiring within one year are annual facilities subject to review at various dates during 2005. The other facilities have been arranged to help finance the Group's acquisition and proposed expansion in Asia.

Guidance Note

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 2004

30. Convertible bonds

On 2 July 2004, the Company issued 8% convertible bonds at a nominal value of \$3,000,000. The bonds are repayable 15 years from the issue date on 1 July 2019 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 convertible bond is recognised on the balance sheet as follows :

	The Group and The Company		
	2004 \$'000	2003 \$'000	
Face value of convertible bond issued on 2 July 2004	3,000	—	
Equity conversion component, net of deferred income tax liability (note 36(b))	(808)	—	
Deferred income tax liability (note 34)	(202)	—	FRS 12AppA(9)
Liability component on initial recognition at 2 July 2004	1,990	—	
Interest expense (note 7)	90	—	
Interest paid	(120)	—	
Liability component at 31 December 2004 (note 29)	1,960	—	

Interest expense on the convertible bond is calculated on the effective interest 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)

31. Redeemable preference shares

On 4 January 2003, the Company issued 1 million cumulative redeemable preference shares with a par value of \$1 per share. The shares are mandatorily redeemable at their par value on 4 January 2012 or by the Company at any time before that date. The shares pay dividends at 6.5% per annum.

FRS 32(47)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

32. Finance lease liabilities

	The Group		
	2004	2003	
	\$'000	\$'000	
Minimum lease payments due:			FRS 17(23)(b)
- not later than one year	164	84	
- later than one year but not later than five years	615	319	
- later than five 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 may be analysed as follows:

FRS 17(23)(b)
FRS 32(56)(a)

	The Group	
	2004	2003
	\$'000	\$'000
Not later than one year (note 29)	120	75
Later than one year (note 29):		
- later than one year but not later than five years	500	265
- later than five years	305	110
	805	375
	925	450

Contingent rent is that portion of lease payments that is not fixed in amount but is based on a factor other than the passage of time. Contingent rent amounting to \$40,000 (2003: \$45,000), which is computed based on the annual inflation rate published by the Singapore Department of Statistics, has been recognised as an expense during the financial year.¹

FRS 17(23)(c)

Guidance Note

Obligations under finance leases

- 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 2004

Reference

33. Provisions for other liabilities and charges

FRS 1(73)(d)
FRS 37(84)(a)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Warranty (note (a))	620	700	170	290	FRS 1(54, 60)
Restructuring (note (b))	300	—	300	—	
	920	700	470	290	
<i>Non-current</i>					
Legal claims (note (c))	240	—	142	—	FRS 1(54, 60)
Total	1,160	700	612	290	

(a) Warranty

FRS 37(85)(a)

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 balance sheet date for expected warranty claims based on past experience of the level of repairs and returns.

Movements in provision for warranty are as follows:

	The Group		The Company		
	2004	2003 ¹	2004	2003 ¹	
	\$'000	\$'000	\$'000	\$'000	
At beginning of the financial year	700	520	290	170	FRS 37(84)(a)
Exchange difference	10	15	—	—	FRS 37(84)(e)
Acquisition of a subsidiary (note 11)	50	—	—	—	FRS 37(84)(b)
Provision made during the financial year (note 6)	190	275	60	170	FRS 37(84)(b)
Utilised during the financial year	(330)	(110)	(180)	(50)	FRS 37(84)(c)
At end of the financial year	620	700	170	290	FRS 37(84)(a)

Notes to the Financial Statements

for the financial year ended 31 December 2004

(b) Restructuring

The restructuring 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. Estimated staff costs amounting to \$240,000 (note 8) have been recognised in the current financial year. Other restructuring expenses amounting to \$60,000 mainly comprise penalties on the early termination of leases on vacated property.

FRS 37(85)(a)

The provision for restructuring of \$300,000 (note 6) is an update of the amount of \$200,000 recorded in the group's interim financial report for the six months ended 30 June 2004, following the finalisation of certain restructuring costs in the second half of 2004. The provision for restructuring is expected to be fully utilised during the first half of 2005².

FRS 34(26)

In conjunction with the restructuring exercise, goodwill on acquisition has been fully written off (note 27), whilst 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)

(c) Legal claims

Provisions for legal claims amount to \$240,000 (2003: Nil) and \$142,000 (2003: Nil) at the balance sheet date for the Group and the Company respectively. The provisions are in respect of certain legal claims brought against the Group by customers, and are expected to be utilised in 2006. 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 2004. 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)

Guidance Notes

Provisions for other liabilities and charges

1. Comparative is not required for the movement of each class of provisions but is encouraged.
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 financial statements for that financial year.

FRS 37(84)

FRS 34(26)

Notes to the Financial Statements

for the financial year ended 31 December 2004

34. Deferred income taxes

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

FRS 12(72)

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Deferred income tax assets:					
- to be recovered within 12 months	(35)	(6)	—	—	FRS 1(54, 60)
- to be recovered after more than 12 months	(90)	(30)	—	—	FRS 1(54, 60)
	<u>(125)</u>	<u>(36)</u>	<u>—</u>	<u>—</u>	
Deferred income tax liabilities:					
- to be settled within 12 months	246	157	30	26	FRS 1(54, 60)
- to be settled after more than 12 months	667	1,183	240	42	FRS 1(54, 60)
	<u>913</u>	<u>1,340</u>	<u>270</u>	<u>68</u>	
	<u>788</u>	<u>1,304</u>	<u>270</u>	<u>68</u>	

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

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
At beginning of the financial year	1,304	2,051	68	48
Effect of changes in tax rates (note 9(a))	(119)	—	(6)	—
Exchange differences	18	17	—	—
Acquisition of a subsidiary (note 11)	141	—	—	—
Disposal of subsidiaries (note 11)	(157)	—	—	—
Tax (credit)/charge to:				
- income statement	(747)	(777)	(24)	20
- equity (note 36(b))	348	13	232	—
At end of the financial year	<u>788</u>	<u>1,304</u>	<u>270</u>	<u>68</u>

Deferred income tax taken to equity during the financial year is as follows:

FRS 12(79)(a)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Revaluation reserves in shareholders' equity:				
- investment properties (note 36)	51	13	—	—
- land and buildings (note 36)	95	—	30	—
	<u>146</u>	<u>13</u>	<u>30</u>	<u>—</u>
Convertible bond - equity conversion component (notes 30 and 36)	202	—	202	—
	<u>348</u>	<u>13</u>	<u>232</u>	<u>—</u>

Notes to the Financial Statements

for the financial year ended 31 December 2004

Deferred income tax assets are recognised for tax losses 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 (2003: \$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 2007. Unutilised capital allowances do not have expiry dates.

FRS 12(80)

FRS 12(79)(e)

Deferred income tax liabilities of \$170,000 (2003: \$127,500) have not been recognised for the withholding and other taxes that would be payable on the earnings of an overseas subsidiary when remitted to the holding company. The unremitted earnings are permanently reinvested and totalled \$2,000,000 at 31 December 2004 (2003: \$1,500,000).

FRS 12(79)(f)

The movement in the deferred income 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 Group¹

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Revaluation surpluses \$'000	Share of profits of associated companies \$'000	Convertible bonds \$'000	Total \$'000
At 1 January 2004	1,526	39	38	—	1,603
Effect of changes in tax rates	(140)	(3)	(3)	—	(146)
Exchange differences	34	—	4	—	38
Acquisition of a subsidiary	161	—	—	—	161
Disposal of subsidiaries	(157)	—	—	—	(157)
(Credited)/charged to:					
- income statement	(617)	—	70	(18)	(565)
- equity	—	146	—	202	348
At 31 December 2004	807	182	109	184	1,282
At 1 January 2003	2,527	26	(22)	—	2,531
Exchange differences	18	—	7	—	25
(Credited)/charged to:					
- income statement	(1,019)	—	53	—	(966)
- equity	—	13	—	—	13
At 31 December 2003	1,526	39	38	—	1,603

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

Deferred income tax assets

	Provisions \$'000	Impairment of assets \$'000	Tax losses \$'000	Other \$'000	Total \$'000
At 1 January 2004	(84)	–	(153)	(62)	(299)
Effect of changes in tax rates	8	–	14	5	27
Exchange differences	(2)	–	(8)	(10)	(20)
Acquisition of a subsidiary	(20)	–	–	–	(20)
(Credited)/charged to income statement	(54)	(79)	17	(66)	(182)
At 31 December 2004	(152)	(79)	(130)	(133)	(494)
At 1 January 2003	(45)	–	(250)	(185)	(480)
Exchange differences	3)	–	(3)	(2)	(8)
Acquisition of a subsidiary					
(Credited)/charged to income statement	(36)	–	100	125	189
At 31 December 2003	(84)	–	(153)	(62)	(299)

The Company¹

FRS 12(79)(g)(i)
FRS 12(79)(g)(ii)

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Revaluation surpluses \$'000	Convertible bonds \$'000	Total \$'000
At 1 January 2004	112	6	–	118
Effect of changes in tax rates	(10)	(1)	–	(11)
(Credited)/charged to:				
- income statement	33	–	(18)	15
- equity	–	30	202	232
At 31 December 2004	135	35	184	354
At 1 January 2003	56	6	–	62
Charged to:				
- income statement	56	–	–	56
At 31 December 2003	112	6	–	118

Deferred income tax assets

	Provisions \$'000	Other \$'000	Total \$'000
At 1 January 2004	(46)	(4)	(50)
Effect of changes in tax rates	4	1	5
Charged/(credited) to income statement	22	(61)	(39)
At 31 December 2004	(20)	(64)	(84)
At 1 January 2003	(20)	6	(14)
Credited to income statement	(26)	(10)	(36)
At 31 December 2003	(46)	(4)	(50)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Deferred Income Taxes

Movements in deferred income tax assets and liabilities

1. Movements in deferred income 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 income tax liabilities to take account of changes in tax rates, the corresponding amount taken to the income statement should be disclosed.

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

35. Share capital of PwC Holdings Ltd

(a) Authorised ordinary share capital

The total authorised number of ordinary shares is 20 million shares (2003: 8 million shares) with a par value of \$1 per share (2003: \$1 per share).

(b) Issued ordinary share capital

	2004 Shares '000	2003 Shares '000	2004 \$'000	2003 \$'000
At beginning of the financial year	6,200	6,200	6,200	6,200
Rights issue during financial year	1,860	—	1,860	—
At end of the financial year	8,060	6,200	8,060	6,200

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 on 1 May 2004 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 options

FRS 1(74)(a)(vii)

Share options are granted to key management and employees with more than three years of service under the PwC Employee Share Option Scheme, which commenced on 1 January 2003.

FRS 19(147)(a)

The exercise price of the granted options is equal to the average of the closing prices of the Company's ordinary shares on the Singapore Exchange for the five market days immediately preceding the date of grant. The vesting of granted options are conditional on the key management or employee completing another year of service and the Group achieving its targets of profitability and sales growth.

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Reference

Once the options are vested, they are exercisable for a contractual option term of 4 years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 January 2004, 530,000 options with exercise price of \$1.45 per ordinary share were granted pursuant to the Scheme ("2004 Options"). The 2004 options are exercisable from 1 January 2005 and expire on 31 December 2008.

FRS 19(147)(e)

Movements in the number of share options on ordinary shares outstanding at the end of the financial year and their exercise prices are as follows: ²

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

The Group and The Company

Number of outstanding options

	At beginning of the financial year	Granted during the financial year	Forfeited during the financial year	At end of the financial year	Exercise Price	Exercise period
Financial year ended						
31 Dec 2004						
2003 Options	120,000	—	(20,000)	100,000	\$1.10	1.1.2004 - 31.12.2007
2004 Options	—	530,000	(30,000)	500,000	\$1.45	1.1.2005 - 31.12.2008
	120,000	530,000	(50,000)	600,000		
Financial year ended						
31 Dec 2003						
2003 Options	—	125,000	(5,000)	120,000	\$1.10	1.1.2004 - 31.12.2007

On 1 January 2005, 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 2006 to 31 December 2009.

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

Guidance Notes

Share capital of PwC Holdings Ltd

Capital that may be called up

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

Employee equity compensation plan

- When an enterprise has different tranches of share options outstanding at the end of the financial year, it is recommended as good practice to adopt the specified format of disclosure as set out in these illustrative financial statements.

Where the specified format of disclosure is not adopted, an enterprise with equity compensation plan needs to disclose, at a minimum, the following:

- the number and terms (including, where applicable, dividend and voting rights, conversion

FRS 19(147)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

rights, exercise dates, exercise prices and expiry dates) of the enterprise's own equity financial instruments which are held by equity compensation plans (and, in the case of share options, by employees) at the beginning and end of the period. The extent to which employees' entitlements to those instruments are vested at the beginning and end of the period should be specified; and

- b) the number and terms (including, where applicable, dividend and voting rights, conversion rights, exercise dates, exercise prices and expiry dates) of equity financial instruments issued by the enterprise to equity compensation plans or to employees (or of the enterprise's own equity financial instruments distributed by equity compensation plans to employees) during the period and the fair value of any consideration received from the equity compensation plans or the employees.

FRS 19(147)(e)

- 3. Where applicable, disclosure is required of

- a) the number, exercise dates and exercise prices of share options that are exercised under equity compensation plans during the financial year; and
- b) the number of share options held by equity compensation plans, or held by employees under such plans, that lapsed during the financial year.

FRS 19(147)(f)

FRS 19(147)(g)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

36. Revaluation and other reserves

FRS 1(86)(f)
FRS 1(74)(b)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(a) Composition :				
Asset revaluation reserve	632	139	142	21
Foreign currency translation reserve	19	112	—	—
General reserve	1,661	1,065	476	400
Equity component of convertible bonds	808	—	808	—
	3,120	1,316	1,426	421
(b) Movements :				
Asset revaluation reserve				
At beginning of the financial year	139	92	21	21
Effect of changes in tax rates (note 34)	3	—	1	—
Revaluation of investment properties, net of deferred income taxes (note 24)	202	47	—	—
Revaluation of land and building, net of deferred income taxes and minority interests (note 26(f))	288	—	120	—
	490	47	120	—
At end of the financial year	632	139	142	21
Foreign currency translation reserve				
At beginning of the financial year	112	67	—	—
Release on disposal of a subsidiary (note 5)	66	—	—	—
Net exchange differences on translation of financial statements of foreign subsidiaries, net of minority interests	(159)	45	—	—
	(93)	45	—	—
At end of the financial year	19	112	—	—
General reserve				
At beginning of the financial year	1,065	45	400	—
Transfer from retained profits	596	1,020	76	400
At end of the financial year	1,661	1,065	476	400
Equity component of convertible bonds				
Convertible bond - equity component	1,010	—	1,010	—
Tax on equity component (note 34)	(202)	—	(202)	—
At end of the financial year	808	—	808	—

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

FRS 25(49)(g)

FRS 1(86)(f)
FRS 21(41)(b)

FRS 1(86)(f)

FRS 1(86)(f)

General reserve represents amounts set aside in compliance with local laws in certain countries where the Group and the Company operate, 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

FRS 16(67)(f)

Guidance Note**Revaluation and other reserves****Distributability of reserves**

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

37. Retained earnings ¹

- (a) Retained profits of the Group and the Company are distributable except for accumulated retained profits of associated companies amounting to \$405,000 (2003: \$255,000) which are included in the Group's retained profits.

FRS 1(74)(b)

- (b) Movement in retained earnings for the Company is as follows:

	The Company	
	2004	2003
	\$'000	\$'000
At beginning of the financial year	1,140	618
Net profit for the financial year	1,631	1,295
Transfer to general reserve	(76)	(400)
Dividends paid (note 39)	(989)	(373)
At end of the financial year	1,706	1,140

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

Guidance Note**Retained earnings**

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

38. Minority interest ¹

	The Group	
	2004	2003
	\$'000	\$'000
At beginning of the financial year	1,600	1,373
Acquisition of a subsidiary (note 11)	575	—
Share of results of subsidiaries	1,030	387
Share of revaluation surplus on land and buildings (note 36)	91	—
Share of currency translation differences	(40)	11
Dividends paid	(281)	(171)
At end of the financial year	<u>2,975</u>	<u>1,600</u>

Guidance Notes

Minority interest

1. This disclosure note is voluntary. Recommended as a good practice.
2. The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

FRS 27(26)

39. Dividends

	The Group and The Company	
	2004	2003
	\$'000	\$'000
<i>Ordinary dividends paid or proposed</i>		
Final taxable dividend paid in respect of the previous financial year of 11.79 cents (2003: Nil) per share	570	—
Interim exempt (one-tier) dividend paid in respect of the current financial year of 5.20 cents per share	419	—
Interim dividend paid in respect of the current financial year of 7.71 cents per share	—	373
	<u>989</u>	<u>373</u>

FRS 1(85)

At the Annual General Meeting on 5 April 2005, a final exempt (one-tier) dividend of 12.41 cents per share amounting to a total of \$1,000,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2005.

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

FRS 12(79)(i)

FRS 10(11)

Notes to the Financial Statements

for the financial year ended 31 December 2004

40. Contingencies

Contingent liabilities ¹

Details and estimates of maximum amounts of contingent liabilities (excluding those relating to investments in associated companies (note 21) and investment in a joint venture (note 22)) are as follows:

- (a) The Group and the Company have contingent liabilities in respect of bank guarantees given to third parties as a result of construction contracts undertaken. The directors are of the view that no material liabilities will arise from the bank guarantees at the date of these financial statements.

FRS 37(86)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Performance guarantees on construction contracts	1,490	1,145	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. The directors are of the view that no material losses will arise in respect of the legal claim at the date of these financial statements.

FRS 37(86)

Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2004 (note 4), additional consideration will be payable to the Group if the future performance of PwC Logistics reaches a certain level. No gain has been recognised during the financial year, as the consideration is dependent on the aggregate result of PwC Logistics for the 18-month period ending 31 December 2005.

FRS 37(89)

Guidance Note

Contingencies

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

Notes to the Financial Statements

for the financial year ended 31 December 2004

41. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements (excluding those relating to investments in associated companies (note 21) and investment in a joint venture (note 22)) are as follows:

	The Group		The Company		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Property, plant and equipment	800	600	800	600	FRS 16(61)(d)
Development property	600	150	—	—	FRS 16(61)(d)
Intangible assets - software licenses	200	100	200	100	FRS 38(111)(e)
	1,600	850	1,000	700	

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

The Group leases various factories and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

FRS 17(27)(d)

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the financial year is disclosed in note 6.

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		
	2004	2003	2004	2003	
	\$'000	\$'000	\$'000	\$'000	
Not later than one year	150	150	—	—	FRS 17(27)(a)(i)
Later than one year but not later than five years	200	200	—	—	FRS 17(27)(a)(ii)
Later than five years	750	600	—	—	FRS 17(27)(a)(iii)
	1,100	950	—	—	

(c) Operating lease commitments - where a group company is a lessor

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 Company		
	2004	2003	
	\$'000	\$'000	
Not later than one year	48	52	FRS 17(48)(a)(i)
Later than one year but not later than five years	182	—	FRS 17(48)(a)(ii)
Later than five years	—	—	FRS 17(48)(a)(iii)
	230	52	

42. Financial risk management ^{1, 2, 3, 4}*Financial risk factors*

The Group's activities expose it to a variety of financial risks: price risk (including currency risk, fair value interest rate risk and market risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

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 and non-derivative financial instruments and investing excess liquidity.

*(i) Price risk*Foreign exchange risk

FRS 32(43)(a)(i)

FRS 32(43A)

The Group operates mainly in Asia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's measurement currency. To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Group Treasury is responsible for hedging the net position in each foreign currency by using external currency borrowings and forward currency contracts.

The Group's risk management policy is to hedge between 60% and 80% of the net anticipated transactions (mainly export sales and import purchases) in each major currency for the subsequent 3 months, and approximately 90% (2003: 95%) of the net position of the recognised assets and liabilities in each major currency.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure to the net assets of the Group's foreign operations in People's Republic of China, Hong Kong, Cambodia and Thailand is managed primarily through borrowings denominated in the relevant foreign currencies.

Market risk

FRS 32(43)(a)(ii)

The Group is exposed to equity securities market risk because of the investments held. The Group is not exposed to commodity market risk.

Notes to the Financial Statements

for the financial year ended 31 December 2004

(ii) Cash flow and fair value interest rate risks

FRS 32(43)(a)(ii)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

FRS 32(47)(a)
FRS 32(60)

The Group's interest risk mainly arises from non-current borrowings. The Company's interest rate risks mainly arises from non-current borrowings and loans to subsidiaries. Borrowings and loans to subsidiaries at variable rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The group's policy is to maintain approximately 45% of its borrowings in fixed rate instruments.

FRS 32(56)
FRS 32(60)

The table below sets out the Group and the Company's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

The Group

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2004								
Assets								
Cash and cash equivalents	250	–	2,000	1,050	902	–	–	4,202
Trade and other receivables	–	–	128	88	620	1,380	5,383	7,599
Investments	–	–	–	–	100	200	2,115	2,415
Other assets	–	–	–	–	–	–	27,480	27,480
Total assets	250	–	2,128	1,138	1,622	1,580	34,978	41,696
Liabilities								
Borrowings	5,170	485	510	–	2,100	2,960	–	11,225
Other liabilities	–	–	–	–	–	–	5,997	5,997
Total liabilities	5,170	485	510	–	2,100	2,960	5,997	17,222

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for the financial year ended 31 December 2004

The Group

FRS 32(56)
FRS 32(60)

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2003								
Assets								
Cash and cash equivalents	200	—	1,481	800	600	—	—	3,081
Trade and other receivables	—	—	140	103	630	370	2,827	4,070
Investments	—	—	—	180	20	100	1,855	2,155
Other assets	—	—	—	—	—	—	19,926	19,926
Total assets	200	—	1,621	1,083	1,250	470	24,608	29,232
Liabilities								
Borrowings	5,200	400	170	—	1,950	1,000	—	8,720
Other liabilities	—	—	—	—	—	—	4,610	4,610
Total liabilities	5,200	400	170	—	1,950	1,000	4,610	13,330

The Company

	Variable rates		Fixed rates				Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2004								
Assets								
Cash and cash equivalents	200	—	1,132	600	400	—	—	2,332
Trade and other receivables	4,520	—	128	58	620	1,330	1,819	8,475
Investments	—	—	—	—	100	200	6,130	6,430
Other assets	—	—	—	—	—	—	3,345	3,345
Total assets	4,720	—	1,260	658	1,120	1,530	11,294	20,582
Liabilities								
Borrowings	650	300	—	—	2,000	2,960	—	5,910
Other liabilities	—	—	—	—	—	—	1,639	1,639
Total liabilities	650	300	—	—	2,000	2,960	1,639	7,549

Notes to the Financial Statements

for the financial year ended 31 December 2004

Reference

The Company

FRS 32(56)
FRS 32(60)

	Variable rates		Fixed rates					Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At 31 December 2003									
Assets									
Cash and cash equivalents	100	—	611	400	—	—	—	1,111	
Trade and other receivables	3,798	—	140	98	630	320	1,612	6,598	
Investments	—	—	—	180	20	100	4,430	4,730	
Other assets	—	—	—	—	—	—	2,522	2,522	
Total assets	3,898	—	751	678	650	420	8,564	14,961	
Liabilities									
Borrowings	1,395	285	—	—	1,600	1,000	—	4,280	
Other liabilities	—	—	—	—	—	—	1,620	1,620	
Total liabilities	1,395	285	—	—	1,600	1,000	1,620	5,900	

Generally, the Group manages its cash flow interest rate risk from borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Occasionally, the Group enters into fixed-to-floating interest rate swaps to hedge the fair value of interest rate risk arising where it has borrowed at fixed rates in excess of the 60% target.

The exposure of current and non-current borrowings to interest rate risks is as follows:

FRS 32(56)
FRS 32(60)

	Variable rates		Fixed rates				
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Group							
At 31 December 2004							
Borrowings	5,170	485	510	—	2,100	2,960	11,225
Effect of interest rate swaps (note 43)	(1,870)	(300)	—	—	—	2,170	—
	3,300	185	510	—	2,100	5,130	11,225
At 31 December 2003							
Borrowings	5,200	400	170	—	1,950	1,000	8,720
Effect of interest rate swaps (note 43)	(3,241)	—	—	—	2,241	1,000	—
	1,959	400	170	—	4,191	2,000	8,720
The Company							
At 31 December 2004							
Borrowings	650	300	—	—	2,000	2,960	5,910
Effect of interest rate swaps (note 43)	(1,580)	(590)	—	—	—	2,170	—
	(930)	(290)	—	—	2,000	5,130	5,910
At 31 December 2003							
Borrowings	1,395	285	—	—	1,600	1,000	4,280
Effect of interest rate swaps (note 43)	(1,200)	—	—	—	200	1,000	—
	195	285	—	—	1,800	2,000	4,280

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(iii) Credit risk

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 financial institution.

FRS 32(43)(b)

FRS 32(66)(a,b)

(iv) Liquidity risk

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 facilities available (note 29(f)).

FRS 32(43)(c)

FRS 32(43A)

Guidance Notes

Financial risk management

1. An enterprise which has a financial asset (e.g. cash and debtors), a financial liability (e.g. borrowings, including intercompany borrowings) or a financial instrument, is required to describe its financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used.
2. The level of detail to be disclosed is dependent on the extent of the financial risks faced by the enterprise. The disclosures illustrated are the suggested depth of disclosure to be made by enterprises which face significant financial risks.
3. Where an enterprise faces insignificant financial risks (e.g. where it is a 100% subsidiary of a Singapore company preparing consolidated accounts, it has no external borrowings or investments, its operations are entirely confined to Singapore and its financial risk is managed centrally by the holding company), the following disclosure could be considered and tailored accordingly:

FRS 32(43)

"The financial risk management of the company is handled by the holding company as part of the operations of the group, and these processes and policies are described in the financial statements of the holding company."

"The Company's business is not exposed to any foreign exchange risk and there is no significant concentration of credit risk. The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company maintains sufficient cash and has an open committed credit line from its holding company."

4. Where an enterprise faces financial risks, but the extent of these financial risks is considerably restricted, the following disclosure should be considered:

"The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices and foreign currency exchange rates. The Company'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 Company."

"Risk management is carried out under policies approved by the Board of Directors. 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."

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for the financial year ended 31 December 2004

Guidance Notes

(i) Foreign exchange risk

The Company's business is exposed to foreign exchange risk arising from various currency exposures primarily with respect to [names of currencies]. The Company manages this risk by purchase of external foreign exchange contracts.

In general, the Company's policy is to enter into foreign exchange contracts of between [] % and [] % of anticipated export sales in each major currency for the following 12 months. It also manages the foreign currency exposure of its contract commitments for the purchase of certain production parts mainly from [names of countries] through the use of forward contracts. The forward contracts used in its programme mature in 18 months or less, consistent with the related purchase commitments.

(ii) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets. The Company policy is to maintain all its borrowings in fixed rate instruments.

(iii) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(iv) Liquidity risk

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, Company aims at maintaining flexibility in funding by keeping committed credit lines available.

43. Derivative 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 make use of the following derivative financial instruments:

Interest rate swaps

The table below sets out the notional principal amounts of the outstanding interest rate swap contracts of the Group and the Company, and their corresponding favourable and unfavourable fair values at the balance sheet date:

FRS 32(47)(a)
FRS 32(77)

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Notional principal of interest rate swap contracts	2,170	3,241	2,170	1,200
Favourable fair value of interest rate swap contracts	–	120	–	70
Unfavourable fair value of interest rate swap contracts	(260)	–	(260)	–

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The fair values of the interest rate swap contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

FRS 32(47)(b)
FRS 32(53)

At 31 December 2004, the fixed interest rates of the outstanding interest rate swap contracts vary from 1.5% to 2.2% (2003: 0.7% to 1.5%), while the floating interest rates are mainly linked to Singapore and London Interbank Offered Rates. Their contractual repricing dates are disclosed in note 29(d).

FRS 32(56)(a)

Forward foreign exchange contracts

FRS 32(47)(a)

Trade receivable and payable at 31 December 2004 include a net receivable in major foreign currencies of \$295,000 (2003: \$223,000), of which \$290,000 (2003: \$220,000) has been hedged using forward foreign exchange contracts.

Net anticipated transactions in major foreign currencies for the subsequent 3 months after 31 December 2004 amount to net sales of \$900,000 (2003: \$560,000), of which \$680,000 (2003: \$440,000) has been hedged using the forward foreign exchange contracts.

The table below sets out the notional principal amounts of the outstanding forward foreign exchange contracts of the Group and the Company, and their corresponding favourable and unfavourable fair values at the balance sheet date:

FRS 32(47)(b)
FRS 32(77)

	Notional principal		Favourable fair value		Unfavourable fair value	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollar	3,400	695	13	20	(26)	(50)
Euro	2,800	600	107	92	—	—
	6,200	1,295	120	112	(26)	(50)

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

FRS 32(53)

At 31 December 2004, the settlement dates on forward foreign exchange contracts range between 1 to 3 months (2003: 1 to 2 months).

FRS 32(56)(a)

44. 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.
2. A parent which is a wholly owned subsidiary or is virtually wholly owned that need not present consolidated financial statements should disclose the name and registered office of its parent that publishes consolidated financial statements.

FRS 1(102)(c)

FRS 27(7)

Notes to the Financial Statements

for the financial year ended 31 December 2004

45. Related party transactions

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

FRS 24(22-24)

(a) Sales and purchases of goods and services

	The Group	
	2004	2003
	\$'000	\$'000
Sales of goods/services to associated companies:		
- PwC A Property (Hong Kong) Limited	800	792
- PwC Insignificant Associate Ltd	470	729
	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 the immediate holding corporation were carried out at cost. Services rendered by ABAS Consultancy Pte Ltd are based on a 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 2004 (4% under the normal sales price in 2003). Haven Ltd is owned by P. Wallace, the Managing Director of the ultimate holding corporation and the fees charged to the Group under the same terms as other customers.

FRS 24(23)(c)

Outstanding balances at 31 December 2004, arising from sale/purchase of goods and services, are set out in notes 12 and 28 respectively.

FRS 24(23)(b)

(b) Share options granted to key management

The aggregate number of share options granted to key management of the Group during the financial year was 129,000 (2003: 100,000). The share options were given on the same terms and conditions as those offered to other employees of the Company (note 35(c)). The outstanding number of share options granted to key management of the Group at the end of financial year was 229,000 (2003: 100,000).

FRS 19(151)

(c) Key management's remuneration ⁴

FRS 19(23)

The key management's remuneration include 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. The key management's remuneration is as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Key management of the Group:		
- directors of the Company	1,030	940
- directors of subsidiaries ⁵	270	240
- others	672	428

Notes to the Financial Statements

for the financial year ended 31 December 2004

The remuneration for 2004 included termination benefits of \$100,000 paid to Mr Selamat Baharuddin, a non-executive director who left the Company during the financial year (2003: \$80,000 was paid to Mr Francis Wong, a non-executive director who left the Company during that financial year).

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 the immediate holding corporation amounting to \$1,200,000 (2003: \$250,000), as set out in note 17, is unsecured and repayable in full on 1 January 2006. Interest is payable at 2.2% per annum.

FRS 24(22-24)
FRS 32(47)(a)
FRS 32(49)(a,b,f,g)

(e) Loans to subsidiaries

The loans to subsidiaries amounting to \$4,520,000 (2003:\$3,798,000), as set out in note 17, are unsecured, bear interest at three-month deposit rate plus 1.5% and will not be repaid within the next twelve months.

FRS 24(22-24)
FRS 32(47)(a)
FRS 32(49)(a,b,f,g)

(f) Loan from ultimate holding corporation

The loan from the ultimate holding corporation amounting to \$200,000 (2003: 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 2004.

FRS 24(22-24)
FRS 32(47)(a)
FRS 32(49)(a,b,f,g)

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 the nature of the transactions. If such item are deemed material, the provision of these free services should also be disclosed.

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 a company by virtue only of those dealings;
and
 - (c) a single customer, supplier, franchiser, distributor or general agent with whom a company transacts a significant volume of business merely by virtue of the resulting economic dependence.

FRS 24(6)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Key management's remunerations

4. Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the reporting company. They include directors and officers of companies and close members of the families of such individuals.
5. Directors of subsidiaries are not automatically regarded as key management of the Group. Remuneration paid or accruing to such directors can be excluded from disclosure.

FRS 24(3)(d)

Notes to the Financial Statements

for the financial year ended 31 December 2004

46. Segment information ^{1,2}

FRS 14(50)

Primary reporting format - business segments

	Component						
	parts	Furniture	Construction	Glass	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial year ended 31 December 2004							
Sales :							
- external sales	25,890	15,015	7,560	2,200	2,650	—	53,315
- inter-segment sales	34	98	—	—	—	(132)	—
	<u>25,924</u>	<u>15,113</u>	<u>7,560</u>	<u>2,200</u>	<u>2,650</u>	<u>(132)</u>	<u>53,315</u>
Segment result ³	6,092	2,767	630	(312)	339	—	9,516
Exceptional gain	—	—	—	—	450	—	450
Loss on segment sold	—	—	—	(959)	—	—	(959)
Unallocated costs							(710)
Profit from operations							8,297
Finance costs - net							(657)
Share of results of associated companies	—	120	—	—	150	—	270
Profit before tax							7,910
Income tax expense							(2,303)
Profit after tax							5,607
Minority interest							(1,030)
Net profit							<u>4,577</u>
Segment assets ^{4,5}	19,558	12,279	4,334	—	1,774	(2,741)	35,204
Associated companies	—	600	—	—	805	—	1,405
Unallocated assets							5,087
Consolidated total assets							<u>41,696</u>
Segment liabilities ^{6,7}	(3,810)	(2,412)	(1,076)	—	(689)	1,423	(6,564)
Unallocated liabilities							(10,658)
Consolidated total liabilities							<u>(17,222)</u>
Other segment items							
Capital expenditure ⁸ :							
- property, plant and equipment	4,800	2,020	1,440	20	165	—	8,445
- development property	—	—	—	—	360	—	360
- other non-current asset	470	150	60	—	30	—	710
Depreciation	450	512	200	170	70	—	1,402
Amortisation	100	—	—	—	255	—	355
Impairment losses :							
- property, plant and equipment	35	300	—	—	—	—	335
- goodwill	—	60	—	—	—	—	60
Other non-cash expenses	220	174	130	—	216	—	740
Restructuring costs ⁹	—	300	—	—	—	—	300
Write-down of inventory ⁹	100	—	—	—	—	—	100

Notes to the Financial Statements

for the financial year ended 31 December 2004

	Component parts \$'000	Furniture \$'000	Construction \$'000	Glass \$'000	Others \$'000	Elimination \$'000	Group \$'000	
Financial year ended 31 December 2003								
Sales :								
- external sales	16,881	13,016	4,345	4,225	3,888	—	42,355	FRS 14(51,67)
- inter-segment sales	32	79	—	—	—	(111)	—	
	16,913	13,095	4,345	4,225	3,888	(111)	42,355	
Segment result ³	3,254	2,400	605	(1,258)	1,018	—	6,019	FRS 14(52)
Exceptional gain	—	—	—	—	840	—	840	
Unallocated costs							(380)	
Profit from operations							6,479	FRS 14(67)
Finance costs - net							(682)	
Share of results of associated companies	—	80	—	—	123	—	203	FRS 14(64)
Profit before tax							6,000	
Income tax expense							(1,920)	
Profit after tax							4,080	
Minority interest							(387)	
Net profit							3,693	FRS 14(67)
Segment assets ^{4,5}	7,951	6,900	3,213	3,280	4,925	(2,109)	24,160	FRS 14(55)
Associated companies	—	400	—	—	855	—	1,255	FRS 14(66)
Unallocated assets							3,817	
Consolidated total assets							29,232	FRS 14(67)
Segment liabilities ^{6,7}	(1,906)	(1,500)	(802)	(1,428)	(900)	1,631	(4,905)	FRS 14(56)
Unallocated liabilities							(8,425)	
Consolidated total liabilities							(13,330)	FRS 14(67)
Other segment items								
Capital expenditure ⁸ :								FRS 14(57)
- property, plant and equipment	1,338	700	730	140	145	—	3,053	
- development property	—	—	—	—	2,040	—	2,040	
- other non-current asset	330	200	160	50	40	—	780	
Depreciation	170	330	210	220	140	—	1,070	FRS 14(58)
Amortisation	60	—	—	—	220	—	280	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 2004

Reference

At 31 December 2004, the Group is organised into three main business segments:

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

- Manufacture of component parts used in the electrical and electronic industry;
- Manufacture of household and commercial office furniture; and
- Construction of buildings and equipment.

On 31 July 2004, the glass segment was sold (note 5).

Other operations of the Group mainly comprise logistics services and investment holding, neither of which constitutes a separately reportable segment.

Inter-segment transactions are determined on an arm's length basis. Unallocated costs represent corporate expenses. Segment assets ^{4,5} consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash, and exclude deferred tax assets, short-term bank deposits and other investments. Segment liabilities ^{6,7} comprise operating liabilities and exclude items such as tax liabilities, bank borrowings, convertible bonds, redeemable preference shares and loan from ultimate holding corporation. Capital expenditure comprises additions to development property, property, plant and equipment and intangible assets, including those acquired through business combinations.

Secondary reporting format - geographical segments

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

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

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally manufacturing of component parts and furniture, construction of buildings and equipment, and investment holding;
- People's Republic of China - the operations in this area are principally manufacturing of furniture and provision of logistics services;
- Europe - the operations in this area are principally the sale of component parts and furniture; and
- Other countries - the operations in this area are principally manufacturing of component parts and investment holding.

With the exception of Singapore and People's Republic of China, 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. Total assets and capital expenditure are shown by the geographical area where the assets are located.

FRS 14(69)

	Sales		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	29,895	26,410	18,367	14,049	5,288	2,763
People's Republic of China	15,088	11,595	13,263	9,360	2,607	2,030
Europe	6,492	4,210	—	—	—	—
Other countries	1,840	140	3,574	751	1,620	1,080
	<u>53,315</u>	<u>42,355</u>	<u>35,204</u>	<u>24,160</u>	<u>9,515</u>	<u>5,873</u>
Associated companies (note 21)			1,405	1,255		
Unallocated assets			5,087	3,817		
			<u>41,696</u>	<u>29,232</u>		

FRS 14(69)

FRS 14(3)

Notes to the Financial Statements

for the financial year ended 31 December 2004

Guidance Notes

Segment information

Application

1. Segment information is required for companies whose equity or debt securities are publicly traded and for companies 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(6)

Holding corporation

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

FRS 14(16)

Segment results

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

FRS 14(16)

Segment assets

4. If a segment's result includes interest or dividend income, its segment assets include the related receivables, loans, investments, or other income-producing assets. Segment assets do not include income tax assets. Segment assets are determined after deducting related allowances that are reported as direct offsets in the enterprise's balance sheet.
5. Segment assets include investments accounted for under the equity method only if the profit or loss from such investments is included in segment revenue. Segment assets include a joint venturer's share of the operating assets of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with FRS 31 Financial Reporting of Interests in Joint Ventures.

FRS 14(16)

FRS 14(16)

Segment Liabilities

6. If a segment's result includes interest expense, its segment liabilities include the related interest-bearing liabilities. Segment liabilities do not include income tax liabilities.
7. Segment liabilities include a joint venturer's share of the liabilities of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with FRS 31 Financial Reporting of Interests in Joint Ventures.

FRS 14(16)

FRS 14(16)

Capital expenditure

8. Capital expenditure incurred to acquire segment assets that are expected to be used during more than one period can be aggregated for disclosure.

Exceptional items

9. A company 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)

Notes to the Financial Statements

for the financial year ended 31 December 2004

47. Event occurring after balance sheet date

On 25 February 2005, the Group issued \$2,300,000 6.5% SGD bonds to finance the purchase of an additional 40% interest in an associated company and a new equipment in the construction segment (note 41(a)). The bonds are repayable on 25 February 2007.

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

On 1 March 2005, the Group acquired an additional 40% interest in PwC A Property (Hong Kong) Limited ("PwC Hong Kong"), an associated company incorporated in Hong Kong which is engaged in investment holding, for a cash consideration of \$1,500,000. The fair value of the net identifiable assets of PwC Hong Kong 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. PwC Hong Kong will be consolidated with effect from 1 March 2005.

FRS 10(20)
FRS 10(21)(a)
FRS 22(96)

48. 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 2005.

FRS 10(16)

Guidance Note

Restatement of comparative information

1. When the presentation or classification of items in the financial statements is amended, comparative amounts should be reclassified, unless it is impracticable to do so, to ensure comparability with the current period, and the nature, amount of, and reason for, any reclassification should be disclosed. When it is impracticable to reclassify comparative amounts, an enterprise should disclose the reason for not reclassifying and the nature of the changes that would have been made if amounts were reclassified.

FRS 1(44)

Notes to the Financial Statements

for the financial year ended 31 December 2004

49. Listing of significant^{1,2} companies in the Group

Name of companies	Principal activities	Country of incorporation	Equity holding ⁴	
			2004 %	2003 %
<i>Significant subsidiaries held by the Company</i>			FRS 27(31)(a)	
PwC Construction Pte Ltd ^(a)	Construction of buildings and equipment	Singapore	100	100
PwC Property (Singapore) Pte Ltd ^(a)	Investment holding	Singapore	100	100
PwC Furniture (PRC) Pte Ltd ^(e)	Manufacture of furniture	People's Rep. of China	85	85
PwC Components (Singapore) Pte Ltd ^(c)	Manufacture of component parts	Singapore	65	65
PwC Components (Philippines) Pte Ltd ^{(b),(g),(i)}	Manufacture of component parts	Philippines	50	—
PwC Glass Manufacturing Pte Ltd	Manufacture of glass	Singapore	—	100
PwC Logistics Pte Ltd	Provision of logistic services	Singapore	—	100
<i>Significant joint venture held by the Company</i>			FRS 31(47)	
PwC JV Logistics (PRC) Ltd ^{(d),(h)}	Provision of logistic services	People's Rep. of China	60	60
<i>Significant associated companies held by the Company</i>			FRS 28(25)(a)	
PwC A Property (Hong Kong) Ltd ^(e)	Investment holding	Hong Kong	35	35
PwC A Furniture (Thailand) Ltd ^(e)	Manufacture of furniture	Thailand	25	25
(a) Audited ⁵ by PricewaterhouseCoopers, Singapore			SGX 715-718	
(b) Audited ⁵ by PricewaterhouseCoopers, Philippines				
(c) Audited ⁵ by Tan & Co., Singapore				
(d) Audited ⁵ by Lim & Koh Partnership, China				
(e) Not required to be audited ⁵ under the laws of the country of incorporation				
(f) Not consolidated as the entity is not controlled by the Group ² (note 23)				
(g) Deemed to be a subsidiary as the Group has effective control over the board of directors ²			FRS 27(31)(b)(i)	
(h) Deemed to be a joint venture as the Group shares the control of the entity ²			FRS 27(31)(b)(ii)	
(i) Financial year ends on 30 September ⁶			FRS 27(31)(b)(iii)	
			CA 200(1)	
			FRS 27(18)	

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

1. Where applicable, the following should be disclosed:
 - (a) a listing of significant subsidiaries including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held;
 - (b) a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities; and
 - (c) a listing and description of significant associated companies, including the proportion of ownership interest.
2. Where applicable, the following should also be disclosed:
 - (a) reason(s) for not consolidating a subsidiary;
 - (b) nature of relationship between parent and subsidiary if parent does not own, directly or indirectly, more than 50% of the voting power;
 - (c) name of a company, 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.
3. The term "significant" is not defined in FRS. However, in the SGX-ST Listing Manual, a subsidiary or associated company is considered 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. In the absence of a formal definition in FRS, it is preferable to thus adopt this definition set out in the SGX-ST Listing Manual.
4. The proportion of voting right, if it is different from the proportion of ownership interest, should be disclosed for significant subsidiaries.
5. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of:
 - (a) Singapore-incorporated subsidiaries and significant associated companies; and
 - (b) significant foreign subsidiaries and associated companies
6. This disclosure note is voluntary. Recommended as a good practice.

FRS 27(31)(a)

FRS 31(47)

FRS28(26)

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

SGX 718

FRS 27(31)(a)

SGX 717