


# Towards Trust & Transparency

Illustrative Annual Report  
2008 edition



PRICEWATERHOUSECOOPERS 

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PricewaterhouseCoopers Singapore operates on a combined basis with PricewaterhouseCoopers China and Hong Kong, subject to local applicable laws. Taken together, we have more than 460 partners and a strength of 11,000 people. As a leading professional services firm, we count among our clients, top-tier companies listed on the stock exchanges in the respective cities, including the Singapore Exchange (SGX), multinationals and emerging local companies. We also have a proven track record of auditing statutory boards and government-linked companies.

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## Foreword

Building Trust and demonstrating Transparency continue to be key elements in the corporate reporting arena.

The 2008 edition of PricewaterhouseCoopers' publication "Towards Trust and Transparency – Illustrative Annual Report" continues its focus on helping directors, audit committee members, management and preparers of financial statements achieve high-quality financial reporting with best-practice illustrations of disclosures to comply with the various requirements of the Singapore Financial Reporting Standards (FRS), Singapore Companies Act and Singapore Exchange Listing Manual.

Included in this edition is also an exclusive "Pocket Guide" that we have specially compiled to assist you in understanding the many requirements of the current standards in a succinct manner.

Although there are relatively fewer changes to the FRS that are effective in 2008, practitioners continue to grapple with interpretations and practices that are evolving as these are sometimes not explicitly addressed in the standards. I believe 2008 is an opportune time for practitioners to take stock and iron out any remaining problems in accounting disclosure issues prior to the next wave of IFRS that is coming in 2009.

For many companies, getting ready for 2009 will certainly be challenging. Hence, I would like to highlight a few new and critical illustrations included in the Appendix to this publication, starting with new disclosure requirements under FRS 108 Operating Segments and FRS 1(R) Presentation of Financial Statements, both of which will become effective in 2009. It is worthwhile evaluating these changes and to start implementing these changes which will be required in your first quarter 2009 results' announcements.

We trust that you will find this publication an excellent resource to assist you with the preparation of your companies' annual reports for the coming financial year-end. We also encourage you to consult your PricewaterhouseCoopers audit partners and managers should you have any questions or comments regarding this publication or the implementation of the new accounting standards.

A handwritten signature in white ink, appearing to read 'Yeoh Oon Jin', with a long horizontal flourish extending to the right.

Yeoh Oon Jin  
Singapore Assurance Leader

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## Abbreviations used

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

CA	Singapore Companies Act, Chapter 50
CCG	Code of Corporate Governance Guidance Notes
FRS	Singapore Financial Reporting Standards
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	Interpretations of International Financial Reporting Standards
INT FRS	Interpretations of Singapore Financial Reporting Standards
SGX	Singapore Exchange Securities Trading Listing Manual Requirements
SSA	Singapore Standards on Auditing

Where the illustrated disclosure is not specifically required by any of the sources listed above, the following abbreviation is used to indicate that such disclosure is made on a voluntary basis:

DV	Disclosure is voluntary
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# Publication Guide

## Scope

This publication, Illustrative Annual Report 2008, provides a sample annual report of a fictitious group of companies for the financial year ending 31 December 2008. PwC Holdings Ltd is a company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Limited ("SGX").

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

## Effective date

This illustrative annual report includes sample disclosures under the requirements of the Singapore Companies Act, SGX Securities Trading Listing Manual, Singapore Financial Reporting Standards (including its Interpretations) that are effective for financial year commencing on 1 January 2008.

## Illustrative in nature

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

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

Similarly, the corporate governance disclosures illustrated in this annual report are not meant to be templates for all reporting entities. The board of directors/management for each reporting entity should formulate the corporate strategies and control measures tailored to the entity's particular circumstances and corporate governance processes. It therefore follows that corporate governance disclosures in annual reports will necessarily differ from one reporting entity to the other.

## Guidance notes

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

## Seek professional advice

The information in this publication does not constitute professional advice. If professional advice is required, the services of a competent professional should be sought. Neither PricewaterhouseCoopers Singapore nor any employee of the firm shall be liable for any damage or loss of any kind on any ground whatsoever suffered as a result of any use of or reliance on this publication.



# PwC Holdings Ltd and its Subsidiaries

Reg No.: 197406205L

Illustrative Annual Report  
for the financial year ended 31 December 2008



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## Board of Directors

as at 19 March 2009

### Mr Tan Cheng Eng Independent, Non-executive Director

Aged 58, Singaporean

- *Chairman of Board of Directors*
- *Chairman of Remuneration Committee*
- *Member of Audit Committee*

Mr Tan Cheng Eng was appointed to the Board on 1 February 1979 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2002. He is also a non-executive Chairman of Data Bank Holding Ltd and an executive director of Homegrown Securities Ltd, both of which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Tan was last re-elected as a director of the Company on 29 April 2007.

Mr Tan holds a Master in Financial Engineering from Harvard University, USA and a Bachelor of Arts (Mathematics) degree from University College London.

He has 30 years of experience in the finance industry, of which 17 years were in the securities industry. He also serves on the Society of Financial Advisory Consultants and on the boards of the National Symposium Council and the Singapore Music Conservatory.

### Mr David Grey Non-Independent, Non-executive Director

Aged 61, English

- *Member of Board of Directors*
- *Member of Audit Committee*

Mr David Grey joined the Board on 15 May 1983 and was last re-elected on 17 May 2006. He is also an executive director of PwC Global Ltd, the ultimate holding corporation of PwC Holdings Ltd.

Mr Grey holds a Master of Science from London School of Business, United Kingdom and PhD in Bio informatics from Imperial College London.

He has more than 20 years of experience in the pharmaceutical industry. He has served as the Chairman of the European Union Biotechnology Board, a company listed on the London Stock Exchange since 2000 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2003 and 2005.

## Board of Directors

as at 19 March 2009

### Mr Ang Boon Chew Chief Executive Officer

Aged 47, Singaporean

- *Member of Board of Directors*

Mr Ang Boon Chew was appointed to the Board on 18 February 2000 and was last re-elected on 17 May 2006. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1982 and became its chief executive officer on 1 October 1992. He was subsequently appointed as the general manager of PwC Holdings Ltd on 2 November 1997 and became its chief executive officer on 18 February 2000.

Mr Ang graduated from the National University of Singapore with a Bachelor of Engineering (Electrical and Electronics) degree. He is a Fellow of the Institute of Engineers, Singapore and a Board member of the National Fire Prevention Council.

He has more than 20 years of experience in the electrical component parts industry.

### Dr Ran Jedwin Gervasio Executive Director

Aged 44, American

- *Member of Board of Directors*

Dr Ran Jedwin Gervasio joined the Board on 26 February 2009. He is the founding member of Visionary Component Inc.(now known as PwC Components (Philippines) Pte Ltd), a subsidiary of PwC Holdings Ltd acquired on 1 October 2008.

Dr Ran holds a PhD in Electrical Electronic Engineering from University of North Carolina, USA. He has 25 years of experience in the component parts industry, including four years as a professor in University of Michigan, USA. He has served as a honorary professor of the University of Philippines since 2000, and a non-executive director of Routers Electronics Inc., a corporation listed on the New York Stock Exchange since 2003.

## Board of Directors

as at 19 March 2009

### Mr Balachandran Nair Independent, Non-executive Director

Aged 62, Singaporean

- *Member of Board of Directors*
- *Chairman of Audit Committee*
- *Member of Remuneration Committee*

Mr Balachandran Nair joined the Board on 1 July 1998 and was last re-elected on 30 June 2007. He is also the Chairman of the Audit Committee.

Mr Nair graduated with a Bachelor of Accountancy from National University of Singapore. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Institute of Certified Public Accountants of Singapore (ICPAS).

He has 45 years of experience in finance and management. He was the Head of Internal Audit Department of Port Aviation Ltd, a listed company on SGX-ST, between 1996 and 2005. He is the Chief Operating Officer of the Asia Pacific operations of Efficient Shipping Ltd, a company listed on the New York Stock Exchange since 2006. He is also the Chairman of the Trustees of Singapore Healthcare Fund, Asia Pacific Development Fund and Global Diversified Fund since 2003.

### Mr Michael Philip White Independent, Non-executive Director

Aged 52, Norwegian

- *Member of Board of Directors*
- *Member of Audit Committee*
- *Chairman of Nomination Committee*

Mr Michael Philip White joined the Board on 1 July 2004. He was re-elected as a director and appointed as the Chairman to the Nomination Committee on 1 May 2007.

Mr White graduated from Stavanger University College, Norway with a Master of Commerce degree. He subsequently obtained a Master in Management of Technology from University of Helsinki, Finland.

He started his career with a multinational group of telecommunication companies in Norway. He was subsequently employed to head the Asia Pacific operations of Datacom, a company listed on the Norway-Oslo Stock Exchange in 1985. In 2004 he became the managing director of Moonstar Ltd, a telecommunication company listed on the SGX-ST.

## Board of Directors

as at 19 March 2009

### Madam Wan Oon Kee

Independent, Non-executive Director

Aged 48, Singaporean

- *Member of Board of Directors*
- *Member of Audit Committee*
- *Member of Nomination Committee*

Madam Wan Oon Kee was appointed to the Board on 31 July 2002 and was last re-elected on 31 July 2006.

Madam Wan graduated from University of London with a Bachelor of Science (Building Control) degree. She is currently a member of the Royal Institution of Chartered Surveyors, United Kingdom and a Council Member of the Singapore Institute of Surveyors and Valuers.

She has more than 20 years of experience in the real estate industry. Beginning her career at Singapore Land Authority, she joined Leading Real Estate Marketing Pte Ltd as a Chief Operating Officer in 1996. She has been the managing director of Leading Real Estate Marketing Pte Ltd since 2000.

### Mr Lee Chee Wai

Independent, Non-executive Director

Aged 56, Singaporean

- *Member of Board of Directors*
- *Member of Nomination Committee*
- *Member of Remuneration Committee*

Mr Lee Chee Wai joined the Board on 1 May 2008.

He graduated with a Bachelor of Law (Hons) degree from National University of Singapore.

He began his career with an international law firm in 1975, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 1982. He commenced his professional practice in 1987 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm, where he has been a partner for the past 16 years.

# Corporate Governance Report

for the financial year ended 31 December 2008

## Guidance Notes

### Corporate Governance Report

The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and guidelines of the 2005 Code. Listed companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for Annual General Meetings ("AGMs") held on or after 1 January 2007.

Oversight of corporate governance of listed companies is transferred from CCDG to the Monetary Authority of Singapore ("MAS") and the Singapore Exchange Ltd ("SGX") with effect from 1 September 2007. The move will clarify and streamline responsibilities for corporate governance matters for listed companies.

The Board of Directors (the "Board") is committed to ensuring that the highest standards of corporate governance are practised throughout PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

SGX 710

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the "2005 Code") that replaced the Code of Corporate Governance that was issued in March 2001 (the "2001 Code"). Companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for annual general meetings held from 1 January 2007 onwards.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2008, with specific reference to the principles and guidelines of the 2005 Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act. The Board has adhered to all principles and guidelines set out in the 2005 Code as set out below.

## THE 2005 CODE

The 2005 Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Communication with Shareholders

# Corporate Governance Report

for the financial year ended 31 December 2008

## (A) BOARD MATTERS

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Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the management remains accountable to the Board.

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The Board of Directors as at 19 March 2009 comprises:

Mr Tan Cheng Eng	(Chairman and Non-executive Director)
Mr Ang Boon Chew	(Chief Executive Officer)
Mr David Grey	(Non-executive Director)
Dr Ran Jedwin Gervasio	(Executive Director)
Mr Balachandran Nair	(Non-executive Director)
Mr Michael Philip White	(Non-executive Director)
Madam Wan Oon Kee	(Non-executive Director)
Mr Lee Chee Wai	(Non-executive Director)

CG Guideline 4.6

The Board's role is to:

CG Guideline 1.1

1. Provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
2. Establish a framework of prudent and effective controls which enables risk to be assessed and managed;
3. Review management's performance; and
4. Set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

The Board has adopted a set of Guidelines on matters that require its approval. Matters which are specifically reserved for the Board's decision include those involving business plans and budgets, material acquisitions and disposals of assets and companies, financial restructuring, corporate strategy, share issuances, dividends, and other returns to shareholders. Specific Board approval is required for any investments or expenditures exceeding \$5 million.

CG Guideline 1.5

The Board has delegated specific responsibilities to three Committees, namely the Audit, Nomination and Remuneration Committees. Information on them is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

CG Guideline 1.3

The Board meets at least six times a year. Fixed and optional meetings are scheduled at the start of each year and optional meetings convened as scheduled only when there are matters requiring the Board's decision at the scheduled time. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Board also schedules an annual Board Strategy meeting to discuss strategic issues.

CG Guideline 1.4



# Corporate Governance Report

for the financial year ended 31 December 2008

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the directors' physical presence at the meeting. The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings are as follows:

CG Guideline 1.4

	Board of Directors			Audit Committee			Nomination Committee			Remuneration Committee		
	Position	Number of meetings <sup>(1)</sup>		Position	Number of meetings <sup>(1)</sup>		Position	Number of meetings <sup>(1)</sup>		Position	Number of meetings <sup>(1)</sup>	
		Held	Attended		Held	Attended		Held	Attended		Held	Attended
<b><u>Executive Director</u></b>												
Ang Boon Chew	M	10	10	–	–	–	–	–	–	–	–	–
Andrew Lloyd <sup>(2)</sup>	–	1	1	–	–	–	–	–	–	–	–	–
Ran Jedwin Gervasio <sup>(3)</sup>	M	–	–	–	–	–	–	–	–	–	–	–
<b><u>Non-executive Director</u></b>												
Tan Cheng Eng	C	10	10	M	7	7	–	–	–	C	2	2
David Grey	M	10	7	M	7	6	–	–	–	–	–	–
Balachandran Nair	M	10	8	C	7	7	–	–	–	M	2	1
Michael Philip White	M	10	10	M	7	7	C	3	3	–	–	–
Wan Oon Kee	M	10	9	M	7	5	M	3	2	–	–	–
Lee Chee Wai <sup>(4)</sup>	M	7	6	–	–	–	M	2	2	M	1	1
Selamat Baharuddin <sup>(5)</sup>	–	3	3	–	4	3	–	1	1	–	–	–

Denotes:

C – Chairman as at 19 March 2009

M – Member as at 19 March 2009

<sup>(1)</sup> Number of meetings held/attended during the financial year/period from 1 January 2008 (or from date of appointment of Director, where applicable) to 31 December 2008

<sup>(2)</sup> Resigned on 5 February 2009

<sup>(3)</sup> Appointed on 26 February 2009

<sup>(4)</sup> Appointed on 1 May 2008

<sup>(5)</sup> Resigned on 1 May 2008

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A manual containing the Group's policies and procedures relating to its business, corporate governance, interests in securities, and price-sensitive information, is updated yearly and provided to each director. To keep pace with new laws, regulations and changing commercial risks, all directors attend specifically tailored training conducted by professionals from time to time. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

CG Guidelines 1.6 and 1.7

# Corporate Governance Report

for the financial year ended 31 December 2008

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Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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The Board comprises eight members, six of whom are non-executive directors (including the Chairman). All non-executive directors, except for Mr David Grey who is an executive director of PwC Global Limited, the ultimate holding company of the Group, are independent i.e., they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from Management.

Principle 2, CG  
Guidelines 2.1 and 4.6

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. In addition, Mr Ang Boon Chew has experience specifically in the electrical component parts industry, the core business of the Group. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

CG Guidelines 2.4  
and 4.6

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up almost two-thirds of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors help to develop proposals on strategy. The non-executive directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. They meet regularly on their own without Management present.

Principle 2,  
CG Guideline 2.3

CG Guideline 2.5,  
Commentary 2.6

Mr Balachandran Nair acts as the lead independent non-executive director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, Chief Executive Officer ("CEO") or Finance Director has failed to provide satisfactory resolution, or when such contact is inappropriate.

Whilst the Company is controlled by PwC Corporate Limited, its immediate holding company, the investment of minority shareholders is fairly represented through the representation of independent directors.

# Corporate Governance Report

for the financial year ended 31 December 2008

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**Principle 3:** There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr Tan Cheng Eng is a non-executive director responsible for leading the Board and facilitating its effectiveness. He promotes high standards of corporate governance on the Board and within the Group, and is free to act independently in the best interests of the Group. The CEO, Mr Ang Boon Chew, is an executive director responsible for the business direction and operational decisions of the Group. The Chairman and CEO are not related. The division of responsibilities between the Chairman and the CEO has been set out in a set of Guidelines reviewed and endorsed by the Board.

CG Guidelines 3.1 and 3.2

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between independent and non-independent directors, with a view to encouraging constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the abovementioned Guidelines endorsed by the Board.

CG Guideline 3.2

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**Principle 4:** There should be a formal and transparent process for the appointment of new directors to the Board.

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## Nomination Committee

The Nomination Committee comprises the following non-executive and independent directors:

CG Guideline 4.1

Mr Michael Philip White (Chairman)  
Madam Wan Oon Kee  
Mr Lee Chee Wai

The Nomination Committee was set up on 1 April 2005. The Committee held three meetings during the financial year. All members of this Committee are independent non-executive directors. The Chairman of the Nomination Committee is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

CG Guideline 4.1

The Nomination Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nomination Committee is responsible for making recommendations to the Board on all board appointments.

CG Guideline 4.1

# Corporate Governance Report

for the financial year ended 31 December 2008

In its search, nomination and selection process for new directors, the Nomination Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nomination Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for Nomination Committee members to assess them, before a decision is reached.

CG Guideline 4.5

The Nomination Committee is responsible for making recommendations to the Board on the re-nomination of directors at regular intervals and at least once every three years for each director, as required by the Articles of Association of the Company. In its deliberations on the re-nomination of existing directors, the Nomination Committee takes into consideration the directors' contribution and performance (including, if applicable, his contribution and performance as an independent director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Committees as well as the quality of intervention and special contributions.

CG Guideline 4.2

The Chairman of the Board will give feedback to the Nomination Committee on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the Nomination Committee will take into consideration his views in this regard.

CG Guideline 5.4

The Nomination Committee is also responsible for determining annually, the independence of directors. In doing so, the Nomination Committee takes into account the circumstances set forth in Guideline 2.1 of the 2005 Code and any other salient factors. Following its annual review, the Nomination Committee has endorsed the following independence status of the directors:

CG Guideline 4.3

Mr Tan Cheng Eng	(Independent)
Mr Ang Boon Chew	(Non-independent)
Mr David Grey	(Non-independent)
Dr Ran Jedwin Gervasio	(Non-independent)
Mr Balachandran Nair	(Independent)
Mr Michael Philip White	(Independent)
Madam Wan Oon Kee	(Independent)
Mr Lee Chee Wai	(Independent)

The Nomination Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the Nomination Committee.

CG Guideline 4.4

# Corporate Governance Report

for the financial year ended 31 December 2008

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Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

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The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resource was appointed by the Nomination Committee to help to design and implement the process. This is the fourth year in which this board evaluation process has been implemented.

CG Guidelines 5.1 and 5.2

The collective assessment process comprises two parts: a qualitative assessment of the functioning of the Board, and a review of selected financial and quantitative performance indicators (including the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on assets, return on equity, economic value added and profitability on capital employed, each compared with a selected set of listed industry peers for benchmarking purposes). The qualitative assessment utilises a confidential questionnaire (covering areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long term objectives set by the Board, including the enhancement of shareholders' value) which is completed by each director individually. Both sets of performance criteria have been endorsed by the Nomination Committee and the Board. The completed qualitative assessment questionnaires are submitted to the consulting firm, which prepares a comprehensive confidential report for the Nomination Committee's discussion. The results and conclusions are then presented to the Board by the Nomination Committee together with the consultant and an action plan is drawn up to address any areas for improvement.

CG Guidelines 5.1, 5.2 and 5.3, Commentary 5.5

The assessment of individual directors is done through both self-assessment as well as peer-assessment, in each case through a confidential questionnaire completed by directors individually. The assessment parameters for such individual evaluation include attendance and contributions during Board meetings as well as commitment to their role as directors. The questionnaires are submitted to the consulting firm which prepares a confidential report for each director. The Chairman of the Board together with the Chairman of the Nomination Committee then meet with each individual director to discuss his report and areas for improvement. Where the individual director being assessed is the Chairman of the Board, the Chairman of the Nomination Committee meets with him alone, and vice versa.

CG Guidelines 5.1 and 5.4

# Corporate Governance Report

for the financial year ended 31 December 2008

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Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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All directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least five working days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

CG Guideline 6.1

- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board;
- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees of the Board held since the previous Board meeting;
- Major operational and financial issues;
- Statistics on customer satisfaction;
- Statistics on key performance indicators.

CG Guideline 6.2

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from Management monthly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. The latest set of management accounts circulated is tabled for discussion at each Board meeting in case directors have any queries on them.

CG Guideline 10.2

The directors have separate and independent access to the Group's senior management, including the CEO, the Finance Director and other key Management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to Management who will respond accordingly. Where relevant, directors' queries and Management's responses are circulated to all Board members for their information.

CG Guideline 6.1

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense.

CG Guideline 6.5

All directors have separate and independent access to the advice and services of the Company Secretary. The Board has approved a set of Guidelines defining the role and responsibilities of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Remuneration Committee and Nomination Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

CG Guideline 6.3

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

CG Guideline 6.4

# Corporate Governance Report

for the financial year ended 31 December 2008

## (B) REMUNERATION MATTERS

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Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

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The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management.

Principle 7

### Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors:

CG Guideline 7.1  
SGX 852(1)(a)

Mr Tan Cheng Eng (Chairman)  
Mr Balachandran Nair  
Mr Lee Chee Wai

The principal responsibilities of the Remuneration Committee are:

1. Recommending to the Board for endorsement, a framework for computation of directors' fees of the Board, as well as remuneration of executive directors and senior management of Senior Vice President grade or its equivalent and above. For executive directors and other senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind);
2. Recommending the specific remuneration packages for each director and other senior management of Senior Vice President grade or its equivalent and above; and
3. Administering the PwC Employee Share Option Scheme.

CG Guideline 7.2

In framing the Group's remuneration policy as described above, the Remuneration Committee from time to time seeks advice from external consultants as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the Remuneration Committee is submitted for approval by the Board.

Commentary 7.3

CG Guideline 7.2

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Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

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# Corporate Governance Report

for the financial year ended 31 December 2008

The remuneration package of executive directors and other senior management of Senior Vice President grade or its equivalent and above ("Senior Management") consists of the following components:

## (a) Fixed Component

Fixed pay comprises basic salary, statutory employer's contributions to the Central Provident Fund, Annual Wage Supplement ("AWS") and fixed allowances. Eligibility for AWS and fixed allowances will depend on the length of service. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee also regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

Commentary 8.5

## (b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance, as well as monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of Senior Management, which includes 360 degree-assessment and measuring their performance against selected key performance indicators, is undertaken each year. Bonuses payable to Senior Management are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

CG Guideline 8.1

## (c) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and length of service.

## (d) Share Options

Executive directors and Senior Management with more than three years of service are eligible for the grant of options under the PwC Employee Share Option Scheme. The options granted will vest only on completion of another two years of service with the Group, commencing from the grant date. Executive directors and senior management are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability. More information on the PwC Employee Share Option Scheme is set out in the Directors' Report.

Guideline 8.4,  
Guideline 9.4

The service contracts for executive directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for Senior Management. The Remuneration Committee is responsible for reviewing the compensation commitments arising from directors' contracts of service in the event of early termination.

Guideline 8.3,  
Commentary 8.6



# Corporate Governance Report

for the financial year ended 31 December 2008

The Fees and Allowances proposed to be paid to Directors<sup>1</sup> for the current financial year are determined based on the same formula applied in the previous year as follows:

TYPE OF APPOINTMENT	PROPOSED FEE (FY2008)
<b>BOARD OF DIRECTORS</b>	<b>\$</b>
Basic Fee	50,000
Board Chairman Allowance	32,000
<b>AUDIT COMMITTEE</b>	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
<b>OTHER BOARD COMMITTEES</b>	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
<b>ATTENDANCE FEE</b>	
Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

Besides the basic fee, every Director will receive:

- The Chairman's allowance if he is Chairman of the Board;
- The relevant allowance (depending on whether he was Chairman or a member of the relevant Board Committee) for each position he holds in the Board Committee during the financial year; and
- The relevant attendance fee for each Board and Board Committee meeting he attends during the financial year.

If he occupies a position for part of the financial year, the fee or allowance payable will be prorated accordingly.

## Guidance Notes

### Proposed fees

1. Corporate Governance Guideline 8.2 provides guidance that the remuneration of non-executive directors should be appropriate to their level of contribution, taking into account factors such as their effort and time spent and responsibilities. In this example, the fee and allowance formula are applied consistently to all directors, executive and non-executive. The practice in the market is varied; there are companies which remunerate executive directors with directors' fees on the basis that they receive it for services rendered in the capacity of director, and companies which do not on the basis that they are holding the directorship in their capacity as executives and thus are already remunerated in their wages.

The remuneration of directors and key executives is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the directors and key executives, and corporate and individual performance.

# Corporate Governance Report

for the financial year ended 31 December 2008

## DISCLOSURE ON REMUNERATION

Principle 9,  
CG Guidelines 9.1,  
9.2 and 9.4

	Basic salary <sup>(1)</sup>	Fees <sup>(1)</sup>	Bonus	Benefits -in-kind	Termi- nation benefit	Fair value of share options granted <sup>(2)</sup>	Total 2007	Total 2006	Total fair value of options granted in <sup>(10)</sup>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2007	2006
<b>Executive Directors</b>										
Ang Boon Chew	284	32 <sup>(3)</sup>	417	36	–	86	855	748	100	72
Andrew Llyod <sup>(4)</sup>	274	32 <sup>(3)</sup>	355	13	–	–	674	686	–	–
Ran Jedwin Gervasio <sup>(5)</sup>	–	–	–	–	–	–	–	–	–	–
<b>Non-executive Directors</b>										
Tan Cheng Eng	–	95 <sup>(3)</sup>	–	–	–	–	95	92	–	–
David Grey	–	70 <sup>(3),(6)</sup>	–	–	–	–	70	68	–	–
Balachandran Nair	–	65 <sup>(3)</sup>	–	–	–	–	65	60	–	–
Michael Philip White	–	56	–	–	–	–	56	27	–	–
Wan Oon Kee	–	44	–	–	–	–	44	42	–	–
Lee Chee Wai <sup>(7)</sup>	–	41	–	–	–	–	41	–	–	–
Selamat Baharuddin	–	30	–	–	100 <sup>(8)</sup>	–	130	78	–	–
Francis Wong	–	–	–	–	–	–	–	48	–	–
	558	465	772	49	100	86	2,030	1,849	100	72
<b>Key Management Personnel</b>										
Ran Jedwin Gervasio <sup>(5)</sup>	214	–	232	18	–	59	523	–	65	53
Henry Heng	177	–	218	13	–	52	460	188	45	59
Raju Samy	180	–	196	10	–	41	427	150	40	42
Abdul Samat	200	–	178	9	–	32	419	280	35	29
Tracy Phung <sup>(9)</sup>	228	–	132	7	–	30	397	–	32	–
	999	–	956	57	–	214	2,226	618	217	183

Denotes:

<sup>(1)</sup> Includes allowances and contributions to Central Provident Fund (where applicable)

<sup>(2)</sup> Refers to the expense on share options granted to the executive directors/senior management recognised in the financial statements.

<sup>(3)</sup> Includes fees paid/payable for directorship in subsidiary/subsidiaries.

<sup>(4)</sup> Resigned as a director on 5 February 2009.

<sup>(5)</sup> Joined the Group as a key executive on 1 October 2008 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 26 February 2009.

<sup>(6)</sup> Fees paid/payable to PwC Global Limited, ultimate holding company and the director's employer company.

<sup>(7)</sup> Appointed as a director on 1 May 2008.

<sup>(8)</sup> In appreciation of Mr Selamat Baharuddin's service to the Group for the past 15 years, the Board approved the payment of \$100,000 as termination benefits to him. He resigned on 1 May 2008.

<sup>(9)</sup> Joined the Group as a key executive on 1 January 2008.

<sup>(10)</sup> Refers to the total fair value of share options granted to the executive directors/senior management during the financial year. The fair value of the options was estimated using the Binomial Option Pricing model.

An immediate family member of Mr Ang Boon Chew, the CEO and an Executive Director of PwC Holdings Ltd, has an employment relationship with a subsidiary, and has received remuneration amounting to \$152,000 in that capacity during this financial year.

CG Guideline 9.3

# Corporate Governance Report

for the financial year ended 31 December 2008

## (C) ACCOUNTABILITY AND AUDIT

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Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

CG Guideline 10.1

Management provides to members of the Board for their endorsement, annual budgets (capital, operating and manpower establishment), rolling three-year business plans and key performance indicator targets for key management personnel.

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Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

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### Audit Committee

The Audit Committee comprises the following Directors:

CG Guidelines 11.8 and 11.1

Mr Balachandran Nair (Chairman)  
 Mr Tan Cheng Eng  
 Mr David Grey  
 Mr Michael Philip White  
 Madam Wan Oon Kee

The Committee held seven meetings during the financial year. These meetings were attended by the CEO, Finance Director and Head of Internal Audit Department ("IAD"). The Group's external auditor was also present at the relevant junctures during these meetings. The Committee has also met the external and internal auditors, without any executive of the Group being present, twice during the financial year.

CA201B(6)

CG Guideline 11.5

All members of this Committee are non-executive directors. Except for Mr David Grey who is an executive director of PwC Global Limited, the ultimate holding company of the Group, all members are independent.

CG Guideline 11.1  
 CA201B(2)  
 CA201B(3)

The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. At least two members of the Audit Committee, namely Mr Balachandran Nair and Mr Tan Cheng Eng, have the requisite accounting and related financial management expertise and experience.

CG Guideline 11.2

# Corporate Governance Report

for the financial year ended 31 December 2008

## Reference

The Audit Committee has written Terms of Reference endorsed by the Board, setting out their duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and co-operation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

Principle 11 and  
CG Guideline 11.3

CG Guidelines 11.4,  
11.6, 11.8, 12.1, 13.3  
and 13.4,  
CA210B(5)(a)

- Reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- Reviewing the nature and extent of the external auditor's non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money;
- Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- Reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "internal controls") at least annually;
- Reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- Reviewing the external auditor's audit plan, audit report and the external auditor's evaluation of the system of internal accounting controls with the external auditor, as well as the assistance given by Management to the external auditor; and
- Reviewing the quarterly half-yearly and full-year financial reports of the Group, prior to their submission to the Board.

Management has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by a Compliance Manager who reports directly to the Chairman of the Audit Committee.

CG Guideline 11.7

The Audit Committee is satisfied with the independence and objectivity of the external auditor and recommends to the Board the nomination of the external auditor for re-appointment. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditor and is satisfied that the nature and extent of such services do not affect the independence of the external auditor.

CG Guidelines 11.6  
and 11.4(a),  
CA201B(5)(b),  
SGX1207(6)(b)

# Corporate Governance Report

for the financial year ended 31 December 2008

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Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted that such systems are designed to manage rather than to eliminate the risks. Accordingly, the systems can provide only reasonable, and not absolute, assurance against misstatement of loss, safeguarding of assets, maintenance of proper accounting records, reliability of financial information and compliance with all relevant legislation.

CG Guideline 12.1

The IAD performs detailed work to assist the Audit Committee and the Board in the evaluation of internal controls, financial and accounting matters, compliance, business and financial risk management. The Audit Committee's responsibilities for the Group's internal controls are complemented by the work of the Risk Management Department, Legal and Compliance Department and Information Systems Security Department.

Central to the Group's internal control system is its Control Self-Assessment ("CSA") process, a risk-based approach towards the implementation and monitoring of control procedures. Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed by Management, IAD, Audit Committee and the Board.

Each quarter, business chief executives (including the CEO) report to IAD on compliance with the Group's policies and procedures as well as changes to the respective risk maps. IAD will conduct checks on selective functions to ensure integrity of management reporting. IAD will subsequently summarise the findings and report to the Audit Committee. The Board, as part of the annual strategic review, considers and monitors compliance with the Group's risk map. Control issues arising from assurance processes, including those conducted by the external auditor, are also discussed at these meetings.

Subject to the foregoing, the Audit Committee and the Board have reviewed the adequacy of the Group's internal controls and are satisfied with the adequacy of the Group's internal controls established by Management.

CG Guidelines 12.1 and 12.2

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Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

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IAD is a department independent of Management. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the CEO. The IAD assists the Board in monitoring and managing risks and internal controls of the Group. The Audit Committee approves the internal audit plan and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group. Associated companies and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed regularly by IAD). The Head of IAD has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Principle 13

CG Guideline 13.1

CG Guideline 13.3

CG Guideline 13.2

# Corporate Governance Report

for the financial year ended 31 December 2008

## (D) COMMUNICATION WITH SHAREHOLDERS

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Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

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The Group values dialogue with its shareholders. The Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website [www.pwcholdings.com.sg](http://www.pwcholdings.com.sg), and where appropriate, through media releases.

CG Guideline 14.1

CG Guideline 14.2

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results via SGXNET. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and media briefing materials are made available on SGXNET and on the Company's website [www.pwcholdings.com.sg](http://www.pwcholdings.com.sg) for the information of shareholders.

CG Guideline 14.2

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Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies. The Company's Articles of Association have not yet been amended to allow for other absentia voting methods such as by mail, electronic mail, fax and/or other methods; this issue is reviewed by the Board on a regular basis. The Board has resolved to propose such an amendment when the necessary security and other measures to protect against errors, fraud and other irregularities are available on a cost-effective basis and when the Board views this is of sufficient interest to the Company's shareholders.

CG Guideline 15.1

The Company's Articles of Association presently provide for a member to appoint not more than two proxies to attend a general meeting. Notwithstanding Commentary 15.4 of the Code, they have not been amended to lift the limit on the number of proxies for nominee companies to enable shareholders who hold shares through nominees to attend as proxies. This is because it will not be possible to make such an amendment to apply only to nominee company shareholders and not to the other shareholders. In addition, the Board views that lifting the limit would not promote greater efficiency or effective decision making nor would it be cost-effective. As a compromise, the Board is considering to increase the number of proxies any one member may appoint. The Board is studying the matter and may make a proposal in due course to shareholders for their approval.

Commentary 15.4

# Corporate Governance Report

for the financial year ended 31 December 2008

At each Annual General Meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate in the question and answer session. The external auditor is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

CG Guideline 15.3

The Chairpersons of the Audit, Nomination and Remuneration Committees, or members of the respective Committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

CG Guideline 15.3

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

CG Guideline 15.2

A summary of the discussion at the Annual General Meeting will be made available on the Group's website at [www.pwcholdings.com.sg](http://www.pwcholdings.com.sg).

Commentary 15.5

## DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Group's securities by its directors and officers that is modelled on the dealing section in SGX Best Practices Guide. The Group's internal code prohibits its directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Group's financial year and one month before the date of announcement of the full year financial results. Directors and officers are also prohibited from dealing in the Group's securities on short-term considerations.

SGX 710(2)





# Directors' Report

for the financial year ended 31 December 2008

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008.

CA 201(5)  
CA 201(6A)

## Directors

The directors of the Company in office at the date of this report<sup>1</sup> are as follows:

CA 201(6)(a)  
CA 201(6A)(a)

Mr Tan Cheng Eng  
Mr David Grey  
Mr Ang Boon Chew  
Mr Michael Philip White  
Mr Balachandran Nair  
Madam Wan Oon Kee  
Mr Lee Chee Wai (appointed on 1 May 2008)<sup>1</sup>  
Dr Ran Jedwin Gervasio (appointed on 26 February 2009)<sup>1</sup>

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 3 and 4 of this report.

CA 201(6)(f)  
CA 201(6A)(g)  
CA 164(1)(d)

## Directors' interests in shares or debentures<sup>2</sup>

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations<sup>3</sup>, except as follows:

CA 201(6)(g)  
CA 201(6A)(h)  
CA 164(1)(a,b)

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2008	At 1.1.2008 or date if appointment if later	At 31.12.2008	At 1.1.2008 or date if appointment if later
<b>Company</b> (No. of ordinary shares)				
Mr David Grey	1,270,000	500,000	1,500,000	1,000,000
Mr Ang Boon Chew	97,000	65,000	–	–
Mr Lee Chee Wai	2,000	2,000	–	–
<b>Ultimate Holding Corporation</b> - PwC Global Limited (No. of ordinary shares)				
Mr David Grey	1,000,000	1,000,000	–	–
<b>Immediate Holding Company</b> - PwC Corporate Limited (No. of ordinary shares)				
Mr Andrew Lloyd (resigned on 5 January 2009) <sup>2</sup>	200,000	200,000	–	–

# Directors' Report

for the financial year ended 31 December 2008

## Directors' interests in shares or debentures (continued)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the PwC Employee Share Option Scheme as set out below and under "Share options" on pages 3 and 4 of this report.

CA 201(6)(g)  
CA 201(6A)(h)  
CA 164(1)(c)

	No. of unissued ordinary shares under option	
	At 31.12.2008	At 1.1.2008
<u>Mr. Ang Boon Chew</u>		
2004 Options	–	30,000
2006 Options	50,000	50,000
2007 Options	50,000	–

- (c) Mr David Grey, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

CA 201(6A)(h)  
CA 7(4A)  
CA 201(6)(g)

	At 31.12.2008	At 1.1.2008
<b>PwC Furniture (PRC) Co., Ltd</b>		
- Registered and issued share capital	RMB 8,500,000	RMB 8,500,000
<b>PwC Components (Singapore) Pte Ltd</b>		
- No. of ordinary shares	1,300,000	1,300,000
<b>PwC Components (Phillipines) Pte Ltd</b>		
- No. of ordinary shares	2,000,000	–

- (d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2009 were the same as those as at 31 December 2008.

SGX 1207(7)

## Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr David Grey has an employment relationship with the ultimate holding corporation, and has received remuneration in that capacity.

CA 201(8)  
SGX 1207(8)

# Directors' Report

for the financial year ended 31 December 2008

## Share options

### (a) PwC Employee Share Option Scheme<sup>4</sup>

CA 201(11B)  
SGX 1207(15)

The PwC Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 6 December 2004.

SGX 853

The Scheme provides a means to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees with more than three years of service with the Group. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. No options are granted at a discount to the prevailing market price of the shares. The vesting of the options is conditional on the key management personnel or employees completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. Once the options are vested, they are exercisable for a period of four 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.

CA 201(11B,12(b))

SGX 852(2,1(d),845(5))

CA 201(11B,11(d))

CA 201  
(11B,11(e),12(b))

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

SGX 845(1)

The Scheme became operative upon the Company granting options to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2005 ("2005 Options"). The Company also granted options to subscribe for 1,965,000 ordinary shares of the Company on 1 January 2007 ("2007 Options"). Particulars of the 2005 Options and 2007 Options were set out in the Directors' Report for the financial years ended 31 December 2005 and 31 December 2007 respectively.<sup>5</sup>

CA 201(11A)

# Directors' Report

for the financial year ended 31 December 2008

## Share options (continued)

### (a) PwC Employee Share Option Scheme<sup>4</sup>

On 1 January 2008, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of \$2.95 per share ("2008 Options"). The 2008 Options are exercisable from 1 January 2010 and expire on 31 December 2013. The total fair value of the 2008 Options granted was estimated to be \$600,000 using the Binomial Option Pricing Model. Details of the options granted to an executive director of the Company are as follows:

CA 201(11B,11(b,d))

CA 201(11B,11(c))

Name of director	No. of unissued ordinary shares of the Company under option			
	Granted in financial year ended 31.12.2008	Aggregate granted since commencement of scheme to 31.12.2008	Aggregate exercised since commencement of scheme to 31.12.2008	Aggregate outstanding as at 31.12.2008
Mr Ang Boon Chew	50,000	130,000	30,000	100,000

SGX 852(1)(b)(i)

No options have been granted to controlling shareholders of the Company or their associates<sup>6</sup> (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited).

SGX 852(2,1(b)(iii))

No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

SGX 852(2,1(b)(iii),c(i))

During the financial year, 750,000 treasury shares of the Company were re-issued at the exercise price of \$1.31, upon the exercise of the 2005 Options.

CA 201(11B,11(c),12(b))

### (b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the PwC Employee Share Option Scheme outstanding at the end of the financial year was as follows:

CA 201(11B,11(c),12(b))

	No. of unissued ordinary shares under option at 31.12.2008	Exercise price	Exercise period
2004 Options	1,000,000	\$1.31	1.1.2007 - 31.12.2010
2006 Options	1,532,000	\$1.28	1.1.2009 - 31.12.2012
2007 Options	964,000	\$2.95	1.1.2010 - 31.12.2013
	<u>3,496,000</u>		

## Directors' Report

for the financial year ended 31 December 2008

### Audit Committee<sup>7</sup>

The members of the Audit Committee at the end of the financial year were as follows:

Mr Balachandran Nair (Chairman)  
Mr Tan Cheng Eng  
Mr David Grey  
Mr Michael Philip White  
Madam Wan Oon Kee

All members of the Audit Committee were non-executive directors. Except for Mr David Grey who was an executive director of PwC Global Limited, the ultimate holding corporation of the Group, all members were independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

CA 201B(9)

- The scope and the results of internal audit procedures with the internal auditor;
- The audit plan of the Company's independent auditor and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- The assistance given by the Company's management to the independent auditor; and
- The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2008 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

### Independent Auditor

The independent auditor, PricewaterhouseCoopers, has expressed its willingness to accept re-appointment.

DV

On behalf of the directors<sup>8</sup>



Tan Cheng Eng  
Director



Ang Boon Chew  
Director

19 March 2009<sup>9,10</sup>

# Directors' Report

for the financial year ended 31 December 2008

## Guidance Notes

### Directors' Report

#### Directors in office at the date of the report

1. The names of the directors that are holding office at the date of the Directors' Report are required to be disclosed. There is no requirement to give details of director(s) who resigned in the current financial year and up to the date of the Directors' Report. If a director is appointed during the financial year and remains in office at the date of the Directors' Report, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director.

CA 201(6,6A)

#### Directors' interests in shares or debentures

2. A director's interests include his personal holdings, the beneficial interests of his immediate family and any deemed interest as defined under Section 7 of the Companies Act.

CA 201(6)(g)  
CA 201(6A)(h)

Interests in rights or share options are also required to be disclosed.

CA 201(11)  
CA 201(11B)

If a director resigns after the end of the financial year/period but before the date of the Directors' Report, his interests at the end of the financial year/period are still required to be disclosed.

If none of the directors have any interests in shares or debentures in the Company or any related corporations, the following disclosure is suggested:

*"None of the directors of the Company holding office at the end of the financial year had any interests in the shares or debentures of the Company or any related corporations."*

3. Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries.

CA 6

#### Share options

4. The disclosures required by Section 201(11) of the Companies Act relate to share options granted by the Company. If the share options are granted by the parent of the Company or by another related entity directly to the employees of the Company and/or its subsidiaries, the Company is not required to make those disclosures required by Section 201(11) in the Directors' Report. The share options shall however be accounted for in accordance with FRS 102 in the financial statements.

CA 201(11,11B)

5. Where such disclosures have been made in a previous report, reference may be made to that report.

CA 201(11A)

#### Definition of associates

6. SGX-ST's listing rules define associates differently to that in paragraph 2 of FRS 28. An associate is defined in SGX-ST's listing rules as:

- (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual):
  - (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

SGX (General –  
Definitions)

# Directors' Report

for the financial year ended 31 December 2008

## Guidance Notes

### Directors' Report (continued)

#### Audit Committee

7. The details and functions of the audit committee shall be included in the Directors' Report of listed companies if the statutory accounts (which would not contain a section on corporate governance), rather than the annual report, are filed with the Registrar of the Accounting and Corporate Regulatory Authority. If the Annual Report is filed with the Registrar, this section is not required.
8. This phrase is not necessary if the Company has only two directors. The same applies to the Statement by Directors.
9. The Directors' Report shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The report shall be made in accordance with a resolution of the directors, specifying the day on which it was made out and be signed by at least two directors. The same applies to the Statement by Directors.
10. AGMs for listed companies shall be held within four months after the end of their financial years. AGMs for non-listed companies shall be held within six months after the end of their financial years.

CA 201B(9)

CA 203(1)  
SGX 707(2)

CA 201(5)  
CA 201(15)

CA 201(1)(a,b)  
SGX 707(1)  
CA 201(3A)(a)(i,ii)

## Statement by Directors

for the financial year ended 31 December 2008

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 43 to 182 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended<sup>1,2,3</sup>; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

CA 201(15)(a)  
CA 201(15)(b)

CA 201(15)(c)

On behalf of the directors<sup>4</sup>



Tan Cheng Eng  
Director



Ang Boon Chew  
Director

19 March 2009



# Statement by Directors

for the financial year ended 31 December 2008

## Guidance Notes

### Statement by Directors

#### Compliance with Singapore Financial Reporting Standards ("FRS")

1. Directors are required to present statutory accounts that comply with FRS unless:

- (a) the Company has obtained the approval of the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") for such non-compliance with FRS requirements; or
- (b) such compliance will not give a true and fair view of the accounts. In this regard, the following disclosure is needed:
  - (i) a statement by the independent auditor of the Company (in the Independent Auditor's Report) that he agrees that such non-compliance is necessary for the accounts or consolidated accounts, as the case may be, to give a true and fair view of the matter concerned;
  - (ii) particulars of the departure, the reason therefore and its effect, if any; and
  - (iii) such further information and explanations as will give a true and fair view of that matter.

FRS are currently prescribed by Accounting Standards Council ("ASC"), with the enactment of the Accounting Standards Act on 1 November 2007.

2. Companies listed on both the SGX-ST and another stock exchange outside Singapore are allowed to present their statutory accounts that comply with International Financial Reporting Standards ("IFRS") or United States Generally Accepted Accounting Principles ("US GAAP"), if the stock exchange outside Singapore requires the Company to comply with IFRS or US GAAP.

#### Inclusion of Company's statement of changes in equity

3. A holding company may choose to present the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, paragraph (a) in the Statement by Directors can be replaced with the following:

*"the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages [ ] to [ ] are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at [31 December 2008], the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and"*

In addition to the above, a holding company may also choose to present the income statement and/or the cash flow statement of the Company. When this occurs, the above paragraph needs to be tailored.

#### Dating and signing of Statement by Directors

4. Please refer to guidance notes 8 to 10 under Directors' Report.

CA 201(1A,3), CA 201(3A)

CA 201(14)

CA 201(14A)  
SGX 1207(5)(e)

CA 201(14B)

CA 201(14C)  
CA Order 2003  
S2/2003  
SGX 220(1)

# Independent Auditor's Report to the members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

We have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 182, which comprise the balance sheets of the Company<sup>1</sup> and of the Group as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

SSA 700  
AGS 1

## *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards<sup>2</sup>. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards<sup>3</sup> so as to give a true and fair view of the state of affairs of the Company<sup>1</sup> and of the Group as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

CA 207(2)(a)

CA 207(2)(b)

PricewaterhouseCoopers  
Public Accountants and Certified Public Accountants

Singapore, 19 March 2009<sup>3</sup>

# Independent Auditor's Report

for the financial year ended 31 December 2008

## Guidance Notes

### Independent Auditor's Report

#### Inclusion of Company's statement of changes in equity

1. A holding company may choose to present the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, the corresponding paragraphs in the Independent Auditor's Report shall be replaced by the following:

"We have audited the accompanying financial statements of PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages [ ] to [ ], which comprise the balance sheets of the Company and of the Group as at 31 December 2008, the statement of changes in equity of the Company and of the Group, and the consolidated income statement and consolidated cash flow statement of the Group for the financial year then ended...

- (a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008, the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and ....."

#### Compliance with Singapore Financial Reporting Standards

2. Please refer to guidance notes 1 and 2 under Statement by Directors.

#### Date of Independent Auditor's Report

3. The directors are required to take reasonable steps to ensure that the accounts are audited not less than 14 days before the AGM of the Company. In general, the Independent Auditor's Report will be dated on the same date as the Directors' Report and the Statement by Directors. The auditor shall date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion on the financial statements. Sufficient audit evidence includes evidence that the entity's complete set of financial statements has been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

SSA 700  
AGS 1  
(Guidance to  
Example 1C)

CA 201(4A)

SSA 700(52)



# Consolidated Income Statement<sup>1</sup>

for the financial year ended 31 December 2008

## (Alternative 1: Illustrating classification of expenses by function)<sup>2</sup>

	Note	2008 <sup>3</sup> \$'000	2007 <sup>3</sup> \$'000	
<b>Continuing operations<sup>4</sup></b>				
Sales	4	210,214	112,360	FRS 1(81)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(92)
Gross profit		132,848	65,678	FRS 1(92)
Other income	7	3,898	1,166	FRS 1(92)
Other losses - net <sup>7</sup>	8	(1,383)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(92)
- Administrative		(28,579)	(10,107)	FRS 1(92)
- Finance	9	(7,073)	(9,060)	FRS 1(81)(b)
Share of (loss)/profit of associated companies <sup>5</sup>		(174)	145	FRS 1(81)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(81)(d)
<b>Profit from continuing operations<sup>4</sup></b>		32,476	18,500	
<b>Discontinued operations<sup>4</sup></b>				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(81)(e) FRS 105(33)(a)
<b>Total profit<sup>4</sup></b>		32,576	18,020	FRS 1(81)(f)
<b>Attributable to:</b>				
Equity holders of the Company		30,028	17,096	FRS 1(82)(b)
Minority interests		2,548	924	FRS 1(82)(a)
		32,576	18,020	
<b>Earnings per share<sup>6</sup> for profit from continuing operations attributable to equity holders of the Company (\$ per share)</b>	12			FRS 33(66)
- Basic		1.33	0.90	
- Diluted		1.22	0.87	
<b>Earnings/(loss) per share<sup>6</sup> for profit from discontinued operations attributable to equity holders of the Company (\$ per share)</b>	12			FRS 33(68)
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

\* less than \$0.01

The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement<sup>1</sup>

for the financial year ended 31 December 2008

## (Alternative 2: Illustrating classification of expenses by nature)<sup>2</sup>

	Note	2008 <sup>3</sup> \$'000	2007 <sup>3</sup> \$'000	
<b>Continuing operations<sup>4</sup></b>				
Sales	4	210,214	112,360	FRS 1(81)(a)
Other income	7	3,898	1,166	FRS 1(91)
Other losses – net <sup>7</sup>	8	(1,383)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(91)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(91)
- Employee benefits	6	(40,090)	(15,500)	FRS 1(91)
- Sub-contractors charges <sup>7</sup>		(12,400)	(7,700)	
- Advertising <sup>7</sup>		(10,871)	(6,952)	
- Rental on operating leases <sup>7</sup>		(10,588)	(8,697)	FRS 17 (35)(c)
- Research <sup>7</sup>		(473)	(200)	FRS 38 (126)
- Transportation <sup>7</sup>		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down) <sup>7</sup>		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(81)(b)
- Other		(878)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(91)
Total expenses		(165,158)	(85,842)	
Share of (loss)/profit of associated companies <sup>5</sup>		(174)	145	FRS 1(81)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(81)(d)
<b>Profit from continuing operations<sup>4</sup></b>		32,476	18,500	
<b>Discontinued operations<sup>4</sup></b>				FRS 1(81)(e) FRS 105(33)(a)
Profit/(loss) from discontinued operations	11	100	(480)	
<b>Total profit<sup>4</sup></b>		32,576	18,020	FRS 1(81)(f)
<b>Attributable to:</b>				
Equity holders of the Company		30,028	17,096	FRS 1(82)(b)
Minority interests		2,548	924	FRS 1(82)(a)
		32,576	18,020	
<b>Earnings per share<sup>6</sup> for profit from continuing operations attributable to equity holders of the Company (\$ per share)</b>	12			FRS 33(66)
- Basic		1.33	0.90	
- Diluted		1.22	0.87	
<b>Earnings/(loss) per share<sup>6</sup> for profit from discontinued operations attributable to equity holders of the Company (\$ per share)</b>	12			FRS 33(68)
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

\* Less than \$0.01

The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement

for the financial year ended 31 December 2008

## Guidance Notes

### Consolidated income statement

#### Income statement, cash flow statement and statement of changes in shareholders' equity of the holding company

1. If consolidated financial statements are presented, the income statement, cash flow statement and statement of changes in shareholders' equity of the holding company need not be presented. If consolidated financial statements are not presented (e.g. exempted under FRS 27), the income statement, cash flow statement and statement of changes in shareholders' equity of the holding company, forming a set of financial statements of the holding company, should be presented.

CA 201(3A)  
SGX 1207(5)

CA 201(3BA)

#### Alternative format

2. An entity shall present an analysis of expenses using a classification based on either the function (Page 43) or the nature (Page 44) of the expenses, whichever provides information that is reliable and more relevant. If the expenses are presented by function, additional disclosures on the nature of expenses are required (Note 5 of the financial statements).

FRS 1(88)

FRS 1(93)

#### Financial years/periods of different length

3. Where the current reporting period and the comparative reporting period are of unequal timeframe, an entity shall disclose the period covered, the reason for using that period and the fact that comparative amounts for the income statement, changes in equity, cash flows and related disclosure notes are not comparable.

FRS 1(49)

#### Continuing/Discontinued operations

4. A discontinued operation must represent a separate major line of business or geographical area of operations or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view for resale. If there is no discontinued operation, the heading "Continuing operations" is not required. "Profit from continuing operations" and "Total profit" should also be changed to "Net profit".

FRS 105 AppA

#### Share of results of associated companies

5. The share of results of associated companies refers to the Group's share of associated companies' results after tax and minority interests accounted for in accordance with FRS 28. The share of results of joint ventures accounted for using equity accounting is presented similarly.

FRS 1(81)(c)  
FRS 1 IG4

#### Earnings per share

6. The basic and diluted earnings per share for each class of ordinary shares shall be presented, even if the amounts are negative (i.e. a loss per share).

FRS 33(66,69)

#### Additional disclosures

7. Additional line items, headings and subtotals shall be presented on the face of the income statement only when such presentation is necessary to an understanding of the entity's financial performance, the presentation is free of bias and undue prominence, the presentation is applied consistently and the methods are described in detail in the accounting policies.

FRS 1(83)

# Balance Sheets

for the financial year ended 31 December 2008

	Note	Group		Company		
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	
<b>ASSETS</b>						FRS 1(68,104) SGX 1207(5)(a) SGX 1207(5)(b)
<b>Current assets</b>						
Cash and cash equivalents	13	22,010	36,212	2,002	2,977	FRS 1(51) FRS 1(68)(i)
Financial assets, at fair value through profit or loss	14	10,785	8,326	–	–	FRS 1(68)(d)
Derivative financial instruments	15	1,069	452	232	78	FRS 1(68)(d)
Financial assets, available-for-sale	16	1,950	646	–	–	FRS 1(68)(d)
Trade and other receivables	17	18,965	16,073	7,562	2,116	FRS 1(68)(h)
Inventories	18	24,258	17,094	2,200	335	FRS 1(68)(g)
Construction contract work-in-progress	19	262	147	–	–	
Other current assets	20	545	326	50	50	
		79,844	79,276	12,046	5,556	
Disposal group classified as held for sale	11	3,333	–	–	–	FRS 105(38) FRS 1(68A)
		83,177	79,276	12,046	5,556	
<b>Non-current assets</b>						FRS 1(51)
Derivative financial instruments	15	395	112	34	6	FRS 1(68)(d)
Financial assets, available-for-sale	16	15,298	12,291	1,500	1,218	FRS 1(68)(d)
Trade and other receivables	21	3,122	1,990	3,136	3,200	FRS 1(68)(h)
Investments in associated companies	24	8,208	8,569	1,000	1,000	FRS 1(68)(e)
Investment in a joint venture	25	–	–	880	880	FRS 1(69)
Investments in subsidiaries	26	–	–	110,410	96,460	FRS 1(69)
Investment properties	27	3,510	3,415	–	–	FRS 1(68)(b)
Financial assets, held-to-maturity	28	2,122	1,593	–	–	FRS 1(68)(d)
Property, plant and equipment	29	155,651	99,930	855	400	FRS 1(68)(a)
Intangible assets	30	24,322	19,600	1,200	1,100	FRS 1(68)(c)
Deferred income tax assets	37	3,319	3,228	–	–	FRS 1(68)(n)
		215,947	150,728	119,015	104,264	
<b>Total assets</b>		299,124	230,004	131,061	109,820	
<b>LIABILITIES</b>						
<b>Current liabilities</b>						FRS 1(51)
Trade and other payables	31	16,231	10,556	477	549	FRS 1(68)(j)
Current income tax liabilities	10	2,942	3,833	235	325	FRS 1(68)(m)
Derivative financial instruments	15	440	240	35	45	FRS 1(68)(l)
Borrowings	32	9,524	15,670	3,500	10,200	FRS 1(68)(l)
Provisions for other liabilities and charges	36	2,126	2,300	100	210	FRS 1(68)(k)
		31,263	32,599	4,347	11,329	
Liabilities directly associated with disposal group classified as held for sale	11	220	–	–	–	FRS 105(38) FRS 1(68A)
		31,483	32,599	4,347	11,329	
<b>Non-current liabilities</b>						FRS 1(51)
Derivative financial instruments	15	135	44	12	2	FRS 1(68)(l)
Borrowings	32	112,855	89,214	72,822	61,751	FRS 1(68)(l)
Deferred income tax liabilities	37	12,646	8,406	3,775	2,051	FRS 1(68)(n)
Provisions for other liabilities and charges	36	1,655	1,585	200	95	FRS 1(68)(k)
		127,291	99,249	76,809	63,899	
<b>Total liabilities</b>		158,774	131,848	81,156	75,228	
<b>NET ASSETS</b>		140,350	98,156	49,905	34,592	
<b>EQUITY</b>						
<b>Capital and reserves attributable to equity holders of the Company</b>						
Share capital	38	41,495	32,024	41,495	32,024	FRS 1(75)(e)
Treasury shares	38	(1,418)	(900)	(1,418)	(900)	FRS 1(75)(e)
Other reserves	39	14,307	6,419	8,552	2,034	FRS 1(75)(e)
Retained earnings	40	78,778	58,852	1,276	1,434	FRS 1(75)(e)
		133,162	96,395	49,905	34,592	FRS 1(68)(p)
<b>Minority interests</b>		7,188	1,761	–	–	FRS 1(68)(o)
<b>Total equity</b>		140,350	98,156	49,905	34,592	



# Consolidated Statement of Changes in Equity<sup>1</sup>

for the financial year ended 31 December 2008

Note	Attributable to equity holders of the Company					Minority interests	Total Equity	
	Share capital	Treasury shares	Other reserves	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2008</b>								
<b>Beginning of financial year</b>	32,024	(900)	6,419	58,852	96,395	1,761	98,156	
Financial assets, available-for sale <sup>2</sup>								
- Fair value gains	39(b)(iii)	-	-	609	609	-	609	FRS 107(20)(a)(ii)
- Disposals	39(b)(iii)	-	-	(164)	(164)	-	(164)	FRS 107(20)(a)(ii)
Cash flow hedges <sup>2</sup>								
- Fair value gains	39(b)(iv)	-	-	342	342	-	342	FRS 107(23)(c)
- Transfers	39(b)(iv)	-	-	(279)	(279)	-	(279)	FRS 107(23)(d,e)
Currency translation differences	39(b)(v)	-	-	1,782	1,782	552	2,334	FRS 21(52)(b)
Disposal of subsidiary	13	-	-	(1,200)	(1,200)	(300)	(1,500)	FRS 21(48), FRS 1(96)(b)
Revaluation gains <sup>2</sup> on land and buildings	39(b)(vii)	-	-	202	202	5	207	FRS 16(77)(f)
Tax on employee share option scheme	39(b)(ii)	-	-	114	114	-	114	FRS 12(68C)
Net income recognised directly in equity		-	-	1,406	1,406	257	1,663	FRS 1(96)(b)
Net profit		-	-	30,028	30,028	2,548	32,576	FRS 1(96)(a)
<b>Total recognised income</b>		-	-	<b>1,406</b>	<b>30,028</b>	<b>2,805</b>	<b>34,239</b>	FRS 1(96)(c)
Purchase of treasury shares	38	-	(2,072)	-	(2,072)	-	(2,072)	FRS 32(33)
Employee share option scheme								
- Value of employee services	39(b)(i)	-	-	690	690	-	690	FRS 102(7)
- Treasury shares re-issued	38	-	1,554	(572)	982	-	982	FRS 32(33)
Issue of shares	38	9,884	-	-	9,884	-	9,884	FRS 1(97)(a)
Share issues expenses	38	(413)	-	-	(413)	-	(413)	FRS 1(97)(a), 98)
Convertible bond - equity component	39(b)(vi)	-	-	6,364	6,364	-	6,364	FRS 32(28)
Dividend relating to 2007 paid	41	-	-	(10,102)	(10,102)	(1,920)	(12,022)	FRS 1(97)(a)
Acquisition of a subsidiary	13	-	-	-	-	4,542	4,542	FRS 1(97)(c)
<b>End of financial year</b>		<b>41,495</b>	<b>(1,418)</b>	<b>14,307</b>	<b>78,778</b>	<b>7,188</b>	<b>140,350</b>	

# Consolidated Statement of Changes in Equity<sup>1</sup>

for the financial year ended 31 December 2008

Note	Attributable to equity holders of the Company				Total	Minority interests	Total Equity	
	Share capital	Treasury shares	Other reserves	Retained earnings				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>2007</b>								
<b>Beginning of financial year</b>		32,024	–	5,046	57,492	94,562	1,274	95,836
Change in tax rates	39(b)	–	–	52	–	52	–	52
Financial assets, available-for sale <sup>2</sup>								
- Fair value gains	39(b)(iii)	–	–	72	–	72	–	72
Cash flow hedges <sup>2</sup>								
- Fair value gains	39(b)(iv)	–	–	331	–	331	–	331
- Transfers	39(b)(iv)	–	–	(315)	–	(315)	–	(315)
Currency translation differences	39(b)(v)	–	–	(130)	–	(130)	(40)	(170)
Revaluation gains <sup>2</sup> on land and buildings	39(b)(vii)	–	–	741	–	741	153	894
Net income recognised directly in equity		–	–	751	–	751	113	864
Net profit		–	–	–	17,096	17,096	924	18,020
<b>Total recognised income</b>		–	–	751	17,096	17,847	1,037	18,884
Purchase of treasury shares	38	–	(900)	–	–	(900)	–	(900)
Employee share option scheme								
- Value of employee services	39(b)(i)	–	–	622	–	622	–	622
Dividend relating to 2006 paid	41	–	–	–	(15,736)	(15,736)	(550)	(16,286)
<b>End of financial year</b>		<b>32,024</b>	<b>(900)</b>	<b>6,419</b>	<b>58,852</b>	<b>96,395</b>	<b>1,761</b>	<b>98,156</b>

## Guidance Notes

### Consolidated statement of changes in equity ("SoCE")

#### Choice in presentation

1. An entity has a choice of presenting either a statement of recognised income and expense ("SoRIE"), or a SoCE as its primary statement, unless it adopts the policy of recognising directly in equity all actuarial gains and losses on defined benefit post-employment plan in the period when they occur, in which case, the entity will be required to present SoRIE as its primary statement.
2. This publication illustrates the presentation of these items individually net of tax. Alternatively, an entity can present these items individually gross of tax and their total tax effects as a separate line item.

FRS 1(8)(c)

FRS 19(93B)

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2008

	Note	2008 \$'000	Group 2007 \$'000	
<b>Cash flows from operating activities<sup>1</sup></b>				<b>FRS 7(1)</b>
Total profit		32,576	18,020	<b>SGX 1207(5)(c)</b>
Adjustments for				<b>FRS 7(10,18(b))</b>
- Income tax expense		14,958	7,531	
- Employee share option expense		690	622	
- Amortisation, depreciation and impairment		23,100	10,097	
- Gain on disposal of property, plant and equipment		(17)	(8)	
- Net gain on disposal of financial assets, available-for-sale		(825)		
- Loss on disposal of a subsidiary		945	-	
- Fair value loss/(gain) on investment property		123	(50)	
- Interest income <sup>2</sup>		(1,180)	(620)	<b>FRS 7(31-34)</b>
- Dividend income <sup>2</sup>		(2,230)	(400)	<b>FRS 7(31-34)</b>
- Finance expenses <sup>2</sup>		7,073	9,060	<b>FRS 7(31-34)</b>
- Share of loss/(profit) of associated companies		174	(145)	
- Unrealised translation (gains)/losses		(1,278)	3,471	<b>FRS 7(25,26)</b>
		74,109	47,578	
Change in working capital, net of effects from acquisition and disposal of subsidiaries				<b>FRS 7(20)(a)</b>
- Inventories and construction work-in-progress		(17,930)	1,031	
- Trade and other receivables		(14,048)	(2,741)	
- Financial assets, at fair value through profit or loss		(3,832)	(500)	
- Other current assets		(334)	(142)	
- Trade and other payables		(26,882)	526	
- Provisions for liabilities and other charges		43	39	
Cash generated from operations <sup>3</sup>		11,126	45,791	
Interest received <sup>2</sup>		35	13	<b>FRS 7(31)</b>
Interest paid <sup>2</sup>		(8,985)	(9,574)	<b>FRS 7(31)</b>
Income tax paid		(15,504)	(10,974)	<b>FRS 7(35)</b>
<b>Nets cash (used in)/provided by operating activities</b>		<b>(13,328)</b>	<b>25,256</b>	
<b>Cash flows from investing activities</b>				<b>FRS 7(21)</b>
Acquisition of a subsidiary, net of cash acquired	13	(13,950)	-	<b>FRS 7(39,42)</b>
Proceeds from disposal of a subsidiary, net of cash	13	179	-	<b>FRS 7(39,42)</b>
Purchases and construction of property, plant and equipment		(9,515)	(8,082)	<b>FRS 7(16)(a),43)</b>
Proceeds from disposal of property, plant and equipment		6,354	2,995	<b>FRS 7(16)(b)</b>
Proceeds from disposal of investment property		70		<b>FRS 7(16)(b)</b>
Purchases of investment property		(288)		<b>FRS 7(16)(a)</b>
Purchases of intangible assets		(2,813)	(700)	<b>FRS 7(16)(a)</b>
Purchases of financial assets, available-for-sale		(3,956)	(691)	<b>FRS 7(16)(c)</b>
Proceeds from disposal of financial assets, available-for-sale		700	-	<b>FRS 7(16)(d)</b>
Purchases of financial assets, held-to-maturity		(427)	(372)	<b>FRS 7(16)(c)</b>
Loans to an associated company		(1,445)	(547)	<b>FRS 7(16)(e)</b>
Repayment of loans by an associated company		63	98	<b>FRS 7(16)(f)</b>
Dividends received <sup>2</sup>		2,230	396	<b>FRS 7(31)</b>
Interest received <sup>2</sup>		2,290	346	<b>FRS 7(31)</b>
<b>Net cash used in investing activities</b>		<b>(20,508)</b>	<b>(6,557)</b>	

# Consolidated Cash Flow Statement

for the financial year ended 31 December 2008

	Note	2008 \$'000	Group 2007 \$'000	
<b>Cash flows from financing activities</b>				FRS 7(21)
Proceeds from issuance of ordinary shares		9,471	–	FRS 7(17)(a)
Proceeds from re-issuance of treasury shares		982	–	FRS 7(17)(a)
Proceeds from issuance of convertible bond		50,000	–	FRS 7(17)(a,c)
Proceeds from issuance of redeemable preference shares to immediate holding corporation		–	30,000	FRS 7(17)(c)
Proceeds from borrowings		8,500	18,000	FRS 7(17)(c)
Purchase of treasury shares		(2,072)	(900)	FRS 7(17)(b)
Repayment of borrowings		(27,488)	(36,745)	FRS 7(17)(d)
Repayment of lease liabilities		(165)	(93)	FRS 7(17)(e)
Interest paid <sup>2</sup>		(3,180)	(450)	FRS 7(31)
Dividends paid to equity holders of the Company		(10,102)	(15,736)	FRS 7(31)
Dividends paid to minority interests		(1,920)	(550)	FRS 7(31)
<b>Net cash provided by/(used in) financing activities</b>		<b>24,026</b>	<b>(6,474)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,810)</b>	<b>12,225</b>	
Cash and cash equivalents at beginning of financial year	13	29,548	17,387	FRS 7(45)
Effects of currency translation on cash and cash equivalents		(578)	(64)	FRS 7(28)
<b>Cash and cash equivalents at end of financial year</b>	13	<b>19,160</b>	<b>29,548</b>	FRS 7(45)

## Guidance Notes

### Consolidated Cash Flow Statement

#### Direct method

1. An entity can present its cash flow statement using the direct or indirect method; the latter is illustrated in this publication. When the direct method is used, the cash flows from operating activities shall be presented as follows:

	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	114,461	143,507
Cash paid to suppliers and employees	(103,335)	(97,716)
Cash generated from operations	11,126	45,791
Interest received	35	13
Interest paid	(8,985)	(9,574)
Income taxes paid	(15,504)	(10,974)
Net cash (used in)/provided by operating activities	(13,328)	25,256

The rest of the “direct method” consolidated cash flow statement is similar to that of the indirect method.

#### Dividends and interest

2. Cash flows from interest received and paid and dividends received shall each be disclosed separately, and classified consistently period to period.

The interest amounts to be adjusted against profit after tax are the amounts charged or credited to the income statement. The amounts to be shown under financing or investing cash flows shall be strictly cash paid or received during the period; differences will be reflected in the changes in operating assets and liabilities or as additions to qualifying assets if interest has been capitalised in the cost of these assets.

#### Reconciliation from profit after tax to cash generated from operations

3. As an alternative, an entity can present the reconciliation in the notes to the financial statements.

FRS 7(18)(a)

FRS 7 App A  
FRS 7(19)

FRS 7(31-34)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

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

## 1. General information

PwC Holdings Ltd (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 350 Harbour Street, PwC Centre, #30–00, Singapore 049929.<sup>1,2</sup>

FRS 1(126)(a)

The principal activities of the Company are the manufacturing and sale of electronic component parts, and investment holding. The principal activities of its subsidiaries are the manufacturing and sale of electronic component parts, the sale of furniture, the construction of specialised equipment, and logistic services.

FRS 1(126)(b)

The Group acquired control of XYZ Electronics Group (now known as PwC Components (Philippines) Group), an electronics components manufacturing group operating in the Philippines (Note 26) during the financial year.

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The glass business segment was discontinued during the financial year (Note 11).

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### Guidance Notes

#### General information

1. The following items shall be disclosed in the financial statements unless they are disclosed elsewhere in information published with the financial statements (e.g. in the other sections of the Annual Report):
  - (a) the domicile and legal form of the reporting entity, its country of incorporation and the address of the registered office (or principal place of business, if different from the registered office);
  - (b) a description of the nature of the entity's operations and its principal activities; and
  - (c) the name of the parent company and the ultimate parent company of the group (disclosed in Note 45 of these financial statements).
2. If the Company changes its name during the financial year, the change shall be disclosed. A suggested disclosure is as follows:

FRS 1(126)

*“With effect from [effective date of change], the name of the Company was changed from [XYZ Pte Ltd] to [ZYX Pte Ltd].”*

FRS 1(46)(a)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2. Significant accounting policies<sup>1,2,3</sup>

FRS 1(103)(a)

### Guidance Notes

#### Significant accounting policies

##### Disclosure of accounting policies

1. In deciding whether a particular accounting policy shall be disclosed, management considers whether disclosure will assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Accounting policies shall be disclosed for all material components. The accounting policies illustrated in this publication must be tailored if they are adopted by other reporting entities to suit the particular circumstances and needs of readers of those financial statements.
2. Disclosure of accounting policies is particularly useful to users when there are alternatives allowed in Standards and Interpretations. Examples include whether proportionate consolidation or the equity method is applied to account for interests in joint ventures (FRS 31), measurement bases used for classes of property, plant and equipment (FRS 16) and whether borrowing costs on qualifying assets are capitalised or recognised immediately as an expense (FRS 23).
3. An accounting policy may also be significant because of the nature of the entity's operations, even if amounts shown for current and prior periods are not material. Omission or misstatement of items are material if they can, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement, taking into consideration the surrounding circumstances. The size or nature of the item, or a combination of both, can be the determining factor.

FRS 1(110)

FRS 1(110)

FRS 1(112)

FRS 1(11)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.1 Basis of preparation

FRS 1(14)  
SGX 1207(5)(d)

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”)<sup>1</sup>. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

FRS 1(108)(a)

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

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### Guidance Notes

#### Basis of preparation

##### Compliance with FRS

1. Please refer to guidance notes 1 and 2 under Statement by Directors.

##### Going concern assumption

2. When preparing financial statements, management shall make an assessment of the entity’s ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
3. An entity shall 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 entity or to cease trading, or has no realistic alternative but to do so.
4. When management is aware of material uncertainties related to events or conditions which may cast significant doubt upon the entity’s ability to continue as a going concern, those uncertainties shall be disclosed, even if management eventually concludes that it is appropriate to prepare the financial statements on a going concern basis. One disclosure example is *“These financial statements are prepared on a going concern basis because the holding company has undertaken to provide continuing financial support so that the Company is able to pay its debts as and when they fall due”*.
5. When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not considered a going concern. One disclosure example is *“These financial statements are prepared on a realisation basis because management intends to liquidate the Company within the next 12 months from the balance sheet date”*.

FRS 1(23)

FRS 10(14)

FRS 1(23)

FRS 1(23)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.1 Basis of preparation (continued)

### **Interpretations and amendments to published standards effective in 2008**

On 1 January 2008, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group<sup>1</sup>:

FRS 8(28)(a)

INT FRS 111                      Group and Treasury Share Transactions

The adoption of the above INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

FRS 8(28)(b)

### Guidance Notes

#### **Basis of preparation – Interpretations and amendments to published standards effective in 2008**

1. The following are the new or amended Standards and Interpretations (issued up to 16 June 2008) that are applicable for annual periods commencing after 1 January 2007.

<b><u>Annual periods commencing on</u></b>	<b><u>Description</u></b>
1 March 2007	INT FRS 111 Group and Treasury Share Transactions
1 January 2008 For non-listed entities	FRS 107 Financial Instruments: Disclosures Amendments to FRS 1 Presentation of Financial Statements – Capital Disclosures
1 January 2008	INT FRS 112 Service Concession Arrangements
1 January 2008	INT FRS 114 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
1 July 2008	INT FRS 113 Customer Loyalty Programmes
1 January 2009	FRS 1(R) Presentation of Financial Statements
1 January 2009	FRS 23(R) Borrowing Costs
1 January 2009	FRS 108 Operating Segments



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.2 Revenue recognition<sup>1,2</sup>

FRS 18(35)(a)

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented net of value-added tax<sup>3</sup>, rebates and discounts, and after eliminating sales within the Group.

FRS 18(9)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

FRS 18(14)(c-e)

### (a) Sale of goods - electronic component parts

Revenue from these sales is recognised when a Group entity has delivered the parts to locations specified by its customers and the customers have accepted the parts in accordance with the sales contract.

FRS 18(14)(a,b)

Electronic component parts are sold to certain customers with volume discount and these customers also have the right to return faulty parts. Revenue from these sales is recorded based on the contracted price less the estimated volume discount and returns at the time of sale. Past experience and projections are used to estimate the anticipated volume of sales and returns.

FRS 18(9)

### (b) Sale of goods - furniture

The Group sells furniture through retail stores and wholesalers.

Revenue from retail stores is recognised when the Group delivers the furniture to its customers and it is probable that the furniture will not be returned. Customers are given a right to return the furniture within seven days of delivery. Accumulated experience is used to estimate and provide for such returns at the time of sale.

FRS 18(14)(a,b)

The Group does not operate any customer loyalty programme.

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Revenue from sales to wholesalers is recognised when the Group has delivered the furniture to the wholesalers.

FRS 18(14)(a,b)

### (c) Rendering of service - Logistics services

Revenue from logistics services is recognised when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

FRS 18(20)

FRS 18(35)(a)

### (d) Construction of specialised equipment

Please refer to the paragraph "Construction Contracts" for the accounting policy for revenue from construction contracts.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.2 Revenue recognition (continued)

### (e) Interest income<sup>4,6</sup>

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

FRS 18(30)(a)

### (f) Dividend income<sup>5,6</sup>

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

FRS 18(30)(c)

### (g) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

FRS 17(50)  
INT FRS 15(4)

## Guidance Notes

### Revenue recognition

1. Revenue recognition policy for each principal activity is required to be disclosed and the disclosure should be tailored to the entity's specific circumstances to provide the readers with sufficient understanding of the policies.
2. Please refer to Appendix 1 Example 3 for an illustrative disclosure example of a contract with multiple-element arrangements.
3. If the Group operates predominantly in Singapore, the term "value-added tax" may be replaced by "goods and services tax".
4. When unpaid interest has accrued on an investment prior to it being acquired by the reporting entity, the subsequent receipt of interest is treated as a recovery of part of the cost of equity securities.
5. When dividends on equity securities are declared from pre-acquisition profits, those dividends are deducted from the cost of the securities. Where it is difficult to make such an allocation except on an arbitrary basis, dividends are recognised as revenue unless they clearly represent a recovery of part of the cost of the equity securities.
6. Where interest and dividends representing recovery of the cost of investment are material, the following disclosure can be considered:

FRS 18(13)

FRS 18(32)

FRS 18(32)

*"Where the Group receives [dividend, distribution and interest] from its investments, which clearly represent recovery of part of the cost of the investments, the [dividend, distribution and interest received] are accounted for as a reduction of the carrying amounts of those investments."*

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.3 Group accounting<sup>1</sup>

### (a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority 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 27(13)  
INT FRS 12(8)

FRS 27(14)

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 dates of exchange<sup>2</sup>, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition<sup>2</sup>, irrespective of the extent of minority interest. Please refer to the paragraph "Intangible assets - Goodwill" for the accounting policy on goodwill on acquisition of subsidiaries.

FRS 103(14)

FRS 103(24)

FRS 103(36)

DV

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

FRS 27(30)

In preparing the consolidated financial statements<sup>3</sup>, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FRS 27(24)

FRS 27(25)

FRS 27(28,29)

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

FRS 27(4)

FRS 27(22)(c)

FRS 27(35)

Please refer to the paragraph "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

DV

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Group accounting – (a) Subsidiaries

1. When a parent is exempted under paragraph 10 of FRS 27 from preparing consolidated financial statements and elects to use the exemption and prepare separate financial statements, the following disclosure can be considered:

FRS 27(41)(a)

*“These financial statements are the separate financial statements of [Company name]. The Company is exempted from the preparation of consolidated financial statements as the Company is [a wholly-owned subsidiary of PwC Corporate Limited, a Singapore-incorporated company which produces consolidated financial statements available for public use]. The registered office of PwC Corporate Limited is as follows: 320 Pier Street, #17-00 Singapore 049900.”*

The exempted parent that elects to prepare separate financial statement shall also disclose a list of significant investments in subsidiaries, jointly controlled entities and associates, including the name, country of incorporation or residence, proportion of ownership interest (and if different, proportion of voting power held) and a description of the method used to account for these investments.

FRS 27(41)(b,c)

### Dates of exchange and date of acquisition

2. When business combination involves more than one exchange transaction, for example when it is achieved in stages by successive share purchases, the date of exchange is the date that each individual investment is recognised in the financial statements of the acquirer. This will be different to the date of acquisition, which is the date on which the acquirer obtains control of the acquiree.

FRS 103 AppA

### Reporting dates of parent and its subsidiaries

3. This publication illustrates the situation where the financial statements of the parent and its subsidiaries used to prepare the consolidated financial statements are prepared as of the same reporting date. Where it is impracticable to do so, the parent may use financial statements of a subsidiary as of a different reporting date provided the difference in periods does not exceed three months, adjustments are made for the effects of significant transactions or events occurring during that period, and the length of reporting periods and any difference in the reporting dates are the same from period to period. Where this occurs, the reporting date of the financial statements of the subsidiary shall be disclosed, together with the reason for using a different reporting date or period.

FRS 27(26,27)

FRS 27(40)(e)

A similar requirement applies to the financial statements of associated companies and joint ventures used for the purpose of equity accounting or proportionate consolidation, as appropriate.

FRS 28(24-25,37(e))

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.3 Group accounting (continued)

### (b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group<sup>1</sup>. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

#### Guidance Notes

##### Group accounting – (b) Transactions with minority interests

1. A reporting group may also treat transactions with minority interests as transactions with equity holders, in which gain or loss is recognised directly in equity rather than in the income statement. This treatment is provided in the revised IAS 27 (only effective from 1 July 2009). When adopted, the following disclosure can be considered:

*Changes in the Group's interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions. Any changes in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received, if any, is brought to retained earnings.*

IAS 27(30)

*When the Group loses control in a subsidiary (whether through sale or other means), it derecognises the assets and the liabilities of the subsidiary together with any minority interests in that subsidiary. The gain or loss on disposal is recognised in the income statement.*

IAS 27(30, 31)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.3 Group accounting (continued)

### (c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies<sup>2</sup> are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

FRS 28(2)

FRS 28(6)

FRS 28(13)

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at 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.

FRS 28(11)

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

FRS 28(11)

FRS 28(29)

FRS 28(30)

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. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

FRS 28(22)

FRS 28(26)

FRS 28(27)

Dilution gains and losses arising from investments in associated companies are recognised in the income statement.<sup>3</sup>

Please refer to the paragraph "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

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## Guidance Notes

### Group accounting – (c) Associated Companies

#### Reporting dates of investor and its associated companies

1. Please refer to guidance note 3 under Group Accounting – Subsidiaries.

FRS 28(24,25,37(e))

#### Cost of investment in associated companies

2. Cost of investment in an associated company includes goodwill identified on acquisition of the associated company.

FRS 28(23)(a)

#### Dilution of investment in associated companies

3. Dilution of investment in an associated company may result from non-subscription of additional shares issued by the associated company. The Company may alternatively adopt an accounting policy to recognise dilution gains or losses in equity instead of the income statement as illustrated in this publication.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.3 Group accounting (continued)

### (d) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation<sup>1</sup>.

FRS 31(3)

FRS 31(57)

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

FRS 31(30,34)

When the Group sells assets to a joint venture, the Group recognises only the portion of unrealised gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

FRS 31(48)

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets 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(49)

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Please refer to the paragraph "Investments in subsidiaries, joint ventures and associated companies" for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

DV

### Guidance Notes

#### Group accounting – (d) Joint ventures

#### Method of accounting

1. Jointly-controlled entities may also be consistently accounted for using the equity method and when so, the policy described in Note 2.3(c) can be considered.

FRS 31(38)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.4 Property, plant and equipment

### (a) Measurement<sup>1</sup>

#### (i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

FRS 16(15)  
FRS 16(31)

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. 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.

FRS 16(32-34)

FRS 16(35)(b)

Increases in carrying amounts arising from revaluation including currency translation differences, are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in the income statement. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised in the income statement.

FRS 16(39)  
FRS 21(30)

FRS 16(40)

#### (ii) Properties under development

Properties under development are properties being constructed or developed for future rental<sup>2,3</sup>. They are carried at cost less accumulated impairment losses until construction or development is completed, at which time they are transferred and accounted for as investment properties.

FRS 40(9)(d)  
FRS 16(30)

#### (iii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

FRS 16(15,30)  
FRS 16(73)(a)

#### (iv) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost<sup>4</sup> that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

FRS 16(16)(a,b)  
FRS 16(17)

FRS 23(10,11)  
FRS 39(98(b),99)



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Property, plant and equipment ("PPE") – (a) Measurement

#### Method of accounting

1. An item of PPE shall be initially measured at cost, but can be subsequently measured using either the cost model (as illustrated in Note 2.4(a)(iii)) or the revaluation model (as illustrated in Note 2.4(a)(i)).

FRS 16(29)

The elected policy shall be applied consistently to an entire class of PPE. A class of PPE is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes include land, land and buildings, machinery, ships, aircraft, motor vehicles, furniture and fixtures and office equipment.

FRS 16(37)

#### Property under development for future rental

2. Currently, property under construction or development for future use as investment property is outside the scope of FRS 40. FRS 16 applies to such property until construction or development is complete. FRS 40 however applies to an existing investment property that is being re-developed for continued use as investment property.

FRS 40(9)(d)

However, under the Improvements to IFRS which was released by IASB in May 2008, IAS 40 will apply to all property under construction or development for future use as investment property instead of IAS 16. This Improvements standard has not been issued in Singapore as at the date of this publication.

#### Property under development for future sale

3. Property under development for sale that is sold prior to completion shall be accounted for either using the percentage of completion or completed contract method. For an illustrative disclosure using the percentage of completion method, please refer to Appendix 1 Example 8.

RAP 11(9)

#### Provision for dismantlement, removal or restoration

4. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of PPE if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period. For an illustration of the accounting policy and other disclosures, please refer to Appendix 1 Example 4.

FRS 16(16)(c)

#### Computer software license and development costs

5. Computer software license and development costs shall be accounted for as intangible assets using FRS 38 when they are not an integral part to the related hardware. Computer software that is an integral part to the related hardware shall be accounted for as PPE using FRS 16.

FRS 38(4)

#### Spare parts and servicing equipment

6. Minor spare parts and servicing equipment are typically carried as inventory and recognised in the income statement as consumed. Major spare parts and stand-by equipment are carried as PPE when an entity expects to use them during more than one period or when they can be used only in connection with an item of PPE.

FRS 16(8)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.4 Property, plant and equipment (continued)

### (b) Depreciation

Freehold land and property under development are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives<sup>1</sup> as follows:

FRS 16(73)(b)  
FRS 16(50)

FRS 16(73)(c)

	<u>Useful lives</u>
Leasehold land	60 – 99 years
Buildings	25 – 50 years
Motor vehicles	4 years
Plant and equipment	5 – 15 years

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

FRS 16(51,61)

### (c) Subsequent expenditure

Subsequent expenditure<sup>2</sup> relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

FRS 16(7)

FRS 16(12)

### (d) Disposal

FRS 16(67)

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

FRS 16(68)  
FRS 16(71)

FRS 16(41)

## Guidance Notes

### Property, plant and equipment (“PPE”) – (b) Depreciation

#### Component approach to depreciation

1. An entity allocates the amount initially recognised in respect of an item of PPE to its significant parts and depreciates separately each significant part if those parts have different useful lives.

FRS 16(43-44)

#### Approach to replacements

2. In addition, an item of PPE may require replacement at regular intervals. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised.

FRS 16(13,7)

If the amount is material, a suggested disclosure is as follows:

*“The [specific class of plant and equipment] is subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of [years] in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the income statement.”*

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.5 Intangible assets

### (a) Goodwill on acquisitions

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

FRS 103(51)

Goodwill on subsidiaries and joint ventures<sup>1</sup> is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

FRS 103(54)

Goodwill on associated companies is included in the carrying amount of the investments.

FRS 28(23)(a)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained earnings in the year of acquisition and not recognised in the income statement on disposal.<sup>2</sup>

### (b) Acquired trademark and licenses

Trademarks and licenses acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight-line method over 15 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

FRS 38(74)

FRS 38(118)(a,b)  
FRS 38(94,97)

### (c) Acquired computer software licenses<sup>4</sup>

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as expenses when incurred.

FRS 38(24)  
FRS 38(27,28)  
FRS 38(66,67)

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight-line method over their estimated useful lives of three to five years.

FRS 38(74)

FRS 38(118)(a,b)

FRS 38(97)

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

FRS 38(104)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Intangible assets

#### Goodwill on joint ventures

1. This publication illustrates the disclosure where joint ventures are accounted for using the proportionate consolidation method and thus, goodwill on joint ventures is recognised separately like the treatment of goodwill on subsidiaries. If joint ventures are accounted for using the equity method of accounting, goodwill on joint ventures shall be included in the carrying amount of the investments like the treatment of goodwill on associated companies.

#### Goodwill previously charged to retained earnings

2. Goodwill on subsidiaries, joint ventures or associated companies acquired prior to annual periods commencing 1 October 2000 was allowed to be adjusted against shareholders' equity. If this option is taken, goodwill previously recognised against retained earnings shall not be recognised in the income statement on disposal of these entities.

FRS 103(80)

#### Negative goodwill

3. The following is an illustrative disclosure where negative goodwill arises on acquisition:

*"Where the cost of an acquisition is less than the fair value of the Group's share of the net identifiable assets and contingent liabilities of the subsidiary acquired, the difference ("negative goodwill") is recognised directly in the income statement, unless it arose from acquisitions prior to [1 January 2001]. Such negative goodwill was adjusted to retained earnings in the year of acquisition and is not recognised in the income statement on disposal."*

FRS 103(56)

Similar to the goodwill arising from acquisition prior to annual periods commencing 1 October 2000 (guidance note 2 above), such negative goodwill was allowed to be adjusted to shareholders' equity directly.

#### Development of software

4. If the entity develops its own computer software and capitalises these costs in accordance with FRS 38, the following disclosure is suggested:

*"Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project."*

FRS 38(57)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.6 Borrowing costs

FRS 23(9,29(a))

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction or development of properties. The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development.

FRS 23(10,11)

FRS 39(47)

FRS23(20,25)

FRS 23(15)

## 2.7 Contract to construct specialised equipment (“Construction contracts”)<sup>1</sup>

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (“percentage-of-completion method”). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

FRS 11(22)

FRS 11(32)

FRS 11(36)

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

FRS 11(39)(b)

FRS 11(11)

FRS 11(13,14)

The stage of completion is measured<sup>2</sup> by reference to the contract costs incurred to date to the estimated total costs for the contract. 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 on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

FRS 11(39)(c)

FRS 11(31)

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings<sup>3</sup>, the balance is presented as due from customers on construction contracts within “trade and other receivables”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within “trade and other payables”.

FRS 11(43)

FRS 11(44)

Progress billings not yet paid by customers and retentions are included within “trade and other receivables”. Advances<sup>3</sup> received are included within “trade and other payables”.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Construction contracts

#### Scope of FRS 11

1. A significant feature of a construction contract is that the date of commencement and the date of completion fall into different accounting periods. A revenue-generating contract must meet the definition of a construction contract to be in the scope of FRS 11. Otherwise, FRS 18 applies. FRS 18 contains less stringent rules in the segmenting of contracts, compared to FRS 11.

#### Measuring stage of completion

2. The proportion of contract costs incurred to date over the total estimated contract costs may not be a reliable measure of the stage of completion for all construction contracts. Other methods such as a survey of work performed or the completion of a physical proportion of contract work may be more appropriate.
3. Progress billings are amounts billed for the work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed. Both often do not reflect the work performed and accordingly, are not used to determine the stage of completion.

FRS 11(30)

FRS 11(41)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.8 Investment properties

Investment properties include those portions<sup>1</sup> of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases<sup>2</sup> that is held for long-term capital appreciation or for a currently indeterminate use.

FRS 40(6)  
FRS 40(5,10)  
FRS 40(75)(b)  
FRS 40(8)(b)

Investment properties are initially recognised at cost and subsequently carried at fair value<sup>3</sup>, determined annually by independent professional valuers on the highest-and-best-use<sup>4</sup> basis. Changes in fair values are recognised in the income statement.

FRS 40(20,30)  
FRS 40(75)(e)  
FRS 40(35)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

FRS 40(65)

### Guidance Notes

#### Investment properties

1. When judgement is required to determine the portions of investment property, owner-occupied property and property held for sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved.
2. A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if and only if: (a) the property will otherwise meet the definition of an investment property; and (b) the lessee uses the fair value model to account for its investment properties. Once this classification is selected for one such property, all properties classified as investment properties shall be accounted for using the fair value model.
3. A reporting entity can choose to apply the cost model, provided it does not classify any land held under operating leases as investment property. The following accounting policy may be adopted:

FRS 40(75)(c)  
FRS 1(113)

FRS 40(6,25)

FRS 40(30,34)

*"Investment properties comprise significant portions of freehold office buildings that are held for long-term rental yields and/or for capital appreciation.*

*Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [ ] years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise....."*

When the cost model is applied, the fair value of investment property shall be disclosed at each reporting date. In the exceptional case, when an entity cannot determine the fair value of investment property reliably, it shall disclose:

FRS 40(79)(e)

- (a) a description of the investment property;
- (b) an explanation of why fair value cannot be determined reliably; and
- (c) if possible, the range of estimates within which fair value is highly likely to lie.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Investment properties (continued)

4. The Standards do not provide specific guidance to determine fair value. However, IAS 40.BC 53 highlights that the fair value concept under FRS is similar to that under the International Valuation Standards ("IVS").

Under IVS 1, the market value of an asset is estimated on the basis of its highest-and-best-use, which means that any possible use of the asset, as determined from market evidence, shall be considered in the fair value determination. The highest- and-best-use value approach, as suggested by IVS 1, is the most appropriate basis to determine fair value. This approach is further confirmed by the 1998 revision on IAS 16, which removed the "existing use" basis for valuing PPE. Nevertheless, it is possible for the highest and best use of an investment property to be the same as its existing use.

5. There are specific recognition and/or measurement requirements dealing with transfers from investment properties to property, plant and equipment or inventories and vice versa. Please refer to paragraphs 57-65 of FRS 40 for details.

## 2.9 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost<sup>1,2</sup> less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

FRS 27(37)  
FRS 27(42)(c)

## Guidance Notes

### Investments in subsidiaries, joint ventures and associated companies

1. When separate financial statements are prepared, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale, shall be accounted for either: (a) at cost; or (b) in accordance with FRS 39.
2. Investments in jointly controlled entities and associated companies that are accounted for in accordance with FRS 39 in the consolidated financial statements shall be accounted for in the same way in the investor's separate financial statements.

FRS 27(37)

FRS 27(39)

An example is investments in associated companies held by venture capital organisations or mutual funds, unit trusts and similar entities including investment-linked insurance funds. Such associated companies, instead of being equity-accounted for, may be accounted for at fair value through profit and loss in the consolidated financial statements. Accordingly, when the choice has been made to account for them at fair value through profit and loss in the consolidated financial statements, they shall also be accounted for at fair value through profit and loss in the separate financial statements of the investor.

FRS 28(1)



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.10 Impairment of non-financial assets

### (a) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in an associated company is tested for impairment as part of the investment, rather than separately.

FRS 36(9,10(b))  
FRS 28(33)

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

FRS 36(80)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

FRS 36(90)

FRS 36(6)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

FRS 36(104)

An impairment loss on goodwill is recognised in the income statement and is not reversed<sup>1</sup> in a subsequent period.

FRS 36(60)  
FRS 36(124)

### Guidance Notes

#### Goodwill

1. An entity shall not reverse an impairment loss recognised in a previous interim period (for example, in the quarterly financial announcement) in the annual period end financial statements in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

INT FRS 110(8)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.10 Impairment of non-financial assets (continued)

### (b) Intangible assets

*Property, plant and equipment*

*Investments in subsidiaries, associated companies and joint ventures*

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

FRS 36(9,10)

FRS 28(33)

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

FRS 36(22)

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

FRS 36(59)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount<sup>2</sup>, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

FRS 36(60)

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

FRS 36(114)

FRS 36(117)  
INT FRS 110(8)

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount<sup>2</sup>, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset<sup>2</sup> was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

FRS 36(119)

## Guidance Notes

### Impairment of non-financial assets

1. This publication illustrates the requirement for intangible assets with finite useful lives, for which an impairment test is conducted whenever there is an indication that these assets may be impaired. If the group owns intangible assets with indefinite useful lives (i.e. not amortised) or intangible assets not yet available for use (such as capitalised development costs), an annual impairment test is required for those assets similar to what is required for goodwill.
2. In this illustration, certain classes of non-financial assets are carried at their revalued amounts. The disclosures related to revalued amounts shall be removed if the Group applies only the cost model for all non-financial assets.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.11 Financial assets

FRS 107(21)

### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

FRS 39(9)

FRS 39(50)

### (i) Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

FRS 39(9)

FRS 107 AppB5(a)

FRS 1(57,59)

### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and cash equivalents” on the balance sheet.

FRS 39(9)

FRS 1(57,59)

### (iii) Financial assets, held-to-maturity

Financial assets, held-to-maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

FRS 39(9)

FRS 1(57,59)

### (iv) Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose off the assets within 12 months after the balance sheet date.

FRS 107 AppB5(b)  
FRS 39(9)

FRS 1(57,79)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.11 Financial assets (continued)

### (b) Recognition and derecognition

Regular way<sup>1</sup> purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

FRS 107 AppB5(c)  
FRS 39(38)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

FRS 39(17,20)

FRS 39(26)

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 is recorded as borrowings.

FRS 39(20)

### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

FRS 39(43)

## Guidance Notes

### Financial assets – (b) Recognition and derecognition

1. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned. A regular way purchase or sale gives rise to a fixed price commitment between trade date and settlement date that meets the definition of a derivative, but it is not recognised as such. Rather, FRS 39 allows these transactions to be recognised and derecognised using trade date accounting or settlement date accounting. If such transactions are not material, this disclosure can be omitted.

FRS 39(9)

FRS 39(38)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.11 Financial assets (continued)

### (d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are subsequently carried at amortised cost using the effective interest method.

FRS 39(46)

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends<sup>1</sup>, are recognised in the income statement when the changes arise.

FRS 39(55)(a)  
FRS 107 AppB5(e)  
FRS 21(30)

Interest and dividend income<sup>1</sup> on financial assets, available-for-sale are recognised separately in the income statement. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the income statement and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

FRS 39(55)(b)  
FRS 107 AppB5(e)

FRS 39 AG83

FRS 21(30)

## Guidance Notes

### Financial assets – (d) Subsequent measurement

#### Inclusion of interest and dividend income in the changes of fair value

1. For financial assets at fair value through profit or loss, an entity is allowed to :
  - (a) recognise interest income, interest expense and dividend income as part of net gains or net losses on these financial instruments; or
  - (b) recognise interest income, interest expense and dividend income separately

The elected policy shall be consistently applied and disclosed. Method (a) has been illustrated in this publication.

This policy choice is however not available to financial assets, available for sale, and therefore, the related dividend and interest income shall be accounted for in accordance with FRS 18, i.e. not part of the net gains or losses on fair values.

FRS 39(55)(a)  
FRS 107 AppB5(e)

FRS 39(55)(b)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.11 Financial assets (continued)

### (e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

FRS 39(58)  
FRS 107 AppB5(f)

#### (i) Loans and receivables / Financial assets, held to maturity

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

FRS 39(59)  
FRS 39(60)

The carrying amount of these assets is reduced through the use of an impairment allowance account<sup>1</sup> which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

FRS 39(63)

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

FRS 39(65)

#### (ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

FRS 39(61)

The cumulative loss that was recognised in the fair value reserve is transferred to the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

FRS 39(67)

FRS 39(68)

FRS 39(70)

FRS 39(69)

## Guidance Notes

### Financial assets – (e) Impairment

- FRS 39 allows an impairment loss on financial assets carried at amortised cost to be recognised through the use of an allowance account or by reducing the carrying amount of the financial asset directly. This publication illustrates the former.
- An entity shall not reverse an impairment loss recognised in the previous interim period in respect of an investment in either an equity instrument or a financial asset carried at cost or goodwill.

FRS 39(63)

INT FRS 110(8)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.12 Financial guarantees<sup>1,2</sup>

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

FRS 39(9)\

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

FRS 39(43)

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

FRS 39(47)(c)

Intragroup transactions are eliminated on consolidation.<sup>3</sup>

### Guidance Notes

#### Financial guarantees

##### Definition of financial guarantee

1. A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down.

FRS 39(9)

##### Financial guarantees versus insurance contracts

2. Financial guarantees shall be accounted for under FRS 39, unless the issuer has previously asserted explicitly that it regards certain financial guarantees as insurance contracts and has accounted for them as insurance contracts, in which case, the issuer may then elect to apply either FRS 39 or FRS 104 for these contracts. The issuer shall make the election contract by contract, but once the election is made, it is irrevocable.

FRS 104(4)(d)  
FRS 39(2)(e)

##### Financial guarantees for associated companies and joint ventures

3. Where the entity has issued financial guarantees to banks for bank borrowings of its associated companies and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures as required by FRS 24 shall also be made.

FRS 24(17)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.13 Borrowings

FRS 107(21)

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

FRS 1(60,63)

### (a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

FRS 39(43)  
FRS 39(47)

1

### (b) Redeemable preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance expenses.

FRS 32(18)(a)  
FRS 32(36)

2

### (c) Convertible bonds

When convertible bonds are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

FRS 32(28)

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

FRS 107(270(a))

FRS 32 AG31(a)

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

FRS 32 AG32

## Guidance Notes

### Borrowings

1. Preference shares that are redeemable on a specific date or at the option of the shareholder, or carry non-discretionary dividend obligations, shall be classified as liabilities. As for non-redeemable preference shares, their terms and conditions shall be critically evaluated using the criteria in FRS 32 to determine whether they shall be classified as a liability or equity.
2. A convertible bond that can be settled by delivering a fixed number of the issuer's own equity instruments for a fixed amount of foreign currency liability is a liability with an embedded derivative. Please refer to the illustrative disclosure in Appendix 1 Example 7 of this publication.

FRS 32(15-16)  
FRS 32(18)(a)

FRS 32(15-16,28)

FRS 32(28,15-16)  
FRS 32 AG27(d)



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.14 Trade and other payables

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

FRS 39(43,47)

## 2.15 Derivative financial instruments and hedging activities

FRS 107(21)

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

FRS 39(43,47)

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

FRS 39(88)

The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in the income statement when the changes arise.

FRS 39(71)  
FRS 39(86)  
FRS 107(21)  
FRS 39(55)

### (a) Fair value hedge

FRS 107(22)

The Group has entered into currency forwards that are fair value hedges for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies ("hedged item"). The fair value changes on the hedged item resulting from currency risk are recognised in the income statement. The fair value changes on the effective portion of currency forwards designated as fair value hedges are recognised in the income statement within the same line item as the fair value changes from the hedged item.

FRS 39(88,93)

FRS 39(89)(b)

FRS 39(89)(a)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method was used is amortised to the income statement over the period to maturity.

FRS 39(91)

## Notes to the Financial Statements

for the financial year ended 31 December 2008

### 2.15 Derivative financial instruments and hedging activities (continued)

#### (b) Cash flow hedge

FRS 107(22)

##### (i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. 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 borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in the hedging reserve and transferred to the income statement when the interest expense on the borrowings is recognised in the income statement.

FRS 39(95)(a)

##### (ii) Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or the income statement when the hedged forecast transactions are recognised.

FRS 39(95)(a), 97-100)

When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are transferred to the income statement immediately.

FRS 39(101)

#### (c) Net investment hedge

FRS 107(22)

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in the income statement.

FRS 39(102)

The fair value changes on the ineffective portion of hedging instruments are recognised separately in the income statement.

FRS 39(95)(b))

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

FRS 1(57,60)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.16 Fair value estimation of financial assets and liabilities

FRS 107(27)  
FRS 39 AG69

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

FRS 39(48A)  
FRS 39 AG71-73

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

FRS 39(48A)  
FRS 39 AG74-82

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

FRS 107(27)(a,b)

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

FRS 107(25,29)

## 2.17 Leases

### (a) When the Group is the lessee:<sup>1,3</sup>

The Group leases motor vehicles and certain plant and machinery under finance leases and land, factories and warehouses under operating leases from non-related parties.

#### (i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

FRS 17(4)

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

FRS 17(20)

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

FRS 17(25)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.17 Leases (continued)

### (ii) Lessee - Operating leases

Land under operating leases is accounted for as investment property. Please refer to the accounting policy for "Investment properties".

Leases of factories and warehouses where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

FRS 17(4)

FRS 17(33)  
INT FRS 15(5)

Contingent rents<sup>2</sup> are recognised as an expense in the income statement when incurred.

### (b) When the Group is the lessor:<sup>3</sup>

The Group leases equipment under finance leases and investment properties under operating leases to non-related parties.

#### (i) Lessor - Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

FRS 17(4)

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

FRS 17(36)

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

FRS 17(40)

FRS 17(39)

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

FRS 17(38)

#### (ii) Lessor - Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

FRS 17(4)

FRS 17(50)  
INT FRS 15(4)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.17 Leases (continued)

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

FRS 17(52)

Contingent rents<sup>2</sup> are recognised as income in the income statement when earned.

### Guidance Notes

#### Leases

##### Initial direct costs – lessees

1. Initial direct costs are the incremental costs directly attributable to negotiating and arranging a lease excluding such costs incurred by manufacturers or dealer lessors. Where initial direct costs are also incurred by the reporting entity as a lessee, the following disclosure is suggested:

FRS 17(4)

##### Lessee – Finance leases

*“Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease expense.”*

FRS 17(24)

##### Lessee – Operating leases

FRS 17 is silent on the accounting of initial direct costs by lessees in operating leases. Either of the following accounting policies can be adopted:

(i) *“Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as prepayments and recognised in the income statement over the lease term on a straight-line basis.”*

Or

(ii) *“Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the income statement when incurred.”*

##### Contingent rents

2. Contingent rents recognised as an expense or income, if material, shall be disclosed for each class of leases (i.e. operating and financing), irrespective of whether the reporting entity is a lessee or lessor. The basis upon which the contingent rent payable was determined is required to be disclosed when the reporting entity is a lessee.

FRS 17(31)(c,e)  
FRS 17(35)(c,d)  
FRS 17(47)(e)  
FRS 17(56)(b)

##### Penalties for early termination

3. Where such penalties are material, the following disclosure is suggested:

*“When a lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when termination takes place.”*

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.18 Research costs

Research costs are recognised as an expense when incurred.

FRS 38(54)

## 2.19 Inventories<sup>1</sup>

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. 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. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories that are transferred from the hedging reserve<sup>2</sup>. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

FRS 2(9)

FRS 2(36)(a),(25)

FRS 2(10)

FRS 23(6,7)

FRS 39(98(b),99)

FRS 2(6)

### Guidance Notes

#### Inventories

- Where materials and supplies to be consumed in the rendering of services are material, the following disclosure is suggested:

FRS 2(19)

*"Inventories comprise materials and supplies to be consumed in the rendering of [ ] services..... Net realisable value is the estimated selling price of [ ] services less the applicable costs of conversion to complete the services and variable selling expenses."*

- Management may choose to keep these gains in the hedging reserve until the acquired asset affects the income statement. At this time, management should re-classify the gains to the income statement. However, if management expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it shall reclassify the amount that is not expected to be recovered into the income statement.

FRS 98(a)

## 2.20 Income taxes

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

FRS 12(46)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

FRS 12(15)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

FRS 12(39)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.20 Income taxes (continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

FRS 12(24,34,44)

Deferred income tax is measured:

- (i) *at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and*
- (ii) *based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.*

FRS 12(47)

FRS 12(51)

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

FRS 12(58)

FRS 12(61)

FRS 12(66)

## 2.21 Provisions<sup>1</sup>

Provisions for warranty, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

FRS 37(14,24)

FRS 37(72)

FRS 37(63)

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 historical experience of the level of repairs and replacements.

FRS 37 AppC  
Example 1

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

FRS 37(45,47)

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement when the changes arise.

FRS 37(59)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.21 Provisions<sup>1</sup> (continued)

### Guidance Notes

#### Provisions

##### Onerous contracts

1. If the entity has entered into any onerous contract, the following disclosure is suggested:

FRS 37(66)

*“Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it”*

##### Provision for dismantlement, removal or restoration

2. For an illustration of the accounting policy and other disclosures relation to provision for dismantlement, removal and restoration, refer to Appendix 1 example 4.

## 2.22 Employee compensation<sup>1</sup>

The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

FRS 19(44)(b)

### (a) Defined contribution plans

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

FRS 19(7)

### (b) Share-based compensation<sup>2,3</sup>

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

FRS 102(2)(a)

FRS 102(7,8)

FRS 102(16)

FRS 102(19)

FRS 102(20)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the “treasury shares” account when treasury shares are re-issued to the employees.<sup>4</sup>



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.22 Employee compensation<sup>1</sup> (continued)

### (c) Termination benefits<sup>4,5</sup>

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

FRS 19(133)

FRS 19(134)

FRS 19(139)

### Guidance Notes

#### Employee compensation

##### Defined benefit plan

1. Defined benefit pension or medical obligation is mandatory in some countries. Where the Group has a material defined benefit pension plan and/or post-employment medical plan, a suggested disclosure included in Appendix 1 Example 4 can be made.

##### Share-based compensation – Cash-settled plan

2. If the Group operates a cash-settled share-based compensation plan, the following disclosure is suggested:

FRS 102(30)

*“For cash-settled share-based compensation, the fair value of the employee services received in exchange for the grant of options is recognised as an expense in the income statement with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in the income statement.”*

##### Share-based compensation – Modification

3. If there is any modification of the share option plan, the following disclosure is suggested:

FRS 102(27)

*“Where the terms of the share option plan are modified, the expense that is not yet recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.”*

##### Share-based compensation – Transfer of share option reserve

4. The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained earnings upon expiry of the option are not mandatory. Alternatively, the share option reserve may be kept as a separate reserve upon expiry or exercise of the option. It may also be transferred to retained earnings upon exercise of the option.

FRS 102(23)

The distributability of the reserve will depend on the Articles of Association of the Company subject to any regulatory restrictions.

##### Termination benefits versus Post-employment benefits

5. Some termination benefits are payable regardless of the reason for the employee's departure. Although these benefits are described in some countries as termination indemnities or termination gratuities, they can be post-employment benefits, rather than termination benefits.

FRS 19(136)

However, an entity may provide a lower amount of benefit for voluntary termination at the request of the employee compared to that for involuntary termination at the request of the entity in such plans. When this occurs, the additional benefit payable on involuntary termination is a termination benefit.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.22 Employee compensation<sup>1</sup> (continued)

### Guidance Notes

#### Employee compensation

##### Post-employment benefits versus other long term benefits

6. In circumstances where employees are entitled to one month of their final pay for every year of completed service and these payments are made in full at the point of retirement, these benefits shall be accounted for as "other long term employee benefits" in accordance with FRS 19.

FRS 19(126)

The measurement of these benefits follows that of post-employment defined benefits except that: (a) all actuarial gains and losses on other long term employee benefits are recognised immediately to the income statement and no 'corridor' limit is applied; and (b) all past service costs on other long term employee benefits are recognised immediately in the income statement, even when the benefits are not fully vested.

FRS 19(127)

##### Profit sharing and bonus plans

7. If such benefits are material, the following disclosure is suggested:

FRS 19(17)

*"The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay."*

8. Under some profit-sharing plans, employees receive a share of the profits only if they remain with the entity for a specified period in the future. The measurement of such benefits shall reflect the possibility that some employees may leave without receiving the profit-sharing payment.

FRS 19(18)

##### Short-term compensated absences

9. If such benefits are material, the following disclosure is suggested:

FRS 19(11)

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

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.23 Currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency<sup>1</sup>"). The financial statements are presented<sup>2,3</sup> in Singapore Dollars.

FRS 21(8)

FRS 1(46)(d)

### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

FRS 21(21)

FRS 21(23)(a)  
FRS 21(28)FRS 21(32)  
FRS 39(102)

FRS 21(48)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

FRS 21(23)(c)

### (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

FRS 21(39)

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the 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 using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.

FRS 1(76)(b)

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

FRS 21(47)

FRS 21(59)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.23 Currency translation (continued)

### Guidance Notes

#### Currency translation – (a) Functional and presentation currency

1. Where there is a change in the functional currencies of either the reporting entity or a significant foreign operation, that fact and reason for the change in the functional currencies shall be disclosed.
2. When the financial statements are presented in a currency different from the Company's functional currency, the following are required to be disclosed:
  - (i) the Company's functional currency; and
  - (ii) the reason for using a different currency as its presentation currency.
3. Where a non-Singapore Dollar presentation currency is used for a Singapore-incorporated entity, it is recommended as a best practice to prominently denote this fact.

FRS 21(54)

FRS 21(53)

## 2.24 Segment reporting

A business segment is a distinguishable component of the Group 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 a distinguishable component of the Group 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 14(9)

## 2.25 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

FRS 7(45)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account<sup>1</sup>.

FRS 32(35)

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

FRS 32(33)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

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When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

FRS 32(33)

### Guidance Notes

#### Share capital and treasury shares

1. FRS 32 requires directly attributable costs relating to equity transactions to be recognised in equity, but does not specify which equity account. Accordingly, these costs may also be recognised against retained earnings.

FRS 32(35)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 2.27 Dividends to Company's shareholders

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

FRS 10(12)  
FRS 32(35)

## 2.28 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised in the income statement. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in the income statement.

FRS 105(6,15)

FRS 105(25)

FRS 105(20)

FRS 105(22)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

FRS 105(32)

- (a) Represents a separate major line of business or geographical area of operations; or
- (b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) Is a subsidiary acquired exclusively with a view to resale.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 3. Critical accounting estimates, assumptions and judgements<sup>1,2</sup>

FRS 1  
(113,116,117,120)

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

### (a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Besides goodwill, property, plant and equipment amounting to \$3,500,000 were subjected to an impairment test in the financial year ended 31 December 2008. The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 30(a)).

If the management's estimated gross margin at 31 December 2008 is lowered by 10%, the carrying amounts of goodwill and these property, plant and equipment will be reduced by \$500,000 and \$350,000 respectively.<sup>3</sup>

If the management's estimated pre-tax discount rate applied to the discounted cash flows at 31 December 2008 is raised by 1%, the carrying amounts of goodwill and these property, plant and equipment will be reduced by \$400,000 and \$250,000 respectively.<sup>3</sup>

### (b) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with one tax authority at the reporting date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions is \$3,500,000.

## Notes to the Financial Statements

for the financial year ended 31 December 2008

### 3. Critical accounting estimates, assumptions and judgements (continued)

#### (c) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the revenue on contracts that are work-in-progress increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$1,250,000 and \$1,000,000 respectively.<sup>3</sup>

If the contract costs to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by \$800,000 and \$700,000 respectively.<sup>3</sup>

#### (d) Revenue recognition

The Group started to design and sell a new furniture line to a new customer during 2008. Revenue of \$950,000 and profit of \$665,000 are recognised on these sales.

The buyer has the right to rescind the sales if there is 5% dissatisfaction with the quality of the first 1,000 pieces of furniture sold to its customers. Based on past experience with similar sales, the Group estimates that the dissatisfaction rate will not exceed 3% and as such, recognised the revenue on this transaction during 2008. If the sale is rescinded, the Group will suffer an estimated loss of \$700,000 in its 2009 financial statements, \$665,000 being the reversal of 2008 profits and \$35,000 being the costs for returning the inventory to the warehouse.

#### (e) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

During 2008, the Group reorganised shareholdings of certain group entities, for which a deferred tax asset amounting to \$250,000 was recognised based on the anticipated future use of tax losses carried forward by those entities. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred tax income asset will have to be written off as income tax expense.



## Notes to the Financial Statements

for the financial year ended 31 December 2008

### 3. Critical accounting estimates, assumptions and judgements (continued)

#### (f) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows increase/decrease by 10% from management's estimates for all past due loans and receivables, the Group's and Company's allowance for impairment will decrease/increase by \$584,000 (2007: \$318,000) and \$220,000 (2007: \$106,000).<sup>3</sup>

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 3. Critical accounting estimates, assumptions and judgements (continued)

### (g) Impairment of financial assets, available-for-sale

Management reviews its financial assets for objective evidence of impairment at least quarterly. Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are considered objective evidence that a financial asset is impaired. In determining this, management evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, the financial health of and the near-term business outlook of the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumptions in relation to the duration and the extent to which the fair value is less than its cost do not hold, the Group will suffer an additional \$203,000 loss in its 2009 financial statements, being the transfer of the fair value loss included in the fair value reserve to the income statement.

### Guidance Notes

#### Critical accounting estimates, assumptions and judgements

1. These disclosures must be tailored for another reporting entity as they are specific to an entity's particular circumstances. Additional examples are available in Appendix 2.
2. Disclosure of key sources of estimation uncertainty is not required for assets and liabilities that are measured at fair value based on recently observable market prices. This is because even if their fair values may change materially within the next financial year, these changes will not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.
3. The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation is required to be disclosed only when it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.

FRS 1(119)

FRS 1(120)

FRS 1(117)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 4. Revenue

	Group		
	2008	2007	
	\$'000	\$'000	
Sale of goods	172,619	96,854	FRS 18(35)(b)(i)
Construction revenue	29,808	11,527	FRS 11(39)(a)
Rendering of services	7,659	3,929	FRS 18(35)(b)(ii)
	210,086	112,310	
Transfer from hedging reserve (Note 39(b)(iv)) <sup>1</sup>	128	50	FRS 107(23)(d)
<b>Total sales</b>	<b>210,214</b>	<b>112,360</b>	

### Guidance Notes

#### Revenue

- FRS 39 does not prescribe the income statement line item in which transfer from hedging reserve should be included. Accordingly, an entity can elect to present the transfer from hedging reserve under "Other losses – net". The elected presentation should however be applied consistently.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 5. Expenses by nature

(Additional note disclosure when the income statement presents expenses analysed by function)<sup>1</sup>

	Group		
	2008	2007	
	\$'000	\$'000	
Purchases of inventories	59,401	23,688	
Amortisation of intangible assets (Note 30(d))	775	515	FRS 38(118)(d)
Depreciation of property, plant and equipment (Note 29)	17,675	9,582	FRS 16(73)(e)(vii)
Impairment loss of goodwill (Note 30(a))	4,650	–	FRS 36(126)(a)
Total amortisation, depreciation and impairment	23,100	10,097	FRS 1(93)
Employee compensation (Note 6)	40,090	15,500	FRS 1(93)
Sub-contractor charges <sup>2</sup>	12,400	7,700	
Advertising expense <sup>2</sup>	10,871	6,952	
Rental expense on operating leases	10,588	8,697	FRS 17(35)(c)
Research expense	473	200	FRS 38(126)
Transportation expense <sup>2</sup>	7,763	5,876	
Reversal of inventory write-down/inventory write-down <sup>2</sup>	(200)	350	FRS 2(36)(e,f)
Other expenses	878	672	
Changes in inventories and construction contract work-in-progress	(7,279)	(2,950)	
Total cost of sales, distribution and marketing costs and administrative expenses	158,085	76,782	

Included in the Group's rental expense on operating leases is contingent rent amounting to \$40,000 (2007: \$45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics.

FRS 17(31)(c,d(f))

### Guidance Notes

#### Expenses by nature

1. This disclosure is required only of entities that present their expenses by function on the face of the income statement. This publication illustrates a reconciliation of significant/material expenses to the total expenses by function (excluding finance expenses). This presentation is encouraged as it ensures that all significant/material expenses have been disclosed. As an alternative, the reporting entity can present only selected significant/material expenses in this note.
2. Where items of income and expense are of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, the nature and amount of such items shall be disclosed separately. This includes:
  - (a) write-downs of inventories or property, plant and equipment or reversals;
  - (b) restructuring provision for costs of restructuring or reversal;
  - (c) disposals of items of property, plant and equipment;
  - (d) disposals of investments;
  - (e) litigation settlements;
  - (f) other reversals of provisions;
  - (g) minimum lease payments; and
  - (h) contingent rents and sub-lease payments.

FRS 2(93)

FRS 1(86,87)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 6. Employee compensation

	Group		
	2008	2007	
	\$'000	\$'000	
Wages and salaries	28,514	11,679	
Employer's contribution to defined contribution plans including Central Provident Fund <sup>1</sup>	9,246	3,717	FRS 19(46)
Termination benefits	1,600	–	FRS 19(142)
Other long-term benefits	300	282	
Share option expense (Note 39(b)(i))	690	622	FRS 102(50,51(a))
	40,350	16,300	
Less: Amounts attributable to discontinued operations	(260)	(800)	
Amounts attributable to continuing operations (Note 5)	40,090	15,500	

### Guidance Notes

#### Employee compensation

1. For Singapore entities, defined contribution plans include contributions to the Central Provident Fund. A number of countries in the region (for example, Korea, Taiwan, Thailand, Vietnam, Indonesia, India, Sri Lanka, Pakistan and Bangladesh) have local legislation that requires companies to contribute to defined benefits plans. Accounting for defined benefit plans is complicated and the disclosures are extensive. Please refer to Appendix 1 Example 5 for an illustrated disclosure.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 7. Other income<sup>1</sup>

FRS 1(86,87)

	Group		
	2008	2007	
	\$'000	\$'000	
Interest income <sup>2</sup>			FRS 107(20)(b) FRS 18(35)(b)(iii)
- bank deposits	830	380	
- financial assets, held to maturity	130	110	
- financial assets, available-for-sale	70	30	
- loan to an associated company	60	30	FRS 24(17)
- loans and receivables from non-related parties	90	70	
	<b>1,180</b>	<b>620</b>	
Dividend income <sup>2</sup>	<b>2,230</b>	<b>400</b>	FRS 18(35)(b)(v)
Rental income from investment properties (Note 27)	<b>488</b>	<b>146</b>	FRS 40(75)(f)(i)
	<b>3,898</b>	<b>1,166</b>	

Included in the Group's interest income on loans and receivables from non-related parties is interest income of \$80,000 (2007: \$16,000) on impaired receivables.

FRS 107(20)(d)

Included in the Group's rental income from investment properties is contingent rent of \$50,000 (2007: \$62,000). The contingent rent was computed based on sales by the lessees.

FRS 17(56)(b)

### Guidance Notes

#### Other income

- Where "Other income" is immaterial, a reporting entity may combine it with "Other losses - net" (Note 8 to the financial statements).

#### Interest and dividend income

- As indicated in the guidance note under Accounting Policy Note 2.11(d), this publication illustrates the disclosure where the entity has elected to recognise interest income, interest expense and dividend income on financial assets, at fair value through profit or loss, as part of the net fair value gains or losses.

FRS 39(55)(a)  
FRS 107(20)(a),  
AppB5(e)

As an alternative, an entity may recognise interest income, interest expense and dividend income separately. When this option is adopted, interest income and expense shall be computed using the effective interest method in accordance with FRS 18.30(a) and FRS 39.9.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 8. Other losses – net

FRS 1(86,87)

	Group		
	2008	2007	
	\$'000	\$'000	
Fair value gains/(losses)			
– Financial assets held for trading	(891)	(1,778)	FRS 107(20)(a)(i)
– Financial assets designated as fair value through profit or loss at initial recognition	610	–	FRS 107(20)(a)(i)
– Derivatives held for trading	424	226	FRS 107(20)(a)(i)
	143	(1,552)	FRS 107(20)(a)(i)
Financial assets, available-for-sale			FRS 107(20)(a)(ii)
– Impairment loss (Note 16)	(575)	–	FRS 107(20)(e)
– Transfer from equity on disposal (Note 39(b)(iii))	200	–	FRS 107(20)(a)(ii)
	(375)	–	
Fair value gains/(losses) on fair value hedges			
– Hedged item: Firm commitments	117	133	FRS 107(24)(a)(i)
– Hedging instrument: Currency forwards	(116)	(131)	FRS 107(24)(a)(ii)
Ineffectiveness on cash flow hedges	(11)	(3)	FRS 107(24)(b)
Currency translation loss – net <sup>1</sup>	(90)	(116)	FRS 21(52)(a)
Gain on disposal of property, plant and equipment	17	8	
Net fair value (losses)/gains on investment properties (Note 27)	(123)	50	FRS 40(76)(d)
Loss on disposal of subsidiary (see note below)	(945)	–	
	(1,383)	(1,611)	

On 28 June 2008, the Company disposed of its 100% interest in PwC Logistics (PRC) Co. Ltd (“PwC Logistics”) for a cash consideration of \$983,000. The carrying amounts of identifiable net assets disposed of (including currency translation differences) amounted to \$1,928,000 at 28 June 2008, resulting in a loss on disposal of \$945,000. Please refer to Note 13 for the effect of the disposal on the Group’s cash flows. Please refer to Note 42(b) for details on additional consideration receivable.

FRS 1(86)

### Guidance Notes

#### Other losses – net

#### Currency translation differences

1. Currency translation differences arising from operating activities should form part of other gains/losses while those arising from financing activities should form part of finance expenses.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 9. Finance expenses

	Group		
	2008	2007	
	\$'000	\$'000	
Interest expense			
– bank borrowings	(4,712)	(5,872)	DV
– convertible bonds (Note 33)	(3,083)	–	DV
– dividend on redeemable preference shares to the immediate holding corporation	(1,950)	(1,950)	FRS 24(17,18(a))
– finance lease liabilities	(67)	(62)	DV
	(9,812)	(7,994)	FRS 107(20)(b)
Amortisation of discount on provision for legal claims (Note 36(c))	(70)	(65)	FRS 37(84)(e)
Cash flow hedges, transfer from equity (Note 39(b)(iv))	102	304	FRS 107(23)(d)
Currency translation gains/(losses) – net	2,578	(1,540)	FRS 21(52)(a)
Less: Amount capitalised in development property (Note 29(e))	129	125	DV
Finance expenses recognised in the income statement	(7,073)	(9,060)	



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 10. Income taxes

### (a) Income tax expense

	Group		
	2008	2007	
	\$'000	\$'000	
Tax expense attributable to profit is made up of:			FRS 12(79)
– Profit from current financial year:			
<u>From continuing operations</u>			
Current income tax			
– Singapore	9,701	3,470	
– Foreign	4,841	1,513	
	14,542	4,983	FRS 12(80)(a)
Deferred income tax (Note 37)	379	2,635	FRS 12(80)(c)
	14,921	7,618	
<u>From discontinued operations</u>			
Current income tax			
– Foreign (Note 11)	37	(187)	FRS 12(81)(h)
	14,958	7,431	
– Under provision in prior financial years:			
<u>From continuing operations</u>			
Current income tax	–	100	FRS 12(80)(b)
	14,958	7,531	
Tax expense is attributable to:			
– continuing operations	14,921	7,718	
– discontinued operations	37	(187)	
	14,958	7,531	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 10. Income taxes (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

FRS 12(81)(c)

	Group	
	2008	2007
	\$'000	\$'000
Profit before tax from		
– continuing operations	47,397	26,218
– discontinued operations (Note 11)	137	(667)
	<b>47,534</b>	<b>25,551</b>
Tax calculated at tax rate of 18% (2007: 18%) <sup>1</sup>	<b>8,556</b>	4,599
Effects of		
– change in Singapore tax rate (Note 37)	–	(394)
– different tax rates in other countries	4,654	2,196
– partial tax exemption	(60)	(33)
– expenses not deductible for tax purposes	2,838	1,346
– income not subject to tax	(966)	(225)
– utilisation of previously unrecognised		
– tax losses	(44)	(23)
– capital allowances	(26)	(15)
– other	6	(20)
Tax charge	<b>14,958</b>	<b>7,431</b>

### (b) Movement in current income tax liabilities

DV

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	3,833	9,595	325	285
Currency translation differences	14	316	–	–
Acquisition of subsidiary (Note 13)	100	–	–	–
Income tax paid	(15,504)	(10,974)	(399)	(145)
Tax expense	14,579	4,796	309	185
Under provision in prior financial years	–	100	–	–
Disposal of subsidiary (Note 13)	(80)	–	–	–
End of financial year	<b>2,942</b>	<b>3,833</b>	<b>235</b>	<b>325</b>

Included in the Company's current tax liabilities is consideration of \$132,000 (2007: \$125,000) that will be payable to a subsidiary when that subsidiary's tax losses are being utilised by the Company under the group relief tax system.

DV

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Income taxes

#### Applicable tax rate(s)

1. In explaining the relationship between tax expense (or income) and accounting profit, an entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. This publication illustrates the disclosure where the corporate tax rate in the country in which the Company is domiciled (Singapore) is the most meaningful tax rate.

FRS 12(85)

Another entity operating in several jurisdictions may find it more meaningful to aggregate separate reconciliations prepared using the domestic rates in those jurisdictions. When that approach is issued, the line item "effect of different tax rates in other countries" will no longer be relevant.

2. In the event that changes to tax laws relating to the new tax incentives are not finalised by the reporting date and the effect is expected to be material, the following disclosure can be considered:

FRS 12(81)(d)

*"The Group's and Company's tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 15 February 2008, the Singapore Second Minister for Finance announced changes to the Singapore tax laws, which included new incentives that might be available to certain group entities with effect from the year of assessment 2009. The Group's and Company's tax expense for the financial year ended [31 December 2008] have not taken into consideration the effect of these incentives as the final detailed interpretation of the incentives had not been released by the tax authority as of the date of authorisation of these financial statements."*

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 11. Discontinued operations and Disposal Group classified as held for sale

Following the approval of the Group's management and shareholders on 31 May 2008 to sell PwC Glass Sdn Bhd in Malaysia (comprising of the Group's glass business segment), the assets and liabilities related to PwC Glass Sdn Bhd are classified as a disposal group held for sale on the balance sheet, and the results from PwC Glass Sdn Bhd are presented separately on the income statement as "Discontinued operations". The transaction is expected to be completed by April 2009.

FRS 105(41)(a,b,d)

The results of the discontinued operations and the re-measurement of the disposal group are as follows:

FRS 105(33)(b)

	Group	
	2008 \$'000	2007 <sup>1</sup> \$'000
Revenue	1,200	4,600
Expenses	(1,003)	(5,267)
Profit/(loss) before tax from discontinued operations	197	(667)
Tax	(53)	187
Profit/(loss) after tax from discontinued operations	144	(480)
Pre-tax loss recognised on the measurement to fair value less cost to sell on disposal group	(60)	–
Tax	16	–
After tax loss recognised on the measurement to fair value less cost to sell on disposal group	(44)	–
Total profit/(loss) from discontinued operations	100	(480)

FRS 12(81)(h)(ii)

FRS 12(81)(h)(ii)

The impact of the discontinued operations on the cash flows of the Group is as follows:

FRS 105(33)(c)

	Group	
	2008 \$'000	2007 \$'000
Operating cash inflows <sup>2</sup>	300	790
Investing cash outflows <sup>2</sup>	(103)	(20)
Financing cash outflows <sup>2</sup>	(295)	(66)
Total cash (outflows)/inflows	(98)	704

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 11. Discontinued operations and Disposal group classified as held for sale (continued)

	Group 2008 \$'000	
Details of the assets in disposal group classified as held for sale are as follows:		FRS 105(38)
Property, plant and equipment	1,563	
Intangible assets (Note 30(b))	100	
Inventory	1,670	
	<u>3,333</u>	
Details of the liabilities directly associated with disposal group classified as held for sale are as follows:		FRS 105(38)
Trade and other payables	104	
Other current liabilities	20	
Provisions (Note 36(a))	96	
	<u>220</u>	

### Guidance Notes

#### Discontinued operations

1. An entity shall re-present the prior period's results for the discontinued operations.
2. The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the notes or on the face of the cash flow statement. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements.

If the entity elects to present net cash flows on the face of the cash flow statement, the relevant net cash flows should be presented under operating, investing and financing activities respectively. It is not appropriate to combine and present the net cash flows from three activities as one line item under operating, investing or financing activities.

FRS 105(34)

FRS 105(33)(c)  
FRS 105(34)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 12. Earnings per share<sup>1,2</sup>

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

FRS 33(9,10)

	Continuing operations		Discontinued operations		Total		
	2008	2007	2008	2007	2008	2007	
Net profit/(loss) attributable to equity holders of the Company (\$'000)	<b>29,928</b>	17,576	<b>100</b>	(480)	<b>30,028</b>	17,096	
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>22,454</b>	19,500	<b>22,454</b>	19,500	<b>22,454</b>	19,500	
Basic earnings/(loss) per share (\$ per share)	<b>1.33</b>	0.90	<b>0.01</b>	(0.02)	<b>1.34</b>	0.88	

FRS 33(70)(a)

FRS 33(70)(b)

### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are 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.

FRS 33(30,31)  
FRS 33(33,36)

FRS 33(44)

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

FRS 33(49)

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

FRS 33(45)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 12. Earnings per share (continued)

### (b) Diluted earnings per share (continued)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	Continuing operations		Discontinued operations		Total		
	2008	2007	2008	2007	2008	2007	
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,928	17,576	100	(480)	30,028	17,096	FRS 33(70)(a)
Interest expense on convertible bonds, net of tax (\$'000)	2,528	–	–	–	2,528	–	
Net profit/(loss) used to determine diluted earnings per share (\$'000)	32,456	17,576	100	(480)	32,556	17,096	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	22,454	19,500	22,454	19,500	22,454	19,500	FRS 33(70)(b)
Adjustments for ('000)							
– Convertible bonds	3,300	–	3,300	–	3,300	–	
– Share options	890	600	890	600	890	600	
	26,644	20,100	26,644	20,100	26,644	20,100	FRS 33(70)(b)
Diluted earnings/(loss) per share (\$ per share)	1.22	0.87	*	(0.02)	1.22	0.85	

\* Less than \$0.01

### Guidance Notes

#### Earnings per share ("EPS")

1. If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the balance sheet date. FRS 33(64)
2. If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on FRS 33. The basic and diluted per share amount shall be disclosed in the notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the income statement. FRS 33(73)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 13. Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	<b>12,480</b>	30,798	<b>343</b>	243
Short-term bank deposits <sup>1</sup>	<b>9,530</b>	5,414	<b>1,659</b>	2,734
	<b>22,010</b>	36,212	<b>2,002</b>	2,977

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

FRS 7(45)

	Group	
	2008	2007
	\$'000	\$'000
Cash and bank balances (as above)	<b>22,010</b>	36,212
Less: Bank deposits pledged <sup>2</sup>	<b>(200)</b>	(200)
Less: Bank overdrafts (Note 32)	<b>(2,650)</b>	(6,464)
Cash and cash equivalents per consolidated cash flow statement	<b>19,160</b>	29,548

FRS 7(8)

### Guidance Notes

#### Cash and cash equivalents

##### Cash equivalents for the purpose of presenting cash flow statement

- Under FRS 7, cash equivalents are defined as “short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value”. An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three months or less from the date of acquisition.
- Bank deposits pledged as collateral shall not be included as cash and cash equivalents in the cash flow statement.

FRS 7(7-9)

FRS 7(6)

##### Cash not available for use

- There may be circumstances in which cash and bank balances held by an entity are not available for use by the Group. An example is when a subsidiary that operates in a country where exchange controls or other legal restrictions apply. When this occurs, the following disclosure can be considered:

FRS 7(49)

FRS 7(48)

*“Included in the cash and cash equivalents are bank deposits amounting to \$[ ] (2007: \$[ ]) which are not freely remissible for use by the Group because of currency exchange restrictions.”*



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 13. Cash and cash equivalents (continued)

### Acquisition and disposal of subsidiaries

On 28 June 2008, the Company disposed of its 100% interest in PwC Logistics (PRC) Co. Ltd for a cash consideration of \$983,000.

On 1 October 2008, the Company acquired 70% of the issued share capital of PwC Components (Philippines) Pte Ltd for a cash consideration of \$14,250,000 (Note 26).

FRS 103(66)(a)  
FRS 103(67)(d)

The aggregate effects of the acquisition and disposal of subsidiaries on the cashflows of the Group were:<sup>1</sup>

	<div> <div>← Group →</div> <div>← Acquisition →</div> <div>Disposal</div> </div>			
	At fair values	Carrying amounts in acquiree's books	Carrying amount	
	\$'000	\$'000	\$'000	
<i>Identifiable assets and liabilities</i>				
Cash and cash equivalents	300	300	(804)	FRS 7(40)(c)
Trade and other receivables	1,585	1,585	(4,404)	FRS 7(40)(d)
Inventories	1,122	982	–	FRS 7(40)(d)
Property, plant and equipment (Note 29)	67,784	62,971	(1,380)	FRS 7(40)(d)
Trademarks and licences (Note 30(b))	4,000	–	–	FRS 7(40)(d)
Investment in associated company (Note 24)	389	329	–	FRS 7(40)(d)
Financial assets, available-for-sale (Note 16)	473	473	–	FRS 7(40)(d)
Other current assets	–	–	(114)	FRS 7(40)(d)
Total assets	75,653	66,640	(6,702)	FRS 7(40)(d)
Trade and other payables	(15,300)	(15,300)	1,257	FRS 7(40)(d)
Borrowings	(41,359)	(42,878)	–	FRS 7(40)(d)
Current income tax liabilities (Note 10(b))	(100)	(100)	80	FRS 7(40)(d)
Deferred income tax liabilities (Note 37)	(3,753)	(1,953)	2,037	
Total liabilities	(60,512)	(60,231)	3,374	
Identifiable net assets	15,141	6,409	(3,328)	
Less: Minority interests	(4,542)	(575)	300	
Identifiable net assets acquired/(disposed)	10,599	5,834	(3,028)	
Goodwill (Note 30(a))	3,651			
Cash consideration paid	14,250			FRS 7(40)(a,b)
Less: Cash and cash equivalents in subsidiary acquired	(300)			FRS 7(40)(c)
Net cash outflow on acquisition	13,950			

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 13. Cash and cash equivalents (continued)

### Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of PwC Logistics (PRC) Co. Ltd were:<sup>1</sup>

	Group \$'000	
Identifiable net assets disposed (as above)	3,028	
Goodwill (Note 30(a))	100	
Transfer from shareholders' equity - currency translation differences (Note 39(b)(v))	(1,200)	
	1,928	
Loss on disposal (Note 8)	(945)	
Cash proceeds from disposal	983	FRS 7(40)(a,b)
Less: Cash and cash equivalents in subsidiaries disposed	(804)	FRS 7(40)(c)
Net cash inflow on disposal	179	

### Guidance Notes

#### Cash and cash equivalents

#### Acquisition and disposal of subsidiaries

- Where the reporting entity acquires another subsidiary in the preceding financial year, the comparative information in respect of the assets acquired, liabilities assumed and related cash flows shall be disclosed. The same applies to disposal.

FRS 1(36)

## 14. Financial assets, at fair value through profit or loss

FRS 107  
(27(b),31,34(c))

	Group 2008 \$'000	2007 \$'000	
<i>Held for trading</i>			
Listed securities:			
– Equity securities - Singapore	5,850	4,023	
– Equity securities - US	3,997	4,303	
	9,847	8,326	FRS 107(8)(a)(ii)
<i>At fair value on initial recognition</i>			
Listed securities:			
– Equity securities - US	938	–	FRS 107(8)(a)(i)
	10,785	8,326	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 15. Derivative financial instruments

	← Group →			← Company →			
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
<b>2008</b>							
<i>Cash-flow hedges</i>							
– Interest rate swaps	30,324	645	–	–	–	–	FRS 107(22)(a,b)
– Currency forwards	52,120	50	(535)	–	–	–	FRS 107(22)(a,b)
<i>Fair-value hedges</i>							
– Currency forwards	3,200	359	(40)	2,220	266	(47)	FRS 107(22)(a,b)
<i>Non-hedging instruments</i>							
– Currency forwards	2,108	410	–	–	–	–	
Total		1,464	(575)		266	(47)	
<b>Less: Current portion</b>		<b>(1,069)</b>	<b>440</b>		<b>(232)</b>	<b>35</b>	FRS 1(57,60)
<b>Non-current portion</b>		<b>395</b>	<b>(135)</b>		<b>34</b>	<b>(12)</b>	
<b>2007</b>							
<i>Cash-flow hedges</i>							
– Interest rate swaps	53,839	245	–	–	–	–	FRS 107(22)(a,b)
– Currency forwards	20,080	60	(255)	–	–	–	FRS 107(22)(a,b)
<i>Fair-value hedges</i>							
– Currency forwards	1,804	149	–	1,200	84	–	FRS 107(22)(a,b)
<i>Non-hedging instruments</i>							
– Currency forwards	1,023	110	(29)	–	–	–	
Total		564	(284)		84	(47)	
<b>Less: Current portion</b>		<b>(452)</b>	<b>240</b>		<b>(78)</b>	<b>45</b>	FRS 1(57,60)
<b>Non-current portion</b>		<b>112</b>	<b>(44)</b>		<b>6</b>	<b>(2)</b>	

*Period when the cash flows on cash flow hedges are expected to occur or affect the income statement*

FRS 107(23)(a)

(a) Interest rate swaps

Interest rate swaps are entered to hedge floating quarterly interest payments on borrowings that will mature on 31 January 2011. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to the income statement as part of interest expense over the period of the borrowings.

FRS 39(100)

(b) Currency forwards

Currency forwards are entered to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within three months from the balance sheet date. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in the hedging reserve prior to the occurrence of these transactions are transferred to the income statement within three months from the balance sheet date except for those used to hedge highly probable forecast foreign currency purchases of property, plant and equipment, whose gains and losses are included in the cost of the assets and recognised to the income statement over their estimated useful lives as part of depreciation expense.

FRS 39(100)

FRS 39(98)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 16. Financial assets, available-for-sale

	Group		Company		DV
	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	12,291	11,958	1,218	1,124	
Currency translation differences <sup>1</sup>	693	200	–	–	
Acquisition of subsidiary (Note 13)	473	–	–	–	
Additions	3,956	691	316	–	
Fair value gains/(losses) recognised in equity (Note 39(b)(iii))	710	88	(34)	94	
Impairment losses (Note 8)	(575)	–	–	–	FRS 107(20)(e)
Disposals	(300)	–	–	–	
End of financial year	17,248	12,937	1,500	1,218	FRS 107(8)(d)
Less: Current portion	(1,950)	(646)	–	–	FRS 1(57)
Non-current portion	15,298	12,291	1,500	1,218	FRS 1(57)

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

	Group		Company		FRS 107 (27(b),31,34(c))
	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	
Listed securities					
– equity securities – Singapore <sup>2</sup>	12,885	10,587	1,500	1,218	
– equity securities – US <sup>2</sup>	3,728	2,086	–	–	
– SGD corporate fixed rate notes of 4% due 27 August 2011 <sup>2</sup>	288	–	–	–	
	16,901	12,673	1,500	1,218	
Unlisted securities					
– SGD corporate variable rate notes due 30 November 2009 <sup>2</sup>	347	264	–	–	
	17,248	12,937	1,500	1,218	

The fair values of unlisted debt securities are based on cashflows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2008: 4.2%, 2007: 4.0%).

FRS 107(27)(a,b)

The Group has recognised an impairment loss of \$575,000 (2007: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period during the financial year.

FRS 107(37)(b)

### Guidance Notes

#### Financial assets, available-for-sale

- These currency translation differences arise from debt securities. Please refer to Accounting Policy Note 2.11(d).
- Information such as in which countries the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets.

FRS 107(31)

FRS 107(31)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 17. Trade and other receivables – current

FRS 1(74,75(b))

	Group		Company		
	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (Note 22)	156	218	–	–	FRS 17(47)(a)
Trade receivables					FRS 24(17)(b),22)
– Associated companies	188	217	–	–	FRS 24(18)(d)
– Subsidiaries	–	–	1,200	600	FRS 24(18)(c)
– Non-related parties	17,240	14,779	6,412	1,531	FRS 1(75)(b)
	17,428	14,996	7,612	2,131	
Less: Allowance for impairment of receivables – non-related parties	(509)	(470)	(100)	(50)	
Trade receivables – net	16,919	14,526	7,512	2,081	
Construction contracts					
– Due from customers (Note 19)	1,384	1,188	–	–	FRS 11(42)(a)
– Retentions (Note 19)	60	40	–	–	FRS 11(40)(c)
	1,444	1,228	–	–	
Loan to an associated company	2,668	1,276	–	–	FRS 24(17)(b),18(d))
Less: Non-current portion (Note 21)	(2,322)	(1,240)	–	–	
	346	36	–	–	
Staff loans (Note 23)	60	25	30	20	
Accrued interest receivable on interest rate swaps	10	20	12	10	
Other receivables	30	20	8	5	
	18,965	16,073	7,562	2,116	

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of \$1,260,000 (2007: \$1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2008. The transaction has been accounted for as a collateralised borrowing as the bank has full recourse to those subsidiaries in the event of default by the debtors (Note 32(a)).

FRS 107 (14)

The loan to an associated company, PwC A Property (Hong Kong) Limited, is unsecured and repayable in full by 1 January 2011. Interest is fixed at 2.2% per annum.

FRS 24(17)(b)  
FRS 107(31)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 18. Inventories

FRS 1(75)(c)  
FRS 2(36)(b)

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
Raw materials	<b>7,622</b>	7,612	–	–	FRS 2(37)
Work-in-progress	<b>1,810</b>	1,796	–	–	FRS 2(37)
Finished/trading goods	<b>14,826</b>	7,686	<b>2,200</b>	335	FRS 2(37)
	<b>24,258</b>	17,094	<b>2,200</b>	335	

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$37,842,000 (2007: \$20,738,000).

FRS 2(36)(d), (38)

Inventories of \$1,200,000 (2007: \$1,000,000) of the Group and \$600,000 (2007: \$300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 32(a)).

FRS 2(36)(h)

The Group has recognised a reversal of \$200,000 (2007: Nil), being part of an inventory write-down made in 2007, as the inventories were sold above the carrying amounts in 2008.

FRS 2(36)(f,g)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 19. Construction contracts

	Group		
	2008	2007	
	\$'000	\$'000	
<i>Construction contract work-in-progress:</i>			
Beginning of financial year	147	347	DV
Contract costs incurred	13,847	8,991	DV
Contract expenses recognised in the income statement	(13,732)	(9,191)	DV
End of financial year	262	147	
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	32,067	23,325	FRS 11(40)(a)
Less: Progress billings	(30,763)	(22,197)	
	1,304	1,128	
Presented as:			
Due from customers on construction contracts <sup>1</sup> (Note 17)	1,384	1,188	FRS 11(42)(a)
Due to customers on construction contracts <sup>1</sup> (Note 31)	(80)	(60)	FRS 11(42)(b)
	1,304	1,128	
Advances received on construction contracts (Note 31)	541	262	FRS 11(40)(b)
Retentions on construction contracts (Note 17)	60	40	FRS 11(40)(c)

### Guidance Notes

#### Construction contracts

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

FRS 11(42)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 20. Other current assets

FRS 1(75)(b)

	<u>Group</u>		<u>Company</u>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Deposits	<b>345</b>	221	–	–
Prepayments	<b>200</b>	105	<b>50</b>	50
	<b>545</b>	326	<b>50</b>	50

## 21. Trade and other receivables - non-current

FRS 1(74,75(b))

	<u>Group</u>		<u>Company</u>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Finance lease receivables (Note 22)	<b>600</b>	600	–	–
Other receivables				
– Loan to an associated company (Note 17)	<b>2,322</b>	1,240	–	–
– Loans to subsidiaries	–	–	<b>2,986</b>	3,100
– Staff loans (Note 23)	<b>200</b>	150	<b>150</b>	100
	<b>3,122</b>	1,990	<b>3,136</b>	3,200

FRS 17(47)(a)

FRS 24(17)(b),22)

FRS 24(18)(d)

FRS 24(18)(e)

The loans to subsidiaries by the Company are unsecured, interest-bearing at the three-month deposit rate plus 1.5% and will be repayable in full on 31 December 2011.

FRS 24(17)(b)(i)  
FRS 107(31)

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values and the market borrowing rates used are as follows:

FRS 107(25, 27(a,b))

	<u>Group</u>		<u>Company</u>		<u>Borrowing Rates</u>	
	<b>2008</b>	2007	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>%</b>	%
Finance lease receivables	<b>590</b>	610	–	–	<b>7.1%</b>	6.8%
Loan to an associated company	<b>2,400</b>	1,300	–	–	<b>7.3%</b>	7.3%
Loans to subsidiaries	–	–	<b>2,986</b>	3,100	<b>6.5%</b>	6.3%
Staff loans	<b>205</b>	152	<b>155</b>	106	<b>7.5%</b>	7.4%



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 22. Finance lease receivables

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2009 and 2015, and the non-related parties have options to extend the leases at market rates.

FRS 17(47)(f)

	<u>Group</u>	
	2008	2007
	\$'000	\$'000
Gross receivables due		
– Not later than one year	236	316
– Later than one year but within five years	700	600
– Later than five years	146	147
	<b>1,082</b>	<b>1,063</b>
Less: Unearned finance income	<b>(326)</b>	<b>(245)</b>
Net investment in finance leases	<b>756</b>	<b>818</b>

FRS 17(47)(a)

FRS 17(47)(b)

The net investment in finance leases is analysed as follows:

FRS 17(47)(a)

	<u>Group</u>	
	2008	2007
	\$'000	\$'000
Not later than one year (Note 17)	156	218
Later than one year (Note 21)		
– Between one and five years	500	500
– Later than five years	100	100
	<b>756</b>	<b>818</b>

## 23. Staff loans

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Receivables due				
– Not later than one year (Note 17)	60	25	30	20
– Later than one year but within five years (Note 21)	200	150	150	100
	<b>260</b>	<b>175</b>	<b>180</b>	<b>120</b>

DV

Staff loans include the following loan made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable in full by 2011.

FRS 24(17,22)

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Not later than one year	20	20	20	20
Later than one year but within five years	15	35	15	35
	<b>35</b>	<b>55</b>	<b>35</b>	<b>55</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 24. Investments in associated companies

	<u>Group</u>		<u>Company</u>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Equity investment at cost			<b>1,000</b>	1,000
Beginning of financial year	<b>8,569</b>	8,133		
Currency translation differences	<b>(603)</b>	291		
Acquisition of subsidiary (Note 13)	<b>389</b>	–		
Share of (losses)/profits <sup>1</sup>	<b>(174)</b>	145		
Share of movement in fair value reserve (Note 39(b)(iii))	<b>27</b>	–		
End of financial year	<b>8,208</b>	8,569		
The summarised financial information of associated companies is as follows <sup>2,3</sup>				
– Assets	<b>59,774</b>	36,918		
– Liabilities	<b>46,401</b>	23,674		
– Revenue	<b>65,865</b>	45,013		
– Net (loss)/profit	<b>(500)</b>	800		
Share of associated companies' contingent liabilities incurred jointly with other investors	<b>106</b>	240		
Contingent liabilities for which the Group is severally liable	<b>60</b>	100		

FRS 1 IG4  
FRS 28(38)

FRS 28(39)

FRS 28(38)

FRS 28(37)(b)

FRS 28(40)(a)

FRS 28(40)(b)

Goodwill amounting to \$1,020,000 (2007: \$1,020,000) is included in the carrying amount of investments in associated companies.

DV

The Group has not recognised its share of losses of an associated company amounting to \$15,000 (2007: \$5,000) because the Group's cumulative share of losses exceeds its interest in that entity<sup>4</sup> and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to \$27,000 (2007: \$12,000) at the balance sheet date.

FRS 28(37)(g)

The Group has not recognised its share of profits for the financial year of another associated company amounting to \$13,000 (2007: \$20,000) because the Group's cumulative share of unrecognised losses with respect to that entity amounts to \$25,000 (2007: \$38,000) at the balance sheet date.

FRS 28(37)(g)

The Group's investments in associated companies include investments in listed associated companies with a carrying amount of \$800,000 (2007: \$800,000), for which the published price quotations are \$1,440,000 (2007: \$1,250,000) at the balance sheet date.

FRS 28(37)(a)

Details of significant associated companies are provided in Note 51.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Investments in associated companies

#### Cumulative preference shares issued by associated company

1. If the associated company has cumulative preference shares that are held by parties outside the Group and that are classified as equity, the investor computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared.

FRS 28(28)

#### Summarised financial information of associated companies

2. An alternative method of presenting summarised financial information is to disclose the Group's proportionate share instead of the gross amounts of assets, liabilities and results as recorded in the associated companies' financial statements. The alternative method is recommended when the reporting entity has several associated companies with differing interests.
3. Where the reporting entity is an investor that is exempted under paragraph 13(c) of FRS 28 from applying equity accounting for its investments in associated companies and elects to use that exemption, the summarised financial information of the associated companies shall continue to be presented in the investor's separate financial statements. No similar requirement is applicable to joint ventures.

FRS 28(37)(i)

#### Interest in an associated company

4. The interest in an associated company is the carrying amount of the investment in the associated company together with any long-term interests that, in substance, form part of the investor's net investment in the associated company. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that associated company.

FRS 28(29)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 25. Investment in a joint venture

The Company has a 60% equity interest at a cost of \$880,000 (2007: \$880,000) 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.<sup>1</sup>

FRS 31(56)

The following amounts represent the Group's 60% share of the assets and liabilities and income and expenses of the joint venture which are included in the consolidated balance sheet and income statement using the line-by-line format of proportionate consolidation:<sup>2,3</sup>

FRS 31(56)

	Group	
	2008	2007
	\$'000	\$'000
Assets		
– Current assets	803	717
– Non-current assets	2,730	2,124
	<b>3,533</b>	<b>2,841</b>
Liabilities		
– Current liabilities	(388)	(406)
– Non-current liabilities	(1,081)	(1,073)
	<b>(1,469)</b>	<b>(1,479)</b>
Net assets	<b>2,064</b>	<b>1,362</b>
Sales	1,100	778
Expenses	(354)	(509)
Profit before tax	746	269
Income tax	(224)	(160)
Profit after tax	<b>522</b>	<b>109</b>
Operating cash inflows	640	560
Investing cash (outflows)/inflows	(40)	70
Financing cash outflows	(20)	(110)
Total cash inflows	<b>580</b>	<b>520</b>
Capital commitments in relation to interest in joint venture	–	250
Proportionate interest in joint venture's capital commitments	<b>90</b>	<b>92</b>

DV  
FRS 7(50)(b)

FRS 31(55)(a)

FRS 31(55)(b)

Details of the joint venture are included in Note 51.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 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. This definition is different from FRS 27, which defines subsidiary as an entity that is controlled by another entity. Accordingly, the Accounting and Corporate Regulatory Authority ("ACRA") issued Practice Direction No. 4 of 2006 to clarify that:
  - (a) A parent (under FRS 27) which is not a holding company (under the Companies Act) must prepare consolidated accounts in accordance with FRS 27 as mandated by the Companies Act;
  - (b) A holding company (under the Companies Act) which is also a parent (under FRS 27) must prepare consolidated accounts in accordance with FRS 27 as mandated by the Companies Act; and
  - (c) A holding company (under the Companies Act) which is not a parent (under FRS 27) must incorporate financial information relating to its legal subsidiaries in its financial statements in accordance with the relevant FRS (FRS 28, 31 or 39).

CA 5(1)  
FRS 27(4)

The above is possible because ACRA interprets the term "consolidated accounts" in Section 201(3A) of the Companies Act as not restricted to the meaning of consolidation under FRS 27. Instead, the phrase "consolidated accounts" is viewed wide enough to include the incorporation of the financial information of a legal subsidiary as accounted for in accordance with FRS 28, 31 or 39.

#### Summarised financial information of joint ventures

2. Where the reporting entity is a venturer that is exempted under paragraph 2 of FRS 31 from applying proportionate consolidation or equity accounting for its investments in joint ventures and elects to use that exemption, the summarised financial information of the joint ventures need not be disclosed in the venturer's separate financial statements. This disclosure shall be made in the consolidated financial statements only when the joint ventures are either proportionately consolidated or equity accounted for. This treatment is different from that applicable to associated companies.
3. The reporting entity must also present the summarised financial information of joint ventures based on the Group's proportionate interests in the joint ventures. There is no option to present the items at their gross amounts, unlike associated companies.

FRS 31(2)

FRS 31(56)

FRS 31(56)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 26. Investments in subsidiaries

	Company		
	2008	2007	
	\$'000	\$'000	
<i>Equity investments at cost</i>			DV
Beginning of financial year	96,460	96,460	
Acquisition	14,250	–	
Disposal	(300)	–	
End of financial year	110,410	96,460	

Details of significant subsidiaries are included in Note 51.

### Acquisition of a subsidiary

On 1 October 2008, the Company acquired 70% of equity interest of XYZ Electronics Pte Ltd (now known as PwC Components (Philippines) Pte Ltd (“PwC Philippines”) for a cash consideration (inclusive of transaction costs of \$550,000) of \$14,250,000. Additional consideration of \$1,000,000 will be payable in cash if the acquired operations achieve certain profit targets. At the date of these financial statements, it is the directors’ assessment that no additional consideration is likely to be payable.

FRS 103(66)(a)  
FRS 103(67)(a-d)

The fair value of identifiable net assets of the acquiree at the date of acquisition amounted to \$15,141,000, resulting in goodwill on acquisition of \$3,651,000. Details of identifiable net assets acquired are disclosed in Note 13.

The goodwill was attributable to the distribution network of the acquired business and the synergies expected to arise after the acquisition.

FRS 103(67)(h)

The acquired subsidiary contributed revenue of \$4,500,000 and net profit of \$675,000 to the Group for the period from 1 October 2008 to 31 December 2008. The subsidiary’s assets and liabilities as at 31 December 2008 were \$2,950,000 and \$890,000 respectively. If the acquisition had occurred on 1 January 2008, Group revenue would have been \$230,214,000 and total profit would have been \$35,276,000.

FRS 103(67)(i)

FRS 103(70)

Information about an acquisition that took place on 1 March 2009, which is a transaction after the balance sheet date, is set out in Note 48.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 27. Investment properties

	Group		
	2008	2007	
	\$'000	\$'000	
Beginning of financial year	3,415	3,365	FRS 40(76)
Additions	288	–	FRS 40(76)(a)
Disposals	(70)	–	FRS 40(76)(c)
Net fair value (loss)/gain recognised in the income statement (Note 8)	(123)	50	FRS 40(76)(d)
End of financial year	3,510	3,415	FRS 40(76)

Investment properties are carried at fair values<sup>1</sup> at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method.

FRS 40(75)(d,e)

Investment properties are leased to non-related parties under operating leases (Note 43(c)).

FRS 17(56)(c)  
FRS 17(57)

Certain investment properties are mortgaged to secure bank loans (Note 32(a)).

FRS 40(75)(g)

The following amounts are recognised in the income statement:

	Group		
	2008	2007	
	\$'000	\$'000	
Rental income (Note 7)	488	146	FRS 40(75)(f)(i)
Direct operating expenses arising from investment properties that generated rental income	(30)	(26)	FRS 40(75)(f)(ii)
Property tax and other direct operating expenses arising from an investment property that did not generate rental income	(40)	(20)	FRS 40(75)(f)(iii)

### Guidance Notes

#### Investment properties

##### Adjustment to fair value

- When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example to avoid double-counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment.

FRS 40(50,77)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 28. Financial assets, held-to-maturity – non-current

	<u>Group</u>		
	2008	2007	
	\$'000	\$'000	
Unlisted debt securities			FRS 107(31,34)(c))
– Bonds with fixed interest of 5.5% and maturity date of 31 May 2016 – Singapore	1,650	1,593	
– Bonds with variable interest rates and maturity date of 28 June 2011 – Singapore	472	–	
	<b>2,122</b>	<b>1,593</b>	FRS 1(57) FRS 107(8)(b)

The fair values of the bonds at the balance sheet date are as follows:

FRS 107(25)

	<u>Group</u>	
	2008	2007
	\$'000	\$'000
Bonds with fixed interest of 5.5% and maturity date of 31 May 2016	1,720	1,612
Bonds with variable interest rates and maturity date of 28 June 2011	475	–

The fair values are based on discounted cash flows using market interest rates for an equivalent bond as at the balance sheet date, as follows:

FRS 107(27)(a,b)

	<u>Group</u>	
	2008	2007
Bonds with fixed interest of 5.5% and maturity date of 31 May 2016	5.0%	5.2%
Bonds with variable interest rates and maturity date of 28 June 2011	6.5%	–



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 29. Property, plant and equipment

	Freehold land	Leasehold land	Buildings	Plant and equipment	Motor vehicles	Property under development <sup>4</sup>	Total	Reference
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>								
<b>2008</b>								
<i>Cost or valuation</i>								FRS 16(73)(d)
Beginning of financial year								
Cost	–	–	–	84,703	2,700	2,040	89,443	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914	
	8,400	8,061	21,453	84,703	2,700	2,040	127,357	FRS 16(73)(d)
Currency translation differences	–	314	(808)	4,509	103	–	4,118	FRS 16(73)(e)(viii)
Acquisition of subsidiary (Note 13)	–	12,012	37,060	18,199	513	–	67,784	FRS 16(73)(e)(iii)
Additions	–	3,423	3,703	2,202	427	360	10,115	FRS 16(73)(e)(i)
Reclassified to disposal group	–	–	–	(1,842)	–	–	(1,842)	FRS 16(73)(e)(ii)
Disposals <sup>1</sup>	–	(594)	(1,526)	(4,887)	–	–	(7,007)	FRS 16(73)(e)(ii)
Revaluation surplus <sup>2</sup> (Note 39(b)(vii))	50	93	110	–	–	–	253	FRS 16(73)(e)(iv)
Revaluation adjustments <sup>2</sup>	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	8,450	22,854	59,022	102,884	3,743	2,400	199,353	FRS 16(73)(d)
Representing :								
Cost	–	–	–	102,884	3,743	2,400	109,027	FRS 16(73)(a)
Valuation	8,450	22,854	59,022	–	–	–	90,326	FRS 16(73)(a), SGX 1207(10)
	8,450	22,854	59,022	102,884	3,743	2,400	199,353	FRS 16(73)(d)
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	–	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Currency translation differences	–	–	–	808	87	–	895	FRS 16(73)(e)(viii)
Depreciation charge								FRS 16(73)(e)(vii)
– Continuing operations (Note 5)	–	489	1,056	15,436	694	–	17,675	
– Discontinued operations	–	–	–	79	–	–	79	
Reclassified to disposal group	–	–	–	(279)	–	–	(279)	FRS 16(73)(e)(ii)
Disposals <sup>1</sup>	–	(34)	(86)	(550)	–	–	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments <sup>2</sup>	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	41,671	2,031	–	43,702	FRS 16(73)(d)
<b>Net book value</b>								
End of financial year	8,450	22,854	59,022	61,213	1,712	2,400	155,651	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 29. Property, plant and equipment (continued)

	Freehold land	Leasehold land	Buildings	Plant and equipment	Motor vehicles	Property under development <sup>4</sup>	Total	Reference
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>								
<b>2007</b>								
<i>Cost or valuation</i>								FRS 16(73)(d)
Beginning of financial year								
Cost	–	–	–	87,450	2,362	–	89,812	FRS 16(73)(a)
Valuation	8,300	8,059	19,851	–	–	–	36,210	
	8,300	8,059	19,851	87,450	2,362	–	126,022	FRS 16(73)(d)
Currency translation differences	–	(122)	(272)	(1,073)	(53)	–	(1,520)	FRS 16(73)(e)(viii)
Additions	–	–	1,588	4,063	391	2,040	8,082	FRS 16(73)(e)(i)
Disposals <sup>1</sup>	–	–	–	(5,737)	–	–	(5,737)	FRS 16(73)(e)(ii)
Revaluation surplus <sup>2</sup> (Note 39(b)(vii))	100	235	798	–	–	–	1,133	FRS 16(73)(e)(iv)
Revaluation adjustments <sup>2</sup>	–	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	8,400	8,061	21,453	84,703	2,700	2,040	127,357	FRS 16(73)(d)
Representing :								
Cost	–	–	–	84,703	2,700	2,040	89,443	FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914	FRS 16(73)(a), SGX 1207(10)
	8,400	8,061	21,453	84,703	2,700	2,040	127,357	FRS 16(73)(d)
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	–	48	69	20,822	755	–	21,694	FRS 16(73)(d)
Currency translation differences	–	(12)	(18)	(489)	(37)	–	(556)	FRS 16(73)(e)(viii)
Depreciation charge								FRS 16(73)(e)(vii)
– Continuing operations (Note 5)	–	75	461	8,514	532	–	9,582	
– Discontinued operations	–	–	–	80	–	–	80	
Reclassified to disposal group	–	–	–	–	–	–	–	FRS 16(73)(e)(ii)
Disposals <sup>1</sup>	–	–	–	(2,750)	–	–	(2,750)	FRS 16(73)(e)(ii)
Revaluation adjustments <sup>2</sup>	–	(111)	(512)	–	–	–	(623)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	26,177	1,250	–	27,427	FRS 16(73)(d)
Net book value								
End of financial year	8400	8,061	21,453	58,526	1,450	2,040	99,930	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 29. Property, plant and equipment (continued)

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000	FRS 1(75)(a)
<b>Company</b>				
<b>2008</b>				
<i>Cost</i>				FRS 16(73)(a)
Beginning of financial year	432	50	482	FRS 16(73)(d)
Additions	328	180	508	FRS 16(73)(e)(i)
Disposals	(55)	–	(55)	FRS 16(73)(e)(ii)
End of financial year	705	230	935	FRS 16(73)(d)
<i>Accumulated depreciation</i>				
Beginning of financial year	62	20	82	FRS 16(73)(d)
Depreciation charge	14	4	18	FRS 16(73)(e)(ii)
Disposals	(20)	–	(20)	FRS 16(73)(e)(vii)
End of financial year	56	24	80	FRS 16(73)(d)
<b>Net book value</b>				
<b>End of financial year</b>	<b>649</b>	<b>206</b>	<b>855</b>	
<b>2007</b>				
<i>Cost</i>				FRS 16(73)(a)
Beginning of financial year	432	–	432	FRS 16(73)(d)
Additions	–	50	50	FRS 16(73)(e)(i)
End of financial year	432	50	482	FRS 16(73)(d)
<i>Accumulated depreciation</i>				
Beginning of financial year	27	–	27	FRS 16(73)(d)
Depreciation charge	35	20	55	FRS 16(73)(e)(vii)
End of financial year	62	20	82	FRS 16(73)(d)
<b>Net book value</b>				
<b>End of financial year</b>	<b>370</b>	<b>30</b>	<b>400</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 29. Property, plant and equipment (continued)

- (a) Included in additions in the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to \$400,000 (2007: Nil) and \$200,000 (2007: Nil) respectively.

FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are \$745,000 (2007: \$450,000) and \$180,000 (2007: Nil) respectively at the balance sheet date.<sup>5</sup>

FRS 17(31)(a)

- (b) The freehold and leasehold land and buildings of the Group and the Company were valued by an independent professional valuer based on the properties' highest-and-best-use using the Direct Market Comparison Method at the balance sheet date.

FRS 16(77)(a-d)  
SGX 1207(10)

- (c) If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

FRS 16(77)(e)

	Group	
	2008	2007
	\$'000	\$'000
Freehold land	8,010	8,108
Leasehold land	28,455	7,800
Buildings	51,609	21,529

- (d) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of \$102,835,000 and \$537,000 respectively (2007: \$1,530,000 and \$390,000) (Note 32(a)).

FRS 16(74)(a)

- (e) Borrowing costs of \$129,000 (2007: \$125,000), which arise on the financing specifically entered into for the development of property for future rental, are capitalised during the financial year (Note 9).

FRS 23(29)(b)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Property, plant and equipment ("PPE")

#### Disposals

1. Disposal of PPE due to the sale of subsidiary may be included in the "Disposals" line item, as illustrated in this publication.

#### Revaluations

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be :
  - (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; or
  - (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.
 Method (b) is illustrated in this publication.

FRS 16(35)

3. Entities are required to perform regular subsequent revaluations unless the initial revaluations were performed before 1984 or only one-off revaluations were performed between 1 January 1984 and 31 December 1996 (both dates inclusive). In the event that an item of PPE has been revalued more than once between 1 January 1984 and 31 December 1996, the entity shall explain why the PPE shall be exempted from subsequent revaluation and obtain its independent auditor's concurrence on this.

FRS 16(81)

#### Property under development

4. Property under construction or development for future use reflected as investment property is outside the scope of FRS 40. FRS 16 applies to such property until construction or development is completed. As an alternative, the reporting entity may present these properties as one separate line item on the face of the balance sheet.

FRS 40(9)(d)

#### Leased assets

5. Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease.

FRS 17(31)(a)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 30. Intangible assets

<u>Composition:</u>	<u>Group</u>		<u>Company</u>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Goodwill arising on consolidation (Note (a))	<b>10,860</b>	12,000	–	–
Trademark and licences (Note (b))	<b>12,648</b>	7,000	<b>1,000</b>	1,000
Computer software licences and development costs (Note (c))	<b>814</b>	600	<b>200</b>	100
	<b>24,322</b>	19,600	<b>1,200</b>	1,100

### (a) Goodwill arising on consolidation

	<u>Group</u>		
	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	
<i>Cost</i>			
Beginning of financial year	<b>12,000</b>	12,150	FRS 103(75)(a)
Acquisition of subsidiary (Note 13)	<b>3,651</b>	–	FRS 38(118)(e)(i)
Disposal of subsidiary (Note 13)	<b>(100)</b>	–	FRS 38(118)(e)(viii)
Currency translation differences	<b>(41)</b>	(150)	FRS 103(75)(f)
End of financial year	<b>15,510</b>	12,000	FRS 103(75)(h)
<i>Accumulated impairment</i>			
Beginning of financial year	–	–	FRS 103(75)(a)
Impairment charge (Note 5)	<b>4,650</b>	–	FRS 38(118)(e)(iv) FRS 103(75)(e)
End of financial year	<b>4,650</b>	–	FRS 103(75)(h)
Net book value	<b>10,860</b>	12,000	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 30. Intangible assets (continued)

### (a) Goodwill arising on consolidation

#### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

FRS 36(134)(a)

	Group					
	2008			2007		
	Component			Component		
	parts	Furniture	Total	parts	Furniture	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	5,768	120	5,888	5,970	120	6,090
People's Republic of China ("PRC")	325	30	355	125	4,680	4,805
Philippines	3,687	110	3,797	300	100	400
Other	740	80	820	625	80	705
	10,520	340	10,860	7,020	4,980	12,000

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

FRS 36(134)(c)

FRS 36(134)(d)(iii)

Key assumptions used for value-in-use calculations:

FRS 36(134)(d)(i,iv,v)

	Component parts				Furniture			
	Singapore	PRC	Philippines	Other	Singapore	PRC	Philippines	Other
Gross margin <sup>1</sup>	60.0%	59.0%	60.0%	56.0%	58.0%	56.0%	58.0%	55.0%
Growth rate <sup>2</sup>	5.8%	8.8%	7.8%	1.9%	5.1%	8.3%	7.1%	1.4%
Discount rate <sup>3</sup>	6.3%	10.0%	10.7%	12.8%	6.5%	11.0%	11.8%	13.5%

<sup>1</sup> Budgeted gross margin

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period

<sup>3</sup> Pre-tax discount rate applied to the pre-tax cash flow projections

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 30. Intangible assets (continued)

### (a) Goodwill arising on consolidation (continued)

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

FRS 36(134)(d)(iii)

FRS 36(55)

An impairment charge of \$4,650,000 (2007: Nil) is included within "Administrative expenses" in the income statement<sup>1</sup>. The impairment charge has arisen from the furniture CGU in the People's Republic of China segment following a decision to reduce the manufacturing output as a result of reducing customer demand. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no change in the useful lives was required.

FRS 36(126)(a)  
FRS 36(130)

### (b) Trademark and licences

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
<i>Cost</i>					
Beginning of financial year	<b>7,700</b>	7,306	<b>1,560</b>	900	FRS 38(118)(e)
Currency translation differences	<b>(19)</b>	(306)	–	–	FRS 38(118)(e)(vii)
Acquisition of subsidiary (Note 13)	<b>4,000</b>	–	–	–	FRS 38(118)(e)(i)
Additions	<b>2,447</b>	700	<b>100</b>	660	FRS 38(118)(e)(i)
Reclassified to disposal group (Note 11)	<b>(100)</b>	–	–	–	FRS 38(118)(e)(iii)
End of financial year	<b>14,028</b>	7,700	<b>1,660</b>	1,560	FRS 38(118)(e)
<i>Accumulated amortisation</i>					
Beginning of financial year	<b>700</b>	335	<b>560</b>	500	FRS 38(118)(e)(vi)
Amortisation charge					
– Continuing operations	<b>655</b>	315	<b>100</b>	60	
– Discontinued operations	<b>25</b>	50	–	–	
End of financial year	<b>1,380</b>	700	<b>660</b>	560	FRS 38(118)(c)
Net book value	<b>12,648</b>	7,000	<b>1,000</b>	1,000	



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 30. Intangible assets (continued)

### (c) Computer software licences and development costs

	Group		Company		
	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					FRS 38(118)(c)
Beginning of financial year	1,300	1,345	120	120	FRS 38(118)(e)
Currency translation differences	(32)	(45)	–	–	FRS 38(118)(e)(vii)
Additions	366	–	120	–	FRS 38(118)(e)(i)
End of financial year	1,634	1,300	240	120	FRS 38(118)(e)
<i>Accumulated amortisation</i>					FRS 38(118)(c)
Beginning of financial year	700	500	20	–	
Amortisation charge	120	200	20	20	FRS 38(118)(e)(vi)
End of financial year	820	700	40	20	
Net book value	814	600	200	100	

### (d) Amortisation expense included in the income statement is analysed as follows<sup>1</sup>:

FRS 38(118)(d)

	Group	
	2008	2007
	\$'000	\$'000
Cost of sales	655	315
Administrative expenses	120	200
Total (Note 5)	775	515

## Guidance Notes

### Intangible assets

#### Line items on the income statement in which impairment losses are included

- These disclosures are required only for entities that present expenses by function on the face of the income statement.

FRS 38(118)(d)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 31. Trade and other payables – Current

FRS 1(74)

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
Trade payables to					FRS 24(17)(b),22)
– Non-related parties	<b>958</b>	528	<b>86</b>	140	
– Associated companies	<b>2,202</b>	1,095	<b>40</b>	200	FRS 24(18)(d)
– Subsidiaries	–	–	<b>20</b>	14	FRS 24(18)(c)
– Fellow subsidiaries	<b>9,690</b>	7,021	–	–	FRS 24(18)(g)
	<b>12,850</b>	8,644	<b>146</b>	354	
Construction contracts					
– Advances received (Note 19)	<b>541</b>	262	–	–	FRS 11(40)(b)
– Due to customers (Note 19)	<b>80</b>	60	–	–	FRS 11(42)(b)
	<b>621</b>	322	–	–	
Accrued interest payable on borrowings	<b>1,381</b>	538	<b>113</b>	167	
Financial guarantees	–	–	<b>160</b>	–	
Other accrual for operating expenses	<b>1,379</b>	1,052	<b>58</b>	28	
	<b>16,231</b>	10,556	<b>477</b>	549	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 32. Borrowings

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
<i>Current</i>					
Bank overdrafts (Note 13)	<b>2,650</b>	6,464	<b>3,500</b>	3,200	
Bank borrowings <sup>2</sup>	<b>6,754</b>	9,131	–	7,000	FRS 1(64)
Finance lease liabilities (Note 35)	<b>120</b>	75	–	–	
	<b>9,524</b>	15,670	<b>3,500</b>	10,200	FRS 1(52,60)
<i>Non-current</i>					
Bank borrowings <sup>2</sup>	<b>39,228</b>	58,839	–	31,751	FRS 1(64)
Convertible bonds (Note 33)	<b>42,822</b>	–	<b>42,822</b>	–	
Redeemable preference shares (Note 34)	<b>30,000</b>	30,000	<b>30,000</b>	30,000	
Finance lease liabilities (Note 35)	<b>805</b>	375	–	–	
	<b>112,855</b>	89,214	<b>72,822</b>	61,751	FRS 1(52,60)
Total borrowings <sup>1</sup>	<b>122,379</b>	104,884	<b>76,322</b>	71,951	

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

FRS 107(31)

	<u>Group</u>		<u>Company</u>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
6 months or less	<b>2,710</b>	6,501	<b>3,500</b>	3,200
6 – 12 months	<b>6,814</b>	9,169	–	7,000
1 – 5 years	<b>82,550</b>	59,104	<b>42,822</b>	31,715
Over 5 years	<b>30,305</b>	30,110	<b>30,000</b>	30,000
	<b>122,379</b>	104,884	<b>76,322</b>	71,915

### (a) Security granted

Total borrowings include secured liabilities of \$88,065,000 (2007: \$70,720,000) and \$67,750,000 (2007: \$60,280,000) 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 18) of the Company and certain subsidiaries. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 13), certain trade receivables (Note 17), certain inventories (Note 18), investment properties (Note 27) and certain land and buildings (Note 29(d)). Finance lease liabilities of the Group are secured by the rights to the leased plant and equipment, and motor vehicles (Note 29(a)), which will revert to the lessor in the event of default by the Group.

FRS 107(14)

FRS 2(36)(h)

FRS 16(74)(a)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 32. Borrowings (continued)

### (b) Fair value of non-current borrowings

FRS 107(25)  
FRS 107(29)(a)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	38,193	57,135	–	29,987
Convertible bonds	42,617	–	42,617	–
Redeemable preference shares	28,450	28,850	28,450	28,850
Finance lease liabilities	800	370	–	–

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

FRS 107(27)(a,b)

	Group		Company	
	2008	2007	2008	2007
Bank borrowings	2.8%	3.3%	–	3.3%
Convertible bonds	5.5%	–	5.5%	–
Redeemable preference shares	6.0%	5.8%	6.0%	5.8%
Finance lease liabilities	5.4%	5.5%	–	–

### (c) Undrawn borrowing facilities

DV  
FRS 7(50)(a)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Not later than one year	24,900	16,600	9,010	9,060
Later than one year	14,000	8,400	6,000	5,220
	38,900	25,000	15,010	14,280

The facilities expiring not later than one year from the balance sheet date are facilities subject to annual review at various dates during 2009. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

## Guidance Notes

### Borrowings

- FRS 107 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 6 includes an illustration.
- Under an existing loan facility, if an entity has the discretion to refinance or roll over the borrowing for at least twelve months after the balance sheet date and expects to do so, it classifies the borrowings as non-current. However, when refinancing or rolling over the borrowing is not at the discretion of the entity (for example, there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

FRS 1(65)

FRS 1(64)

## Notes to the Financial Statements

for the financial year ended 31 December 2008

### 33. Convertible bonds

On 2 January 2008, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of \$50,000,000. The bonds will mature five years from the issue date at their nominal value of \$50,000,000 or can be converted into shares of the Company at the holder's option at the rate of 33 shares per \$500 nominal value of the bonds.

FRS 107(17)

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 39(b)(vi)), net of deferred income taxes.

FRS 32(28)  
FRS 32(31)  
DV (disclosed in Note 2.13(c))

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

DV

	<u>Group and Company</u>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Face value of convertible bonds issued on 2 January 2008	<b>50,000</b>	—
Equity conversion component (Note 39(b)(vi)) <sup>1</sup>	<b>(7,761)</b>	—
Liability component on initial recognition at 2 January 2008	<b>42,239</b>	—
Interest expense (Note 9)	<b>3,083</b>	—
Interest paid	<b>(2,500)</b>	—
Liability component at end of financial year (Note 32)	<b>42,822</b>	—

FRS 12 AppB(4)

#### Guidance Notes

##### Convertible bonds

1. Certain tax authorities may compute the tax base of the liability component of such convertible bonds as the sum of the carrying amount of both the liability and equity components. When this occurs, the issuer shall recognise a deferred tax liability on the resulting temporary differences at the date of issuance of these instruments, with the corresponding entry charged directly to the carrying amount of the equity component (i.e. equity component reserve).

FRS 12(23)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 34. Redeemable preference shares

On 4 January 2006, the Company issued 30 million cumulative redeemable preference shares at \$1 per share to its immediate holding corporation. The shares are mandatorily redeemable at \$1 per share on 4 January 2016 or by the Company at any time before that date. The shares pay fixed dividends of 6.5% per annum.

FRS 32(15)  
FRS 32(18)(a)  
FRS 107(31), AppB22

## 35. Finance lease liabilities

The Group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

FRS 17(47)(f)

	Group	
	2008	2007
	\$'000	\$'000
Minimum lease payments due		
– Not later than one year	164	84
– Between one and five years	615	319
– Later than five years	517	227
	<b>1,296</b>	630
Less: Future finance charges	(371)	(180)
Present value of finance lease liabilities	<b>925</b>	450

FRS 17(31)(b)

The present values of finance lease liabilities are analysed as follows:

FRS 17(31)(b)

	Group	
	2008	2007
	\$'000	\$'000
Not later than one year (Note 32)	120	75
Later than one year (Note 32)		
– Between one and five years	500	265
– Later than five years	305	110
	<b>805</b>	375
Total	<b>925</b>	450

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 36. Provisions for other liabilities and charges

FRS 1(75)(d)

	<u>Group</u>		<u>Company</u>		
	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					FRS 1(52,60)
Warranty (Note (a))	1,026	2,300	100	210	
Restructuring (Note (b))	1,100	–	–	–	
	<b>2,126</b>	<b>2,300</b>	<b>100</b>	<b>210</b>	
<i>Non-current</i>					FRS 1(52,60)
Legal claims (Note (c))	1,655	1,585	200	95	
Total	<b>3,781</b>	<b>3,885</b>	<b>300</b>	<b>305</b>	

### (a) Warranty

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

FRS 37(85)(a)

Movement in provision for warranty is as follows:

	<u>Group</u>		<u>Company</u>		
	2008	2007 <sup>1</sup>	2008	2007 <sup>1</sup>	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	2,300	2,120	210	90	FRS 37(84)(a)
Currency translation differences	10	15	–	–	
Provision made	210	275	70	170	FRS 37(84)(b)
Provision utilised	(1,398)	(110)	(180)	(50)	FRS 37(84)(c)
Reclassified to disposal group (Note 11)	(96)	–	–	–	
End of financial year	<b>1,026</b>	<b>2,300</b>	<b>100</b>	<b>210</b>	FRS 37(84)(a)

### (b) Restructuring

The restructuring of the furniture segment will result in the retrenchment of 110 employees at two factories. An agreement was reached with the employees' union that specified the number of staff involved and quantified the amounts payable to those made redundant. Estimated staff redundancy costs amounting to \$840,000 are recognised in the financial year ended 31 December 2008. Other restructuring expenses amounting to \$260,000 mainly comprise penalties on the early termination of leases on vacated properties.

FRS 37(85)(a)

FRS 37(84)(b)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 36. Provisions for other liabilities and charges (continued)

### (b) Restructuring (continued)

The provision for restructuring of \$1,100,000 is an update of the amount of \$800,000 recorded in the Group's interim consolidated financial report for the six months ended 30 June 2008, following the finalisation of certain restructuring costs in the second half of 2008. The provision for restructuring is expected to be fully utilised during the first half of 2009.<sup>2</sup>

FRS 34(26)

In conjunction with the restructuring exercise, a goodwill impairment charge of \$4,650,000 is recognised (Note 30(a)).

FRS 36(130)(a)

### (c) Legal claims

The provision for legal claims is in respect of certain legal claims brought against the Group by customers, and is expected to be utilised in 2010. In the opinion of the directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 31 December 2008. The directors consider that disclosure of further details of these claims will 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)

FRS 37(92)

Movement in provision for legal claims is as follows:

	Group		Company		
	2008	2007 <sup>1</sup>	2008	2007 <sup>1</sup>	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,585	1,342	95	90	FRS 37(84)(a)
Currency translation difference	(100)	(22)	–	–	
Provision made	100	200	85	5	FRS 37(84)(b)
Amortisation of discount (Note 9)	70	65	20	–	FRS 37(84)(e)
End of financial year	1,655	1,585	200	95	FRS 37(84)(a)

## Guidance Notes

### Provisions for other liabilities and charges

1. Comparative information is encouraged, but not required for the movement of each class of provision.
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 shall 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 2008

## 37. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset 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(74)

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
<b>Deferred income tax assets</b>					
– to be recovered within one year	<b>(647)</b>	(82)	–	–	FRS 1(52,60)
– to be recovered after one year	<b>(2,672)</b>	(3,146)	–	–	FRS 1(52,60)
	<b>(3,319)</b>	(3,228)	–	–	
<b>Deferred income tax liabilities</b>					
– to be settled within one year	<b>1,627</b>	890	<b>600</b>	559	FRS 1(52,60)
– to be settled after one year	<b>11,019</b>	7,516	<b>3,175</b>	1,492	FRS 1(52,60)
	<b>12,646</b>	8,406	<b>3,775</b>	2,051	

Movement in deferred income tax account is as follows:

DV

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
Beginning of financial year	<b>5,178</b>	3,462	<b>2,051</b>	2,232	
Effects of change in Singapore tax rate	–	(394)	–	(221)	
Currency translation differences	<b>391</b>	(784)	–	–	
Acquisition of subsidiary (Note 13)	<b>3,753</b>	–	–	–	
Disposal of subsidiary (Note 13)	<b>(2,037)</b>	–	–	–	
Tax charge/(credited) to					
– income statement (Note 10(a))	<b>379</b>	2,635	<b>323</b>	20	
– equity (see note below)	<b>1,663</b>	259	<b>1,401</b>	20	
End of financial year	<b>9,327</b>	5,178	<b>3,775</b>	2,051	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 37. Deferred income taxes (continued)

Deferred income tax debited against/(credited) to equity (Note 39), excluding the effects of the change in Singapore tax rate for the previous financial year, are as follows:

FRS 12(81)(a)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee share option scheme <sup>1</sup> (Note 39(b)(ii))	(114)	–	(20)	–
Fair value reserve (Note 39(b)(iii))	92	16	(7)	19
Hedging reserve (Note 39(b)(iv))	14	4	11	1
Equity component of convertible bonds (Note 39(b)(vi))	1,397	–	1,397	–
Asset revaluation reserve (Note 39(b)(vii))	46	239	–	–
	<b>1,435</b>	<b>259</b>	<b>1,381</b>	<b>20</b>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$5,000,000 (2007: \$5,244,000) and capital allowances of \$400,000 (2007: \$544,000) at the balance sheet date 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. The tax losses have no expiry date except for an amount of \$213,000 which will expire in 2009. The capital allowances will expire between 2010 and 2011.

FRS 12(82)

FRS 12(81)(e)

Deferred income tax liabilities of \$170,000 (2007: \$127,500) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company. These unremitted earnings are permanently reinvested and amount to \$2,000,000 (2007: \$1,500,000) at the balance sheet date.

FRS 12(81)(f)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 37. Deferred income taxes (continued)

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

FRS 12(81)(g)(i)  
FRS 12(81)(g)(ii)

### Group

#### Deferred income tax liabilities

	<u>Accelerated</u> <u>tax</u> <u>depreciation</u> \$'000	<u>Fair value</u> <u>gains-net</u> \$'000	<u>Convertible</u> <u>bonds</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
<b>2008</b>					
Beginning of financial year	7,381	521	–	1,083	8,985
Currency translation differences	716	33	–	181	930
Acquisition of subsidiary	553	3,175	–	275	4,003
Disposal of subsidiary	(2,037)	–	–	–	(2,037)
Charged/(credited) to					
– income statement	337	–	(105)	138	370
– equity	–	152	1,397	–	1,549
End of financial year	6,950	3,881	1,292	1,677	13,800
<b>2007</b>					
Beginning of financial year	6,413	333	–	284	7,030
Effect of change in Singapore tax rate	(577)	(23)	–	–	(600)
Currency translation differences	(241)	(48)	–	–	(289)
Charged to					
– income statement	1,786	–	–	799	2,585
– equity	–	259	–	–	259
End of financial year	7,381	521	–	1,083	8,985

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 37. Deferred income taxes (continued)

### Deferred income tax assets

	<u>Provisions</u>	<u>Tax losses</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>2008</b>				
Beginning of financial year	(734)	(1,960)	(1,113)	(3,807)
Currency translation differences	(65)	(74)	(400)	(539)
Acquisition of subsidiary	(250)	–	–	(250)
(Credited)/charged to				
– income statement	(538)	1,000	(453)	9
– equity	–	–	114	114
End of financial year	<u>(1,587)</u>	<u>(1,034)</u>	<u>(1,852)</u>	<u>(4,473)</u>
<b>2007</b>				
Beginning of financial year	(977)	(1,500)	(1,091)	(3,568)
Effect of change in Singapore tax rate	97	–	109	206
Currency translation differences	(35)	(460)	–	(495)
Charged/(credited) to income statement	181	–	(131)	50
End of financial year	<u>(734)</u>	<u>(1,960)</u>	<u>(1,113)</u>	<u>(3,807)</u>

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 37. Deferred income taxes (continued)

### Company

#### Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gains - net \$'000	Convertible bonds \$'000	Total \$'000
<b>2008</b>				
Beginning of financial year	2,014	82	–	2,096
Charged to				
– income statement	346	–	21	367
– equity	–	4	1,397	1,401
End of financial year	2,360	86	1,418	3,864
<b>2007</b>				
Beginning of financial year	2,175	68	–	2,243
Effect of change in Singapore tax rate	(217)	(6)	–	(223)
Charged to				
– income statement	56	–	–	56
– equity	–	20	–	20
End of financial year	2,014	82	–	2,096

#### Deferred income tax assets

	Provisions \$'000	Other \$'000	Total \$'000
<b>2008</b>			
Beginning of financial year	(41)	(4)	(45)
Charged/(credited) to			
– income statement	17	(81)	(64)
– equity	–	20	20
End of financial year	(24)	(65)	(89)
<b>2007</b>			
Beginning of financial year	(17)	6	(11)
Effect of change in Singapore tax rate	2	–	2
Credited to income statement	(26)	(10)	(36)
End of financial year	(41)	(4)	(45)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Tax on employee share option scheme

1. With effect from the Year of Assessment 2007, companies are allowed tax deduction for costs incurred in the purchase of treasury shares that are transferred to employees pursuant to employee share-based payment ("SBP") arrangements. For details, please refer to the Inland Revenue Authority of Singapore circular – "Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme" issued in June 2006 and a supplemental circular issued in January 2007.
2. As the timing of the tax deduction and the recognition of the employee share option expense differs, FRS 12 requires the recognition of the related deferred tax asset if the deferred tax asset recognition criteria are met. For an equity-settled SBP, if the cumulative amount of tax deduction exceeds the tax effect of the related cumulative remuneration expense at the reporting date, the excess of the associated deferred tax shall be recognised directly in equity. All taxes related to cash-settled SBPs shall be recognised in the income statement.

FRS  
12(61,68A-68C)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 38. Share capital and treasury shares

FRS 1(76,97)(c))

	No. of ← ordinary shares →		← Amount →	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
<u>Group and Company</u>				
<b>2008</b>				
Beginning of financial year	20,000	(725)	32,024	(900)
Treasury shares purchased	–	(1,000)	–	(2,072)
Share issue	4,050	–	9,884	–
Share issue expenses	–	–	(413)	–
Treasury shares re-issued				
– Cash consideration, net of expense	–	750	–	982
– Transfer from share option reserve (Note 39(b)(i))	–	–	–	946
– Gain transferred to capital reserve (Note 39(b)(ii))	–	–	–	(374)
	–	750	–	1,554
End of financial year	<u>24,050</u>	<u>(975)</u>	<u>41,495</u>	<u>(1,418)</u>
<b>2007</b>				
Beginning of financial year	20,000	–	32,024	–
Treasury shares purchased	–	(725)	–	(900)
End of financial year	<u>20,000</u>	<u>(725)</u>	<u>32,024</u>	<u>(900)</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

FRS 1(76)(a)(ii)

On 1 March 2008, the Company issued 4,050,000 ordinary shares for a total consideration of \$9,884,000 for cash 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(76)(a)(v)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 38. Share capital and treasury shares (continued)

### (a) Treasury shares

The Company acquired 1,000,000 (2007: 725,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$2,072,000 (2007: \$900,000) and this was presented as a component within shareholders' equity.

FRS 32(33)

The Company re-issued 750,000 (2007: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 (2007: Nil) each, for a total cash consideration (net of expense) of \$982,000 (2007: Nil).

### (b) Share options

Share options were granted to key management and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2005.

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

FRS 102(45)(a)

Once the options have vested, they are exercisable for a contractual option term of four 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 2008, options to subscribe for 964,000 ordinary shares of the Company at an exercise price of \$2.95 per ordinary share were granted pursuant to the Scheme ("2008 Options"). The 2008 Options are exercisable from 1 January 2010 and expire on 31 December 2013.

FRS 1(76)(a)(vii)



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 38. Share capital and treasury shares (continued)

### (b) Share options (continued)

Movement in the number of unissued ordinary shares under option and their exercise prices are as follows:

FRS 102(45)(b-d)

	No. of ordinary shares under option					Exercise price	Exercise period
	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year		
<b>Group and Company</b>							
<b>2008</b>							
2005							1.1.2007 –
Options	1,850,000	–	(100,000)	(750,000)	1,000,000	\$1.31	31.12.2010
2007							1.1.2009 –
Options	1,732,000	–	(200,000)	–	1,532,000	\$1.28	31.12.2012
2008							1.1.2010 –
Options	–	964,000	–	–	964,000	\$2.95	31.12.2013
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>		
<b>2007</b>							
2005							1.1.2007 –
Options	2,050,000	–	(200,000)	–	1,850,000	\$1.31	31.12.2010
2007							1.1.2009 –
Options	–	1,965,000	(233,000)	–	1,732,000	\$1.28	31.12.2012
	<u>2,050,000</u>	<u>1,965,000</u>	<u>(433,000)</u>	<u>–</u>	<u>3,582,000</u>		

Out of the unrecognised options for 3,496,000 (2007: 3,582,000) shares, options for 1,000,000 (2007: 1,850,000) shares are exercisable at the balance sheet date. Options exercised in 2007 resulted in 750,000 treasury shares (2007: Nil) being re-issued at the exercise price of \$1.31 (2007: Nil) each. The weighted average share price at the time of exercise was \$3.20 (2007: Nil) per share. The related transaction costs amounting to \$500 (2007: Nil) were deducted against the proceeds received.

FRS 102(45)(b)(vii)

FRS 102(45)(c)

The fair value of options granted on 1 January 2008 (2007: 1 January 2007), determined using the Binomial Valuation Model, was \$600,000 (2007: \$780,000). The significant inputs into the model were share price of \$2.95 (2007: \$1.28) at the grant date, exercise price of \$2.95 (2007: \$1.28), standard deviation of expected share price returns of 30% (2007: 27%), the option life shown above and annual risk-free interest rate of 5% (2007: 4%). The volatility measured as the standard deviation of expected share price returns was based on statistical analysis of share prices over the last three years.

FRS 102(46,47)(a))

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 39. Other reserves

FRS 1(97)(c)

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) <b>Composition:</b>				
Share option reserve	1,636	1,892	1,636	1,892
Capital reserve	488	–	394	–
Fair value reserve	573	128	96	130
Hedging reserve	88	25	62	12
Currency translation reserve	2,906	2,324	–	–
Equity component of convertible bonds	6,364	–	6,364	–
Asset revaluation reserve	2,252	2,050	–	–
	<b>14,307</b>	<b>6,419</b>	<b>8,552</b>	<b>2,034</b>
(b) <b>Movements:</b>				
<b>(i) Share option reserve</b>				
Beginning of financial year	1,892	1,270	1,892	1,270
Employee share option scheme				
– Value of employee services (Notes 6 and 38)	690	622	690	622
– Transfer to treasury shares on exercise of share options (Note 38)	(946)	–	(946)	–
End of financial year	<b>1,636</b>	<b>1,892</b>	<b>1,636</b>	<b>1,892</b>
<b>(ii) Capital reserve</b>				
Beginning of financial year	–	–	–	–
Gain on re-issue of treasury shares (Note 38)	374	–	374	–
Tax on employee share option scheme (Note 37)	114	–	20	–
End of financial year	<b>488</b>	<b>–</b>	<b>394</b>	<b>–</b>
<b>(iii) Fair value reserve</b>				
Beginning of financial year	128	55	130	54
Effect of change in Singapore tax rate	–	1	–	1
Financial assets, available-for-sale				
Fair value gains/(losses) (Note 16)	710	88	(34)	94
Tax on fair value changes	(128)	(16)	6	(19)
	<b>582</b>	<b>72</b>	<b>(28)</b>	<b>75</b>
Share of associated companies' fair value gains on financial assets, available for sale (Note 24)	27	–	–	–
Transfer to income statement on disposal (Note 8)	(200)	–	(7)	–
Tax on transfer	36	–	1	–
	<b>(164)</b>	<b>–</b>	<b>(6)</b>	<b>–</b>
End of financial year	<b>573</b>	<b>128</b>	<b>96</b>	<b>130</b>

FRS 1(97)(c)

FRS 1(97)(c)

FRS 1(97)(c)

FRS 107(20)(a)(ii)

FRS 12(81)(a)

FRS 107(20)(a)(ii)

FRS 12(81)(a)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 39. Other reserves (continued)

### (b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
<b>(iv) Hedging reserve</b>					FRS 1(97)(c)
Beginning of financial year	<b>25</b>	8	<b>12</b>	6	
Effect of change in Singapore tax rate	–	1	–	*	
Fair value gains	<b>417</b>	414	<b>71</b>	16	FRS 107(23)(c)
Tax on fair value gains	<b>(75)</b>	(83)	<b>(13)</b>	(3)	FRS 12(81)(a)
	<b>342</b>	331	<b>58</b>	13	
Transfer to sales (Note 4)	<b>(128)</b>	(50)	–	–	FRS 107(23)(d)
Transfer to inventories	<b>(60)</b>	(40)	–	–	FRS 107(23)(e)
Transfer to property, plant and equipment	<b>(50)</b>	–	–	–	FRS 107(23)(e)
Transfer to finance expenses (Note 9)	<b>(102)</b>	(304)	<b>(10)</b>	(9)	FRS 107(23)(d)
Tax on transfers	<b>61</b>	79	<b>2</b>	2	FRS 12(81)(a)
	<b>(279)</b>	(315)	<b>(8)</b>	(7)	
End of financial year	<b>88</b>	25	<b>62</b>	12	
* Less than \$1,000					
<b>(v) Currency translation reserve</b>					
Beginning of financial year	<b>2,324</b>	2,454	–	–	FRS 1(97)(c) FRS 21(52)(b)
Release on disposal of a subsidiary (Note 13)	<b>(1,200)</b>	–	–	–	
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	<b>1,878</b>	(390)	–	–	
Net currency translation difference on borrowings designated as hedges against foreign subsidiaries <sup>1</sup>	<b>456</b>	220	–	–	
Less: Minority interests <sup>2</sup>	<b>(552)</b>	40	–	–	
	<b>1,782</b>	(130)	–	–	
End of financial year	<b>2,906</b>	2,324	–	–	
<b>(vi) Equity component of convertible bonds</b>					FRS 1(97)(c)
Convertible bond – equity component (Note 33)	<b>7,761</b>	–	<b>7,761</b>	–	
Tax on liability component	<b>(1,397)</b>	–	<b>(1,397)</b>	–	FRS 12(81)(a)
End of financial year	<b>6,364</b>	–	<b>6,364</b>	–	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 39. Other reserves (continued)

### (b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
<b>(vii) Asset revaluation reserve<sup>3</sup></b>					FRS 1(97)(c)
Beginning of financial year	<b>2,050</b>	1,259	–	–	
	<b>2,050</b>	1,259	–	–	
Effect of change in Singapore tax rate	–	50	–	–	
Revaluation gains on					
– Other properties (Note 29)	<b>253</b>	1,133	–	–	FRS 16(39)
Tax on revaluation gains	<b>(46)</b>	(239)	–	–	FRS 12(81)(a)
Minority interests <sup>2</sup>	<b>(5)</b>	(153)	–	–	
	<b>202</b>	741	–	–	FRS 16(77)(f)
End of financial year	<b>2,252</b>	2,050	–	–	
Other reserves are non-distributable. <sup>4</sup>					FRS 1(76)(b)

## Guidance Notes

### Other reserves

#### Borrowings designated as net investment hedges

- For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Exchange differences arising from such items shall be recognised (a) in the income statement in the separate financial statements of the reporting entity or of the foreign operation; and (b) in a separate component of equity in the consolidated financial statements.

FRS 21(15,32)

#### Minority interests

- Minority interests' share of reserve movement (net of tax) should be separately disclosed, where applicable.

#### Transfer of revaluation surplus on property, plant and equipment ("PPE")

- This publication illustrates the disclosure where the entity has elected to transfer revaluation surplus of an item of PPE directly to retained earnings only when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained earnings progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost.

FRS 16(41)

#### Distributability of reserves

- Distributability or otherwise of the reserves will depend on the Articles of Association of the Company subject to any regulatory restrictions.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 40. Retained earnings

- (a) Retained earnings of the Group are distributable except for accumulated retained earnings of associated companies amounting to \$405,000 (2007: \$255,000) and the amount of \$1,418,000 (2007: \$900,000) utilised to purchase treasury shares. Retained earnings of the Company are distributable except for the amount of \$1,418,000 (2007: \$900,000) utilised to purchase treasury shares.

FRS 1(76)(a)(v)

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

DV

	Company	
	2008	2007
	\$'000	\$'000
Beginning of financial year	1,434	6,384
Net profit	9,944	10,786
Dividends paid (Note 41)	(10,102)	(15,736)
End of financial year	1,276	1,434

## 41. Dividends<sup>1</sup>

	Group and Company	
	2008	2007
	\$'000	\$'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 52.41 cents (2007: 78.68 cents) per share (Note 40)	10,102	15,736

FRS 1(95)

At the Annual General Meeting on 5 April 2009, a final exempt dividend of 43.34 cents per share amounting to a total of \$10,000,000 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 2009.

FRS 1(125)

FRS 12(81)(i)

FRS 10(12,13)

### Guidance Notes

#### Dividends

- It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares.

CA 76J(4)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 42. Contingencies

### (a) Contingent liabilities

Contingent liabilities, excluding those relating to investments in associated companies (Note 24) and the investment in a joint venture (Note 25), of which the probability of settlement is not remote at the balance sheet date, are as follows:

FRS 37(86)

#### Group

A claim for unspecified damages was lodged by a customer during the financial year against a subsidiary and certain of its executives in respect of damages allegedly caused by the use of furniture supplied by the subsidiary. The subsidiary has disclaimed the liability and is defending the action. Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

#### Company

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries with net liability positions. These bank borrowings amount to \$45,982,000 (2007: \$29,219,000) at the balance sheet date.

### (b) Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2008 (Note 8), the Group will receive additional consideration of \$70,000 if the net profit of PwC Logistics for the 18-month period ending 31 December 2009 exceeds \$200,000.

FRS 37(89)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 43. 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 24) and investment in a joint venture (Note 25), are as follows:

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
Property, plant and equipment	<b>4,193</b>	4,117	<b>800</b>	600	FRS 16(74)(c)
Intangible assets	<b>460</b>	474	<b>200</b>	100	FRS 38(122)(e)
	<b>4,653</b>	4,591	<b>1,000</b>	700	

### (b) Operating lease commitments – where the Group is a lessee

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

FRS 17(35)(d)

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

	<u>Group</u>		
	<b>2008</b>	2007	
	<b>\$'000</b>	\$'000	
Not later than one year	<b>11,664</b>	10,204	FRS 17(35)(a)(i)
Between one and five years	<b>45,651</b>	45,651	FRS 17(35)(a)(ii)
Later than five years	<b>15,710</b>	27,774	FRS 17(35)(a)(iii)
	<b>73,025</b>	83,629	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 43. Commitments (continued)

### (c) Operating lease commitments – where the Group is a lessor

The Group and Company lease out retail space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

FRS 17(56)(c)

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

	Group and Company		
	2008	2007	
	\$'000	\$'000	
Not later than one year	348	52	FRS 17(56)(a)(i)
Between one and five years	182	–	FRS 17(56)(a)(ii)
Later than five years	–	–	FRS 17(56)(a)(iii)
	<b>530</b>	<b>52</b>	

## 44. Financial risk management<sup>1</sup>

FRS 107(31)

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

FRS 107(33)(b)

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Financial Risk Management Committee ("FRMC") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the FRMC. The trading team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the FRMC and the Board of Directors.



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management<sup>1</sup> (continued)

### (a) Market risk

#### (i) Currency risk

The Group operates in Asia with dominant operations in Singapore, the People's Republic of China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

FRS 107(33)(a)

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Chinese Yuan or Renminbi ("RMB"). To manage the currency risk, individual Group entities enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly through currency forwards.

FRS 107(33)(b)

FRS 107(22)(c)

Group Treasury's risk management policy is to hedge between 60% and 80% of highly probable forecast transactions (mainly export sales and import purchases) in the next three months and approximately 90% of firm commitments denominated in foreign currencies.

FRS 107(33)(b)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in the People's Republic of China, the Philippines, Hong Kong and Thailand are managed primarily through borrowings denominated in the relevant foreign currencies. Borrowings designated and qualified as hedges of net investments in the Group's subsidiaries have a carrying amount of \$2,986,000 (2007: \$3,154,000) and a fair value of \$2,577,000 (2007: \$3,121,000) at the balance sheet date.

FRS 107(33)(a,b)  
FRS 107(22)(c)

FRS 107(22)(b)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management<sup>1</sup> (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:<sup>2</sup>

FRS 107(31,34(a,c))

	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>RMB</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
<b>2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	22,549	18,693	5,786	3,233	50,261
Trade and other receivables	6,133	4,371	6,100	4,099	20,703
Other financial assets	2,122	345	–	–	2,467
	<u>30,804</u>	<u>23,409</u>	<u>11,886</u>	<u>7,332</u>	<u>73,431</u>
<b>Financial liabilities</b>					
Borrowings	(74,737)	(30,982)	(11,250)	(5,410)	(122,379)
Other financial liabilities	(4,316)	(6,801)	(2,280)	(2,213)	(15,610)
	<u>(79,053)</u>	<u>(37,783)</u>	<u>(13,530)</u>	<u>(7,623)</u>	<u>(137,989)</u>
<b>Net financial liabilities</b>	<u>(48,249)</u>	<u>(14,374)</u>	<u>(1,644)</u>	<u>(291)</u>	<u>(64,558)</u>
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies <sup>3</sup>	45,000	–	(3,050)	(2,400)	
Add: Firm commitments and highly probable forecast transactions in foreign currencies <sup>3</sup>	6,000	45,568	22,444	(5,698)	
Less: Currency forwards <sup>3</sup>	(4,000)	(32,040)	(12,540)	1,395	
<b>Currency exposure on financial assets and liabilities</b>	<b>(1,249)</b>	<b>(846)</b>	<b>5,210</b>	<b>(6,994)</b>	
Add: Net non-financial assets of foreign subsidiaries <sup>3</sup>	–	–	1,288	4,300	
<b>Currency exposure including non financial assets and liabilities</b>	<b>(1,249)</b>	<b>(846)</b>	<b>6,498</b>	<b>(2,694)</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows: (continued)

	SGD \$'000	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
2007					
<b>Financial assets</b>					
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	20,762	26,419	7,003	3,291	57,475
Trade and other receivables	5,862	3,780	5,300	1,933	16,875
Other financial assets	1,593	221	–	–	1,814
	28,217	30,420	12,303	5,224	76,164
<b>Financial liabilities</b>					
Borrowings	(44,684)	(46,736)	(10,648)	(2,816)	(104,884)
Other financial liabilities	(5,216)	(2,878)	(1,540)	(600)	(10,234)
	(49,900)	(49,614)	(12,188)	(3,416)	(115,118)
<b>Net financial (liabilities)/ assets</b>	(21,683)	(19,194)	115	1,808	(38,954)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies <sup>3</sup>	26,444	–	(2,080)	(2,100)	
Add: Firm commitments and highly probable forecast transactions in foreign currencies <sup>3</sup>	2,000	14,893	6,000	(3,876)	
Less: Currency forwards <sup>3</sup>	(1,400)	(13,040)	(4,540)	949	
<b>Currency exposure on financial assets and liabilities</b>	<b>5,361</b>	<b>(17,341)</b>	<b>(505)</b>	<b>(3,219)</b>	
Add: Net non-financial assets of foreign subsidiaries <sup>3</sup>	–	–	1,005	1,100	
<b>Currency exposure including non financial assets and liabilities</b>	<b>5,361</b>	<b>(17,341)</b>	<b>500</b>	<b>(2,119)</b>	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:<sup>2</sup>

FRS 107(31,34(a,c))

	← 2008 →			← 2007 →		
	SGD \$'000	USD \$'000	Total \$'000	SGD \$'000	USD \$'000	Total \$'000
<b>Financial Assets</b>						
Cash and cash equivalents, and financial assets available-for-sale	2,070	1,432	3,502	1,488	2,707	4,195
Trade and other receivables	10,698	–	10,698	5,316	–	5,316
	<b>12,768</b>	<b>1,432</b>	<b>14,200</b>	<b>6,804</b>	<b>2,707</b>	<b>9,511</b>
<b>Financial Liabilities</b>						
Borrowings	(76,322)	–	(76,322)	(33,200)	(38,751)	(71,951)
Other financial liabilities	(425)	(52)	(477)	(470)	(79)	(549)
	<b>(76,747)</b>	<b>(52)</b>	<b>(76,799)</b>	<b>(33,670)</b>	<b>(38,830)</b>	<b>(72,500)</b>
<b>Net financial (liabilities)/ assets</b>	<b>(63,979)</b>	<b>1,380</b>	<b>(62,599)</b>	<b>(26,866)</b>	<b>(36,123)</b>	<b>(62,989)</b>
Add: Firm commitments <sup>3</sup>	–	3,171	3,171	–	1,600	1,600
Less: Currency forwards <sup>3</sup>	–	(2,220)	(2,220)	–	(1,200)	(1,200)
<b>Currency exposure</b>	<b>(63,979)</b>	<b>2,331</b>	<b>(61,648)</b>	<b>(26,866)</b>	<b>(35,723)</b>	<b>(62,589)</b>

If the USD and RMB change<sup>4</sup> against the SGD by 2%<sup>5</sup> (2007: 2%) and 3%<sup>5</sup> (2007: 4%<sup>6</sup>) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:<sup>7</sup>

FRS 107(40), AppB23-24

	2008		2007	
	← Increase/(Decrease) →			
Group	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
USD against SGD				
– strengthened	(297)	61	(349)	34
– weakened	297	(61)	345	(30)
RMB against SGD				
– strengthened	(40)	–	4	–
– weakened	40	–	(4)	–
Company				
USD against SGD				
– strengthened	23	–	(592)	–
– weakened	(23)	–	592	–

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Financial risk management – currency risk

#### Qualitative disclosures on currency risk

1. The publication illustrates some disclosures that may be required for financial risk management. The matters and level of detail to be disclosed depend on the circumstances and the extent of financial risks faced by the entity.

FRS 107(7)

#### Quantitative disclosures on currency risk – based on management information

2. A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel.

FRS 107(34)(a)

#### Quantitative disclosures on currency risk – factors considered

3. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; and (d) net non-financial assets of foreign subsidiaries.

FRS 107 is not prescriptive in the presentation format of these quantitative disclosures. If management monitors the entity's currency risk exposure using other basis, these line items shall be replaced as appropriate.

#### Sensitivity analysis for currency risk

4. An entity shall provide sensitivity analysis for the whole of its business but may provide different types of sensitivity analysis for different classes of financial instruments. A sensitivity analysis shall be disclosed for each currency to which an entity has significant exposure. In this publication, the entity has significant exposure to two major currencies, namely USD and RMB.

FRS 107 AppB21

#### Sensitivity analysis – reasonably possible change

5. In determining what a reasonably possible change in the relevant risk variables is, an entity shall consider:
  - (a) the economic environments in which it operates. This shall not include remote or 'worst case' scenarios or 'stress test'; and
  - (b) the effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

FRS 107 AppB19

#### Sensitivity analysis – prior year disclosures

6. In the event that the reasonably possible change in the risk variables changes, the prior year disclosures should not be restated. However, the entity can present as additional information the sensitivity information for the comparative financial year using the new percentage for the current financial year.

#### Sensitivity analysis – Narrative text or tabular format

7. Instead of using a table format, the entity may disclose as follows:

FRS 107 IG36

*"At 31 December 2008, if the USD has strengthened/weakened by [ ]% (2007: [ ]%) against the SGD with all other variables including tax rate being held constant, the Group's and Company's equity will be \$[ ] (2007: \$[ ]) higher/lower and \$[ ] (2007: \$[ ]) higher/lower respectively as a result of currency translation gains/losses on securities classified as available-for-sale. The Group's and Company's profit after tax will be \$[ ] (2007: \$[ ]) higher/lower and \$[ ] (2007: \$[ ]) higher/lower, as a result of currency translation gains/losses on the remaining USD-denominated financial instruments....."*

Where the impacts to profit after tax and/or equity are different even though the exchange rates may have strengthened or weakened by the same percentage, the table format disclosure will likely be more useful. If the reporting entity holds option-based financial instruments, the upside and downside impacts may also be different.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Financial risk management – currency risk (continued)

#### Foreign currency inter-company receivables and payables

8. Foreign currency inter-company receivables and payables should be included in the sensitivity analyses and quantitative disclosures for currency risk. This is because even though the intra-group receivables and payables are eliminated in the consolidated balance sheet, the effect on income statement on their revaluation under FRS 21 is not fully eliminated.

However it must be noted that the foreign exchange revaluation effects of a foreign currency inter-company loan which is part of the net investment in a foreign operation are deferred in equity until disposal (or partial disposal) of the foreign operation. Such foreign currency revaluation effects should not be included in the sensitivity analysis for foreign currency risks as they represent a translation risk rather than a transaction risk.

#### Equity investments that are denominated in foreign currencies

9. Currency risk is not considered to arise from financial instruments that are non-monetary e.g. equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments would be reflected in the other price risk disclosures as part of the fair value gains and losses.

FRS 107 App B23

#### Disclosures at reporting date needs to be representative for the period

10. If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures.

FRS 107(35), IG20

Similarly, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

FRS 107(42), IG37-40

#### Changes in financial risk management / exposure from the previous period

11. An entity needs to include disclosures on the following if there are changes from the previous period:
- (a) the exposures to each type of risk arising from financial instruments;
  - (b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk.
- For instance, if there has been a change in the hedging policy, this should be disclosed accordingly.

FRS 107(33)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. These securities are listed in Singapore and the United States. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

FRS 107(33)  
(a,b)

If prices for equity securities listed in Singapore and the United States change by 5% (2007: 6%) and 7% (2007: 6%) respectively with all other variables including tax rate being held constant, the effects on profit after tax and equity will be:

FRS 107(40),  
AppB25-28

	<u>2008</u>		<u>2007</u>	
	← Increase/(Decrease) →			
	<b>Profit after tax \$'000</b>	<b>Equity \$'000</b>	<b>Profit after tax \$'000</b>	<b>Equity \$'000</b>
<u>Group</u>				
Listed in Singapore				
– increased by	<b>240</b>	<b>528</b>	198	434
– decreased by	<b>(240)</b>	<b>(528)</b>	(198)	(434)
Listed in the United States				
– increased by	<b>263</b>	<b>204</b>	180	88
– decreased by	<b>(356)</b>	<b>(111)</b>	(200)	(68)
<u>Company</u>				
Listed in Singapore				
– increased by	–	<b>62</b>	–	60
– decreased by	–	<b>(62)</b>	–	(60)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) *Cash flow and fair value interest rate risks*

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 fair 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 is substantially independent of changes in market interest rates.

FRS 107 AppA

The Group's policy is to maintain 80 - 90% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from non-current borrowings and loans to subsidiaries at variable rates. The Group manages these cash flow interest rate risks using floating-to-fixed interest rate swaps.

FRS 107(33)(a,b)

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates increase/decrease by 0.50% (2007: 0.50%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$2,200,000 (2007: \$5,100,000) and \$545,000 (2007: \$3,010,000) as a result of higher/lower interest expense on these borrowings.

FRS 107(40),IG36

## Guidance Notes

### Financial risk management – price risk and interest rate risk

#### Sensitivity analysis for equity price risk - unquoted equity investments

1. Sensitivity analysis for equity price risk is applicable even if the equity investments are not quoted.

#### Other guidance

2. Please refer to guidance notes in "Financial risk management – market risk – currency risk" where applicable.



# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes<sup>1</sup> of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

FRS 107(33)(a,b)

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

FRS 107(36)(a,b)

	Company	
	2008	2007
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	<b>60,000</b>	35,000

The trade receivables of the Group and of the Company comprise 5 debtors (2007: 5 debtors) and 3 debtors (2007: 3 debtors) respectively that individually represented 5 - 10% of trade receivables.

FRS 107(34)(c)

The credit risk for trade receivables based on the information provided to key management is as follows:

FRS 107(34)(a)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>By geographical areas<sup>2</sup></b>				
Singapore	<b>7,770</b>	7,217	<b>3,680</b>	1,569
People's Republic of China	<b>4,800</b>	3,800	<b>2,432</b>	512
Philippines	<b>2,224</b>	1,000	–	–
Other countries	<b>2,125</b>	2,509	<b>1,400</b>	–
	<b>16,919</b>	14,526	<b>7,512</b>	2,081
<b>By types of customers<sup>2</sup></b>				
Related parties	<b>188</b>	217	<b>1,200</b>	600
Non-related parties				
– Multi-national companies	<b>9,800</b>	7,767	<b>3,038</b>	295
– Other companies	<b>5,707</b>	5,142	<b>2,378</b>	926
– Individuals	<b>1,224</b>	1,400	<b>896</b>	260
	<b>16,919</b>	14,526	<b>7,512</b>	2,081

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (b) Credit risk (continued)

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

FRS 107(36)(c)

The Group's and Company's trade receivables not past due include receivables amounting to \$440,000 (2007: \$320,000) and \$20,000 (2007: Nil) respectively that would have been past due or impaired if the terms were not re-negotiated during the financial year.

FRS 107(36)(d)

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

There is no other class<sup>1</sup> of financial assets that is past due and/or impaired except for trade receivables.

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

FRS 107(37)(a)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Past due < 3 months	3,320	1,772	1,350	704
Past due 3 to 6 months	1,446	654	500	205
Past due over 6 months	270	154	150	66
	<b>5,036</b>	<b>2,580</b>	<b>2,000</b>	<b>975</b>

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:<sup>3</sup>

FRS 107(37)(b)  
FRS 107(16)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gross amount	800	600	200	80
Less: Allowance for impairment	(509)	(470)	(100)	(50)
	<b>291</b>	<b>130</b>	<b>100</b>	<b>30</b>
Beginning of financial year	470	438	50	40
Currency translation difference	(2)	1	–	–
Allowance made	74	61	58	17
Allowance utilised	(33)	(30)	(8)	(7)
End of financial year	<b>509</b>	<b>470</b>	<b>100</b>	<b>50</b>

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

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

The impaired trade receivables arise mainly from sales to a wholesaler which has suffered significant losses in its operations. Although certain goods sold to this wholesaler can be re-possessed<sup>4</sup>, it is uncertain that the wholesaler is still in possession of those goods.

FRS 107(37)(b,c)

## Guidance Notes

### Financial risk management – credit risk

#### Class versus category of financial instrument

1. An entity is required to make certain credit risk exposures by class of financial instrument. A 'class' of financial instruments is not the same as a 'category' of financial instruments. Categories are defined in FRS 39 as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

FRS 107(36)

Classes are expected to be determined at a lower level than the categories in FRS 39 and reconciled to the balance sheet as required by FRS 107(6). However, the level of detail for each class shall be determined on an entity-specific basis. Items are treated as one class when they share similar characteristics.

#### Quantitative disclosures on credit risk

2. The quantitative disclosures on credit risk exposure shall be based on information provided internally to key management personnel of the entity. This publication illustrates the disclosure where (a) management monitors the credit risk exposures only on the major classes of financial assets, which are bank deposits and trade receivables; and (b) the credit risk exposures on trade receivables are analysed and reported to key management by geographical areas and by types of customers. Other measures such as industry sector, credit rating and group of closely related counterparties might be used by another reporting entity.

FRS 107(34)

#### Allowance account for credit losses

3. When financial assets are impaired by credit losses and the entity records the impairment in a separate allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

FRS 107(16)

#### Collateral and other credit enhancements obtained

4. When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements, and such assets meet the recognition criteria in other Standards, the following disclosure can be considered:

FRS 107(38)

*"During the financial year, the Group obtained assets by taking possession of collateral held as security as follows:*

<u>Nature of assets</u>	<u>Carrying amount</u>
Inventories	20,000
Property, plant and equipment	129,000

*Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within "other current assets" on the balance sheet".*

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments, having an adequate amount of committed credit facilities (Note 32(c)) and the ability to close market positions at a short notice.

FRS 107(33,39)(b))

The table below analyses the maturity profile of the financial liabilities (including derivative financial liabilities) of the Group and the Company based on contractual undiscounted cash flows.<sup>1</sup>

FRS 107(39)(a)

	Less than 1 year <sup>5</sup> \$'000	Between 1 and 2 years <sup>5</sup> \$'000	Between 2 and 5 years <sup>5</sup> \$'000	Over 5 years <sup>5</sup> \$'000
<b>Group</b>				
<b>2008</b>				
Net <sup>2</sup> -settled interest rate swaps <sup>3</sup>	(30)	(30)	(30)	(17)
Gross <sup>2</sup> -settled currency forwards				
– Receipts	18,108	–	–	–
– Payments	(18,482)	–	–	–
Trade and other payables	(16,231)	–	–	–
Borrowings	(9,524)	(20,265)	(73,350)	(30,517)
	<u>(26,159)</u>	<u>(20,295)</u>	<u>(73,380)</u>	<u>(30,534)</u>
<b>2007</b>				
Gross <sup>2</sup> -settled currency forwards				
– Receipts	8,023	–	–	–
– Payments	(8,278)	–	–	–
Trade and other payables	(10,556)	–	–	–
Borrowings	(15,670)	(20,119)	(42,200)	(30,227)
	<u>(26,481)</u>	<u>(20,119)</u>	<u>(42,200)</u>	<u>(30,227)</u>
<b>Company</b>				
<b>2008</b>				
Gross <sup>2</sup> -settled currency forwards				
– Receipts	1,123	–	–	–
– Payments	(1,170)	–	–	–
Trade and other payables	(477)	–	–	–
Borrowings	(3,500)	–	(50,000)	(30,000)
	<u>(4,024)</u>	<u>–</u>	<u>(50,000)</u>	<u>(30,000)</u>
<b>2007</b>				
Gross <sup>2</sup> -settled currency forwards				
– Receipts	640	–	–	–
– Payments	(687)	–	–	–
Trade and other payables	(549)	–	–	–
Borrowings	(10,200)	(33,000)	–	(30,000)
	<u>(10,796)</u>	<u>(33,000)</u>	<u>–</u>	<u>(30,000)</u>

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Financial risk management – liquidity risk

#### Contractual undiscounted cash flows

1. Maturity analyses shall be disclosed irrespective of whether they are reported to key management. The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, for example:
  - (a) gross finance lease obligations (before deducting finance charges);
  - (b) prices specified in forward agreements to purchase financial assets for cash;
  - (c) net amounts for pay-floating/receive-fixed (or vice versa) interest rate swaps for which net cash flows are exchanged;
  - (d) contractual amounts to be exchanged in a derivative financial instrument (for example, a currency swap) for which gross cash flows are exchanged; and
  - (e) gross loan commitments.

FRS 107 AppB14

Contractual cash flows are undiscounted and may therefore differ from the carrying amount on the balance sheet. This difference is not expected to be material for balances due within 12 months.

#### Derivative versus non-derivative financial instruments

2. Where appropriate, an entity shall disclose the analysis of derivative financial instruments separately from that of non-derivative financial instruments. For example, it will be appropriate to distinguish cash flows from derivative financial instruments and non-derivative financial instruments if the cash flows arising from the derivative financial instruments are settled gross. This is because the gross cash payment may be accompanied by a cash receipt.

FRS 107 AppB15

#### Variable amount payable

3. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

FRS 107 AppB16

#### Expected maturity dates

4. Where an entity manages liquidity risk based on expected maturity dates, it can elect to disclose a maturity analysis of the expected maturity dates of both financial liabilities and financial assets, provided it clarifies that expected dates are based on estimates made by management and it explains how the estimates are determined and the principal reasons for differences from the contractual maturity analysis.

FRS 107 IG30

#### Time buckets

5. In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. When a counterparty has a choice of when an amount is to be paid, the liability is included on the basis of the earliest date on which the reporting entity can be required to pay.

FRS 107 AppB11

FRS 107 AppB12

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 44. Financial risk management (continued)

### (d) Capital risk

FRS 1(124A,  
124B),IG5

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

FRS 1(124B)(a)

Management monitors capital based on a gearing ratio<sup>1,2</sup>. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 70% (2007: 70%). The Group's and Company's strategies, which were unchanged from 2007, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively.

FRS 1(124B)(a)

FRS 1(124B)(c)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

FRS 1(124B)(b)

	Group		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Net debt	116,382	79,228	74,797	69,523
Total equity	140,350	98,156	49,905	34,592
Total capital	256,732	177,384	124,702	104,115
<b>Gearing ratio</b>	<b>45%</b>	<b>45%</b>	<b>60%</b>	<b>67%</b>

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2008.

FRS 1(124B)(d)

## Guidance Notes

### Capital risk management

1. This publication illustrates the capital risk disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose. For instance, some entities may monitor capital based on Return on Capital Employed, Economic Value Added, or dividend payout ratio.
2. An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject.

FRS 1 IG5

FRS 1(124C)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 45. Immediate and ultimate holding corporations<sup>1</sup>

The Company's immediate holding corporation is PwC Corporate Limited, incorporated in Singapore. The ultimate holding corporation is PwC Global Limited, incorporated in the United Kingdom.

FRS 1(126)(c)  
FRS 24(12)  
CA 201(10)

### Guidance Notes

#### Ultimate controlling party

1. An entity shall disclose the name of the entity's parent and if different, the name of the ultimate controlling party.

FRS 24(12)

## 46. Related party transactions

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

### (a) Sales and purchases of goods and services

FRS 24(17,22)

	Group		
	2008	2007	
	\$'000	\$'000	
Sales of goods and/or services to			
– associated companies	1,800	1,792	FRS 24(18)(d)
– other related parties	470	729	FRS 24(18)(g)
	2,270	2,521	
Purchases of materials from			
– associated companies	16,286	17,504	FRS 24(18)(d)
– fellow subsidiaries	70,601	60,504	FRS 24(18)(g)
	86,887	78,008	
Purchase of plant and equipment from other related parties	600	–	FRS 24(18)(g)
Payments made on behalf and reimbursed by the immediate holding corporation	186	153	FRS 24(18)(a)
Professional fees received from other related parties	212	149	FRS 24(18)(g)
Technical fees received from other related parties	15	10	FRS 24(18)(g)

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

FRS 24(9)

Outstanding balances at 31 December 2008, arising from sale/purchase of goods and services, are set out in Notes 17 and 31 respectively.

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# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 46. Related party transactions (continued)

### (b) Key management personnel compensation

FRS 24(16)

Key management personnel compensation is as follows:

	Group		
	2008	2007	
	\$'000	\$'000	
Wages and salaries	3,620	2,066	FRS 24(16)(a)
Employer's contribution to defined contribution plans, including Central Provident Fund	203	98	FRS 24(16)(b)
Termination benefits	100	—	FRS 24(16)(d)
Other long-term benefits	33	23	FRS 24(16)(c)
Share option expense	300	280	FRS 24(16)(e)
	<b>4,256</b>	<b>2,467</b>	

Included in the above is total compensation to directors of the Company amounting to \$2,030,000 (2007: \$1,849,000).

CA 201(8)

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

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# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 47. Segment information<sup>1</sup>

### (a) Primary reporting format - business segments

FRS 14(50,67)  
FRS 14(52)

	Component parts	Furniture	Construction	Other	Total for continuing operations	Discontinued operations - glass segment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group 2008</b>						
<b>Sales</b>						
- external sales	116,955	55,792	29,808	7,659	210,214	1,200
- inter-segment sales	34,000	9,800	–	–	43,800	45
	150,955	65,592	29,808	7,659	254,014	1,245
Elimination					(43,800)	(45)
					210,214	1,200
<b>Segment result</b>	42,565	8,783	1,201	206	52,755	200
Other income					3,898	–
Other losses-net					(1,383)	(60)
Unallocated costs					(626)	–
					54,644	140
Finance expense					(7,073)	(3)
Share of loss of associated companies	–	(324)	–	150	(174)	–
Profit before income tax					47,397	137
Income tax expense					(14,921)	(37)
<b>Total profit</b>					32,476	100

FRS 14(51)

FRS 14(52)

FRS 14(64)

### Other segment items

Capital expenditure						
- property, plant and equipment	68,080	6,031	2,505	1,003	77,619	280
- intangible assets	6,447	–	–	357	6,804	9
Depreciation	10,691	4,658	2,255	71	17,675	79
Amortisation	655	–	–	120	775	25
Impairment losses						
- goodwill	–	4,650	–	–	4,650	–
Other non-cash expenses	220	174	130	216	740	–
Restructuring costs	–	1,100	–	–	1,100	–

FRS 14(57)

FRS 14(58)

FRS 14(58)

FRS 36(129)(a)

FRS 14(61)

FRS 14(61)

FRS 14(59)

	Component parts	Furniture	Construction	Other	Elimination	Total consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment assets</b>	131,772	86,894	38,701	1,226	(15,478)	243,115
Associated companies	–	6,800	–	1,408	–	8,208
Unallocated assets						44,468
						295,791
Disposal group						
- glass segment						3,333
<b>Consolidated total assets</b>						299,124
<b>Segment liabilities</b>	(14,597)	(3,612)	(2,532)	(348)	1,077	(20,012)
Unallocated liabilities						(138,542)
						(158,554)
Liabilities associated with disposal group						
- glass segment						(220)
<b>Consolidated total liabilities</b>						(158,774)

FRS 14(55)

FRS 14(66)

FRS 14(56)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 47. Segment information (continued)

### (a) Primary reporting format - business segments (continued)

	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Total for continuing operations \$'000	Discontinued operations - glass segment \$'000	
<b>Group</b>							
<b>2007</b>							
<b>Sales</b>							FRS 14(51)
- external sales	84,327	12,577	11,527	3,929	112,360	4,600	
- inter-segment sales	32,042	3,458	–	–	35,500	631	
	116,369	16,035	11,527	3,929	147,860	5,231	
Elimination					(35,500)	(631)	
					112,360	4,600	
<b>Segment result</b>	33,619	1,680	647	576	36,522	(656)	FRS 14(52)
Other income					1,166	–	
Other losses-net					(1,611)	–	
Unallocated costs					(944)	–	
					35,133	(656)	
Finance expense					(9,060)	(11)	
Share of profit of associated companies	–	40	–	105	145	–	FRS 14(64)
Profit/(loss) before income tax					26,218	(667)	
Income tax expense					(7,718)	187	
<b>Total profit/(loss)</b>					18,500	(480)	
<b>Other segment items</b>							
Capital expenditure							FRS 14(57)
- property, plant and equipment	4,007	700	530	2,314	7,551	531	
- intangible assets	688	–	–	–	688	12	
Depreciation	5,313	2,430	1,389	450	9,582	80	FRS 14(58)
Amortisation	405	70	–	40	515	50	FRS 14(58)
Other non-cash expenses	124	54	52	80	310	43	FRS 14(61)
	Component parts \$'000	Furniture \$'000	Construction \$'000	Other \$'000	Total Elimination \$'000	consolidated \$'000	
<b>Segment assets</b>	109,027	66,143	18,213	1,675	(7,965)	187,093	FRS 14(55)
Associated companies	–	4,294	–	4,275	–	8,569	FRS 14(66)
Unallocated assets						32,062	
						227,724	
Disposal group - glass segment						2,280	
<b>Consolidated total assets</b>						230,004	
<b>Segment liabilities</b>	(8,495)	(5,615)	(802)	(385)	2,295	(13,002)	FRS 14(56)
Unallocated liabilities						(117,407)	
						(130,409)	
Liabilities associated with disposal group - glass segment						(1,439)	
<b>Consolidated total liabilities</b>						(131,848)	

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 47. Segment information (continued)

### (a) Primary reporting format – business segments (continued)

At 31 December 2008, the Group is organised into three main business segments:

FRS 14(81)

- Manufacture and sale of electronic component parts;
- Sale of household and office furniture; and
- Construction of specialised equipment.

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

Inter-segment transactions are recorded at their transacted price which is generally at fair value. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties and exclude deferred income tax assets, short-term bank deposits, derivative financial instruments and financial investments. Segment liabilities comprise payables, provisions and bank overdraft and exclude income tax liabilities, borrowings and derivative financial instruments. Capital expenditures comprise additions to property, plant and equipment and intangible assets, including those acquired through business combinations.

FRS 14(75)

FRS 14(16)

### (b) Secondary reporting format - geographical segments

FRS 14(81)

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

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacture and sale of electronic component parts, construction of specialised equipment, and investment holding;
- People's Republic of China - the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- Philippines - the operations in this area are principally the manufacture and sale of electronic component parts and sale of furniture; and
- Other countries - the operations include the manufacture and sale of electronic component parts in Thailand, sale of furniture in Vietnam and investment holding.

With the exception of Singapore, the People's Republic of China and the Philippines, 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)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 47. Segment information (continued)

### (b) Secondary reporting format - geographical segments (continued)

	Sales for continuing operations		Sales for discontinued operations		Total consolidated sales	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	100,630	61,565	832	3,201	101,462	64,766
People's Republic of China	60,351	26,598	287	1,106	60,638	27,704
Philippines	44,418	21,896	72	276	44,490	22,172
Other countries	4,815	2,301	9	17	4,824	2,318
	<b>210,214</b>	<b>112,360</b>	<b>1,200</b>	<b>4,600</b>	<b>211,414</b>	<b>116,960</b>

FRS 14(69)(a)

	Total consolidated assets	
	2008	2007
	\$'000	\$'000
Singapore	117,413	109,800
People's Republic of China	71,307	51,235
Philippines	45,700	21,920
Other countries	9,793	5,870
	<b>244,213</b>	<b>188,825</b>
Associated companies	8,208	8,569
Unallocated assets	46,703	32,610
	<b>299,124</b>	<b>230,004</b>

FRS 14(69)(b)

	Capital expenditure for continuing operations		Capital expenditure for discontinued operations		Total consolidated capital expenditure	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	46,979	3,849	–	–	46,979	3,849
People's Republic of China	25,138	2,908	–	–	25,138	2,908
Philippines	9,610	941	–	–	9,610	941
Other countries	2,696	541	289	543	2,985	1,084
	<b>84,423</b>	<b>8,239</b>	<b>289</b>	<b>543</b>	<b>84,712</b>	<b>8,782</b>

FRS 14(69)(c)

## Guidance Notes

### Segment information

1. This publication illustrates the disclosure where the Group's primary reporting format is business segments, whilst the secondary reporting format is geographical segments. Segment information of the Company need not be disclosed because the corresponding information is included in the consolidated financial statements.

FRS 14(26-30)

FRS 14(6)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 48. Events occurring after balance sheet date

On 25 February 2009, the Group issued \$4,300,000 6.5% Singapore-dollar bonds to finance the purchase of an additional 40% interest in PwC A Property (Hong Kong) Limited ("PwC Hong Kong") and new equipment in the construction segment. The bonds are repayable on 25 February 2014.

FRS 10(21)

On 1 March 2009, the Group acquired an additional 40% interest in PwC Hong Kong, a company incorporated in Hong Kong which is engaged in investment holding, for a cash consideration of \$3,500,000. The fair value of the Group's share of the identifiable net assets of PwC Hong Kong at the date of acquisition was \$2,500,000. PwC Hong Kong will be consolidated with effect from 1 March 2009.

FRS 10(21)  
FRS 10(22)(a)  
FRS 103(66)(b)

## 49. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published<sup>1</sup> and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

FRS 8(30)(a)

- (a) FRS 1(R) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

FRS 8(30)(a)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

FRS 8(30)(b)

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 49. New or revised accounting standards and interpretations (continued)

- (b) FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

FRS 8(30)(a)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be significantly different from business segments currently disclosed and expects more information to be disclosed under FRS 108.

FRS 8(30)(b)

- (c) Revised FRS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009)

FRS 8(30)(a)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

FRS 8(30)(b)

### Guidance Notes

#### New or revised accounting standards and interpretations

1. The publication illustrates the effects of adoption of new or revised accounting standards and interpretations that are issued only up to June 2008. Entities are required to disclose the effects for Standards and Interpretations that are issued up to the date of issuance of these financial statements.

FRS 8(30)

## 50. 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 19 March 2009.

FRS 10(17)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## 51. Listing of significant<sup>1</sup> companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2008 %	2007w %
Significant subsidiaries held by the Company				
PwC Construction Pte Ltd <sup>(a)</sup>	Construction of specialised equipment	Singapore	100	100
PwC Property (Singapore) Pte Ltd <sup>(a)</sup>	Investment holding	Singapore	100	100
PwC Furniture (PRC) Co., Ltd <sup>(d)</sup>	Sale of furniture	People's Rep. of China	85	85
PwC Components (Singapore) Pte Ltd <sup>(a),(h)</sup>	Manufacture of component parts	Singapore	45	45
PwC Components (PRC) Co., Ltd <sup>(d)</sup>	Manufacture of component parts	People's Rep. of China	80	80
PwC Components (Philippines) Pte Ltd <sup>(b),(g)</sup>	Manufacture of component parts	Philippines	70	–
PwC Furniture (Philippines) Pte Ltd <sup>(b),(g)</sup>	Sale of furniture	Philippines	70	70
PwC Logistics (PRC) Co., Ltd <sup>(d)</sup>	Provision of logistics services	People's Rep. of China	–	100
PwC Glass Sdn Bhd <sup>(c)</sup>	Manufacture of glass	Malaysia	100	100

### Significant joint venture held by the Company

FRS 31(56)

PwC JV Logistics (PRC) Co., Ltd <sup>(d),(f)</sup>	Provision of logistics services	People's Rep. of China	60	60
--	---------------------------------	------------------------	----	----

### Significant associated companies held by the Company

PwC A Property (Bermuda) Limited <sup>(e)</sup>	Investment holding	Hong Kong/Bermuda	35	35
PwC A Furniture Sdn Bhd <sup>(c)</sup>	Sale of furniture	Malaysia	25	25

(a) Audited<sup>2</sup> by PricewaterhouseCoopers, Singapore(b) Audited<sup>2</sup> by PricewaterhouseCoopers, Philippines(c) Audited<sup>2</sup> by Tan & Co., Malaysia(d) Audited<sup>2</sup> by Great Wall CPA Company Limited, People's Republic of China(e) Not required to be audited<sup>2</sup> under the laws of the country of incorporation

(f) Not consolidated as the entity is not controlled by the Group and deemed to be a joint venture as the Group shares the control of the entity

(g) Financial year ends on 30 September as they are acquired during the financial year<sup>3</sup>

(h) Deemed to be a subsidiary as the Group controls the entity via veto rights

FRS 27(40)(d)

FRS 27(40)(e)

CA 200(1)

FRS 27(40)(c)

# Notes to the Financial Statements

for the financial year ended 31 December 2008

## Guidance Notes

### Listing of significant companies in the Group

1. 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 adopt this definition set out in the SGX-ST Listing Manual.
2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associated companies. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements.
3. It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associated companies provided that:-
  - (i) the issuer’s board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or
  - (ii) the issuer’s subsidiary or associated company, is listed on a stock exchange.
4. It shall be noted that under the Companies Act, a holding company is required to ensure that the financial year of its subsidiaries coincides with its financial year within two years after incorporation and/or acquisition.

SGX 718

SGX 717

SGX 716

CA 200(1)



## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Additional Requirements of Singapore Exchange Securities Trading Listing Manual

(a) Corporate information

**Company secretary**

S.M. Barker

SGX 1207(1)

**Registered office**

350 Harbour Street

#30-00 PwC Centre

Singapore 049929

Telephone number : (65) 6226 5066

Facsimile number : (65) 6226 5788

Website : <http://www.pwcholdings.com.sg>

SGX 1207(2)

**Share registrar**

Independent Registry Firm

10 Collyer Quay #19-00

Ocean Building

Singapore 049315

SGX 1207(3)

**Auditor**

PricewaterhouseCoopers

8 Cross Street #17-00

PWC Building

Singapore 048424

Audit Partner : See Pea Ay

Year of appointment : 2004

SGX 713

(b) Material contracts<sup>1</sup>

SGX 1207(8)

In 2007, the Company entered into a two-year contract with ABAS Consultancy Pte Ltd, which is a firm owned by the wife of Mr Ang Boon Chew, a director of the Company. The firm provided professional services to the Company amounting to \$212,000 (2007: \$149,000) during the financial year. Based on the long term contract, the Company was able to obtain professional services slightly below the normal price. As an average, services were charged at 5% below the normal price in 2008 (2007: 4% below the normal price).

(c) Directors' remuneration

SGX 1207(11-14)

The following information relates to remuneration of directors of the Company during the financial year:

	2008	2007
Number of directors of the Company in remuneration bands <sup>2</sup> :		
- above \$500,000	2	2
- \$250,000 to below \$500,000	—	—
- below \$250,000	6	7
Total	8	9

## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Additional Requirements of Singapore Exchange Securities Trading Listing Manual (continued)

#### (d) Auditor's remuneration

The following information relates to remuneration of the auditor of the Company during the financial year:

	2008 \$'000	2007 \$'000	
Auditor's remuneration paid/payable to:			DV
- Auditor of the Company	440	386	
- Other auditors*	410	358	
Other fees paid/payable to <sup>3,4</sup>			SGX 1207(6)(a)
- Auditor of the Company	125	120	
- Other auditors*	210	212	

\* Include PricewaterhouseCoopers member firms outside Singapore

#### (e) Properties of the Group

##### Major properties held for development

Location	Description	Intended use	Stage of completion	Expected date of completion	Site area (sq m)	Gross floor area (sq m)	Group's effective interest in the property
Upper Thomson Road	3-storey building	Commercial	20%	June 2009	400	1,122	100%

##### Major properties held for investment

Location	Description	Existing Use	Tenure	Unexpired term of lease
Cairnhill, Singapore	Apartment unit	Residential	Freehold	–
Jurong East, Singapore	2-storey apartment unit	Residential	Leasehold	95
Tampines, Singapore	5-storey building	Commercial	Leasehold	70
Sembawang, Singapore	Land under operating lease	To be determined	Leasehold	45

## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Additional Requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(f) Interested person transactions

SGX 1207(16)  
SGX 907

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 each)			
	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Abacus Subsidiary Pte Ltd: - sale of goods	-	-	470	729
Sandoz Family Business Pte Ltd: - sale of plant and equipment	600	-	-	-
ABAS Consultancy Pte Ltd: - purchase of professional services	-	361	-	-

## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Guidance Notes

#### Additional Requirements of Singapore Exchange Securities Trading Listing Manual

##### Material contracts

1. Disclosure is required of material contracts of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year. Where no material contract has been entered into, the following negative statement can be considered:

SGX 1207(8)

*"There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year."*

##### Directors' remuneration

2. Unless a listed entity makes the additional disclosure as recommended in the Code of Corporate Governance, it must disclose at a minimum the number of its directors whose remuneration falls within the three bands as pre-defined in the SGX-ST Listing Manual; no changes are allowed.

SGX 1207(11)

##### Other fees paid/payable to Auditor of the Company

3. There may also be fees paid to the auditor of the Company which are not included in determining the Group/Company's profit from operations, for example, those fees that are capitalised or charged immediately to equity. It is appropriate to include such fees for this disclosure note.
4. With effect 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. This outcome is normally communicated through the directors' report or the corporate governance report.

CA 206(1A)

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.

The Audit Committee shall also provide a confirmation in the annual report that it has undertaken a review of non-audit services provided by the auditor and they would not, in the Audit Committee's opinion, affect the independence of the auditor. Please refer to Principle 11 in the Corporate Governance Report for an example of this disclosure.

SGX 1207(6)(b)

## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Shareholders' information at 11 March 2009<sup>1</sup>

#### Preference Shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital : \$30,000,000  
 Class of Shares : Preference Shares  
 Voting Rights : No voting rights

The preference shares are held entirely by PwC Corporate Limited, the immediate holding corporation of the Company.

SGX 1207(9)(b)

#### Ordinary shareholdings

SGX 1207(9)(a)

Issued and Paid-Up Capital : \$42,765,000  
 Class of Shares : Ordinary Shares  
 Voting Rights : One vote per share

	No. of shareholders	%	No. of ordinary shares	%
No. of ordinary shares held				
1 – 999	4,436	75.73	4,224,050	17.56
1,000 – 5,000	1,402	23.93	2,254,930	9.38
5,001 – 10,000	2	0.03	19,240	0.08
More than 10,000	18	0.31	17,551,780	72.98
	5,858	100.00	24,050,000	100.00

SGX 1207(9)(b)

#### Substantial shareholders

SGX 1207(9)(c)

As shown in the Register of Substantial Shareholders:

	Number of ordinary shares		
	Direct interests	Deemed interests	Beneficial interests
PwC Corporate Limited	7,130,825	–	7,130,825
Mr David Grey	1,270,000	1,500,000	2,770,000
Mr Sandoz Wood	3,609,905	–	3,609,905
Sun Holdings (Pte) Ltd	3,609,905	–	3,609,905

Mr David Grey is deemed to have an interest in 1,500,000 ordinary shares in PwC Holdings Ltd via his holdings of 1,000,000 ordinary shares in PwC Global Limited, which in turn holds 10,000,000 ordinary shares in PwC Corporate Limited.

## Additional Disclosure Requirements

for the financial year ended 31 December 2008

### Shareholders' information at 11 March 2009 (continued)

#### Twenty largest ordinary shareholders

SGX 1207(9)(d)

As shown in the Register of Members and Depository Register:

	No. of ordinary shares	%
PwC Corporate Limited	7,130,825	29.65
Mr Sandoz Wood	3,609,905	15.01
Sun Holdings (Pte) Ltd	3,609,905	15.01
Mr David Grey	2,770,000	11.52
MacPherson Investments Pte Ltd	103,415	0.43
Mr Ang Boon Chew	97,000	0.40
Sembawang Private Ltd	36,075	0.15
Mr Soh Koh Hong	26,455	0.11
Sommerset Holdings Pte Ltd	26,455	0.11
Geylang Investments Co Pte Ltd	24,050	0.10
Tanglin Halt (Pte) Ltd	21,645	0.09
Changi Holdings Pte Ltd	14,430	0.06
Ms Tham Lee Keng	14,430	0.06
Padang Consolidated Ltd	14,430	0.06
Whitley Investments Ltd	14,430	0.06
Cairnhill Co Pte Limited	14,430	0.06
Bukit Timah Haulage Co Ltd	11,875	0.05
Bedok Nominees Ltd	12,025	0.05
Madam Ng Pin Pin	9,620	0.04
Kranji Equity Ltd	9,620	0.04
	<u>17,571,020</u>	<u>73.06</u>

Based on the information available to the Company as at 11 March 2009, approximately 22.11% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SGX 1207(9)(e)

#### Guidance Notes

##### Shareholders' information

- Shareholders' information shall be made up to a date not earlier than one month from the date of notice of the annual general meeting or summary financial statements, whichever is earlier.

SGX 1207(9)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### **Appendix 1      Areas not relevant to PwC Holdings Ltd Group**

1. Early adoption of FRS 108 Operating Segments
2. Early adoption of FRS 1(Revised) Presentation of Financial Statements
3. Revenue recognition: multiple element arrangements
4. Provision for dismantlement, removal and restoration
5. Post-employment benefits – Pension and medical benefits
6. Defaults and breaches of loans payable
7. Convertible foreign currency bonds – classify as liability in entirety
8. Properties under development for sale

#### **Appendix 2      Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group**

1. Critical accounting estimates
2. Critical accounting judgements

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1 : Early adoption of FRS 108 Operating Segments

FRS 108 is applicable for periods beginning on or after 1 January 2009.

The ‘management approach’ to reporting the financial performance of its operating segments is largely dependent on the type and extent of the information presented to the chief operating decision-maker. Companies will, therefore, not use a consistent approach to segmental reporting under FRS 108.

**(A) Note – Basis of preparation**  
**Standard early adopted by the group**

FRS 108 ‘Operating segments’ was early adopted by the Group in 2008. FRS 108 replaces FRS 14 ‘Segment reporting’. The new standard requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

FRS108(28)

There has been no further impact on the measurement of the company’s assets and liabilities. Comparatives for 2007 have been restated.

**(B) Note – Accounting policies**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the steering committee that makes strategic decisions. The strategic steering committee consists of the Chief Executive Officer (“CEO”), the Chief Financial Controller (“CFO”) and the Chief Operations Officer (“COO”).

**(C) Note – Operating segmental information**

Management determines the operating segments based on the reports reviewed and used by the strategic steering committee to make strategic decisions.

FRS108(22)(a)

The strategic steering committee considers the business from both geographic and business segment perspectives. Geographically, management considers the performance of the business of manufacture and sale of electronic component parts in Singapore, People’s Republic of China and the Philippines. People’s Republic of China and the Philippines are further segregated into sale of furniture, as most of the furniture sale business is located in these two geographic areas. Singapore is further segregated into construction of specialized equipment as all of the construction services are located in Singapore.

The reportable operating segments derive their revenue primarily from the manufacture and sale of electronic parts, with People’s Republic of China and the Philippines further segregated into sale of household and office furniture and with Singapore further segregated into construction of specialised equipment.

FRS108(22)(b)

Other services included within Singapore, People’s Republic of China, the Philippines and Vietnam include investment holding and provision of logistic services; but these are not included within the reportable operating segments as they are not included in the reports provided to the strategic steering committee. The results of these operations are included in the ‘all other segments’ column.

FRS108(16)

The ‘glass’ segment was discontinued in the period (see note 11).

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2008 is as follows:



## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1 : Early adoption of FRS 108 Operating Segments

	← Singapore →		← China →		← Philippines →		Others	Total for continuing operations	Discontinued operations - glass segment	
	Component Parts	Construction	Component Parts	Furniture	Component Parts	Furniture				
	\$'000	\$'000	\$'000		\$'000		\$'000	\$'000	\$'000	
<b>Group</b>										
<b>2008</b>										
<b>Sales</b>										
– external sales	67,978	29,808	26,376	33,475	22,101	21,817	8,659	210,214	1,200	FRS108(23), (33)(a)
– inter-segment sales	19,950	-	7,700	5,880	6,350	3,920	-	43,800	45	
	87,928	29,808	34,076	39,355	28,451	25,737	8,659	254,014	1,245	
Elimination								(43,800)	(45)	
								210,214	1,200	
<b>Segment result</b>	23,806	1,201	9,685	5,245	9,014	3,498	306	52,755	200	FRS108(23)
Other income								3,898	-	
Other losses-net								(1,383)	(60)	
Unallocated costs-Central administration								(626)	-	
								54,644	140	
Finance expenses								(7,073)	(3)	
Share of loss of associated companies	-	-	-	-	-	-	(174)	(174)	-	FRS108(23)(g)
Profit before income tax								47,397	137	
Income tax expense								(14,921)	(37)	FRS108(23)(h)
<b>Total profit</b>								32,476	100	
<b>Other segment items</b>										
Additions to:										
– property, plant and equipment	39,862	2,505	15,354	3,618	12,864	2,413	1,003	77,619	280	FRS108(24)(b)
– intangible assets	3,774	-	1,454	-	1,219	-	357	6,804	9	FRS108(24)(b)
Depreciation	6,248	2,255	2,407	2,789	2,016	1,859	101	17,675	79	FRS108(23)(e)
Amortisation	384	-	144	-	127	-	120	775	25	FRS108(23)(e)
Impairment losses										FRS108(23)(i)
– goodwill	-	-	-	4,650	-	-	-	4,650	-	
Other non-cash expenses	120	130	60	104	40	70	216	740	-	FRS108(23)(i)
Restructuring costs	-	-	-	1,100	-	-	-	1,100	-	FRS108(23)(i)

	← Singapore →		← China →		← Philippines →		Others	Total for continuing operations	
	Component Parts	Construction	Component Parts	Furniture	Component Parts	Furniture			
	\$'000	\$'000	\$'000		\$'000		\$'000	\$'000	
<b>Segment assets</b>	77,124	38,701	28,980	51,840	25,618	34,556	9,982	266,801	FRS108(23)
<b>Segment liabilities</b>	(8,338)	(2,532)	(3,163)	(2,047)	(2,876)	(1,365)	(768)	(21,089)	FRS108(23)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1 : Early adoption of FRS 108 Operating Segments

	← Singapore →		← China →		← Philippines →		Others			
	Component		Component		Component			Total for continuing operations	Discontinued operations - glass segment	
	Parts	Construction	Parts	Furniture	Parts	Furniture				
	\$'000	\$'000	\$'000		\$'000		\$'000	\$'000	\$'000	
<b>Group</b>										
2007										
<b>Sales</b>										
– external sales	48,610	11,527	18,552	7,546	16,865	4,831	4,429	112,360	4,600	FRS108(23), (33)(a)
– inter-segment sales	18,584	-	7,049	2,075	6,409	1,383	-	35,500	631	
	67,194	11,527	25,601	9,621	23,274	6,214	4,429	147,860	5,231	
Elimination								(35,500)	(631)	
								112,360	4,600	
<b>Segment result</b>	19,453	647	7,379	990	6,707	660	686	36,522	(656)	FRS108(23)
Other income								1,166	-	
Other losses-net								(1,611)	-	
Unallocated costs-Central administration								(944)	-	
								35,133	(656)	
Finance expenses								(9,060)	(11)	
Share of loss of associated companies	-	-	-	-	-	-	145	145	-	FRS108(23)(g)
Profit before income tax								26,218	(667)	
Income tax expense								(7,718)	187	FRS108(23)(h)
<b>Total profit</b>								18,500	(480)	
<b>Other segment items</b>										
Additions to:										
– property, plant and equipment	2,324	530	882	420	801	280	2,314	7,551	531	FRS108(24)(b)
– intangible assets	339	-	151	-	138	-	-	688	12	FRS108(24)(b)
Depreciation	3,064	1,389	1,162	1,398	1,057	932	580	9,582	80	FRS108(23)(e)
Amortisation	235	-	89	42	81	28	40	515	50	FRS108(23)(e)
Other non-cash expenses	72	52	27	32	25	22	80	310	43	FRS108(23)(i)

	← Singapore →		← China →		← Philippines →		Others			
	Component		Component		Component			Total for continuing operations		
	Parts	Construction	Parts	Furniture	Parts	Furniture				
	\$'000	\$'000	\$'000		\$'000		\$'000	\$'000		
<b>Segment assets</b>	63,178	18,213	23,964	39,596	21,785	26,397	10,494	203,627		FRS108(23)
<b>Segment liabilities</b>	(4,695)	(802)	(1,781)	(3,300)	(1,619)	(2,200)	(900)	(15,297)		FRS108(23)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1 : Early adoption of FRS 108 Operating Segments

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

FRS108(27)(a)

The strategic steering committee assesses the performance of the operating segments based on segment results. Segment result represents the profit earned by each segment without allocation of central administration costs, share of profits of associates, other income, other losses-net, finance expense and income tax expense. This is the measure reported to the strategic steering committee for the purposes of resource allocation and assessment of segment performance.

FRS108(27)(b),(28)

### Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the strategic steering committee monitors the property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties attributable to each segment. All assets are allocated to reportable segments other than deferred income tax assets, short-term bank deposits, derivative financial instruments and financial investments.

FRS108(27)(c)

	2008 \$'000	2007 \$'000
Segment assets	266,801	203,627
Elimination	(15,478)	(7,965)
Assets associated with disposal group	3,333	2,280
Unallocated:		
Deferred income tax assets	3,319	3,228
Short-term bank deposits	9,530	5,414
Derivative financial instruments	1,464	564
Financial instruments	30,155	22,856
	<b>299,124</b>	<b>230,004</b>

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1 : Early adoption of FRS 108 Operating Segments

#### Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities, borrowings and derivative financial instruments.

FRS108(27)(d)

	2008 \$'000	2007 \$'000
Segment liabilities	21,089	15,297
Elimination	(1,077)	(2,295)
Liabilities associated with disposal group	220	1,439
Unallocated:		
Income tax liabilities	15,588	12,239
Borrowings	122,379	104,884
Derivative financial instruments	575	284
	<b>158,774</b>	<b>131,848</b>

#### Revenue from major products and services

Revenues from external customers are derived mainly from the sale of electronic parts, sale of household and office furniture and construction of specialized equipment. Others include investment holding and provision of logistic services. Breakdown of the revenue is as follows:

FRS108(32)

	2008 \$'000	2007 \$'000
<u>Sales for continuing operations</u>		
Component parts	116,955	84,327
Furniture	55,792	12,577
Construction	29,808	11,527
Other	7,659	3,929
	<b>210,214</b>	<b>112,360</b>

FRS 108(32)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1 : Early adoption of FRS 108 Operating Segments

#### Geographical information

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

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this are principally the manufacture and sale of electronic component parts, construction of specialised equipment, and investment holding;
- People of Republic of China – the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- Philippines – the operations in this area are principally the manufacture and sale of electronic component parts and sale of furniture; and
- Other countries – the operations include the manufacture and sale of electronic component parts in Thailand, sale of furniture in Vietnam and investment holding.

	Sales for continuing operations		Sales for discontinued operations		Total consolidated sales		FRS 108(33)(a)
	2008	2007	2008	2007	2008	2007	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Singapore	100,630	61,565	832	3,201	101,462	64,766	
People's Republic of China	60,351	26,598	287	1,106	60,638	27,704	
Philippines	44,418	21,896	72	276	44,490	22,172	
Other countries	4,815	2,301	9	17	4,824	2,318	
	<b>210,214</b>	<b>112,360</b>	<b>1,200</b>	<b>4,600</b>	<b>211,414</b>	<b>116,960</b>	

	Non-current assets		FRS 108(33)(b)
	2008	2007	
	\$'000	\$'000	
Singapore	97,406	79,133	
People's Republic of China	55,928	35,603	
Philippines	41,163	18,340	
Other countries	316	428	
	<b>194,813</b>	<b>133,504</b>	

Revenues of approximately \$23,460,000 (2007: \$20,478,000) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment.

FRS108(34)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 2 : Early adoption of FRS 1(R) *Presentation of Financial Statements*

#### FRS 1(R) *Presentation of Financial Statements*

(effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners, in their capacity as owner, to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

#### (A) Note – Basis of preparation ***Standard early adopted by the Group***

FRS 1(R) 'Presentation of Financial Statements' was early adopted by the Group in 2008.

The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income. Components of comprehensive income are presented in a separate statement of comprehensive income.

The 'balance sheets' and 'cash flow statements' have been re-titled to 'statements of financial position' and 'statements of cash flows' respectively.

Comparatives for 2007 have been restated to conform to the requirements of the revised standard.

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 2 : Early adoption of FRS 1(R) *Presentation of Financial Statements*

#### (B) Primary Statement – Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2008

FRS 1(81)(b)

	2008 \$'000	2007 \$'000	
<b>Profit for the year</b>	<b>32,576</b>	18,020	FRS 1(82)(f)
<b>Other comprehensive income, after tax<sup>1</sup>:</b>			FRS 1(82)(g)
Financial assets, available-for-sale			
– Fair value gains	609	72	FRS 107(20)(a)(iii)
– Reclassification adjustments for gains included in profit or loss	(164)	-	FRS 107(20)(a)(iii)
Cash flow hedges			
– Fair value gains	342	331	FRS 107(23)(c)
– Adjustments for amounts transferred to initial carrying amount of hedged items	(279)	(315)	FRS 107(23)(d,e)
Currency translation differences	2,334	(170)	FRS 21(52)(b)
Disposal of a subsidiary	(1,500)	-	FRS 21(48)
Revaluation gains on land and buildings	207	894	FRS 16(77)(f)
Tax on employee share option scheme	114	-	FRS 12(68C)
Change in tax rate	-	52	
<b>Other comprehensive income for the year, net of tax</b>	<b>1,663</b>	<b>864</b>	FRS 1(91)(a)
<b>Total comprehensive income for the year</b>	<b>34,239</b>	<b>18,884</b>	FRS 1(82)(i)
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	31,434	17,847	FRS 1(83)(b)(ii)
Minority interests	2,805	1,037	FRS 1(83)(b)(i)
	<b>34,239</b>	<b>18,884</b>	

#### Guidance Notes

- Alternatively, components of other comprehensive income could be presented before tax, with one amount shown for the aggregate amount of income tax relating to those components.

FRS 1(91)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 2 : Early adoption of FRS 1(R) Presentation of Financial Statements

#### (C) Primary Statement – Consolidated Statement of Changes in Equity for the financial year ended 31 December 2008

FRS 1(106)(a)-(d)

	← Attributable to owners of the parent →						
	Share capital	Treasury shares	Other reserves	Retained earnings	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2008</b>							
Beginning of financial year	32,024	(900)	6,419	58,852	96,395	1,761	98,156
Purchase of treasury shares	–	(2,072)	–	–	(2,072)	–	(2,072)
Employee share option scheme							
– Value of employee services	–	–	690	–	690	–	690
– Treasury shares re-issued	–	1,554	(572)	–	982	–	982
Issue of shares	9,884	–	–	–	9,884	–	9,884
Share issue expenses	(413)	–	–	–	(413)	–	(413)
– Convertible bond - equity component	–	–	6,364	–	6,364	–	6,364
Dividend relating to 2007 paid	–	–	–	(10,102)	(10,102)	(1,920)	(12,022)
Acquisition of a subsidiary	–	–	–	–	–	4,542	4,542
Total comprehensive income for the year	–	–	1,406	30,028	31,434	2,805	34,239
<b>End of financial year</b>	<b>41,495</b>	<b>(1,418)</b>	<b>14,307</b>	<b>78,778</b>	<b>133,162</b>	<b>7,188</b>	<b>140,350</b>

FRS 32(33)

FRS 102(7)

FRS 32(33)

FRS 1(106)(c)

FRS 1(106)(c), 109)

FRS 32(28)

FRS 1(107)

FRS 1(106)(d)

	← Attributable to owners of the parent →						
	Share capital	Treasury shares	Other reserves	Retained earnings	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2007</b>							
Beginning of financial year	32,024	–	5,046	57,492	94,562	1,274	95,836
Purchase of treasury shares	–	(900)	–	–	(900)	–	(900)
Employee share option scheme							
– Value of employee services	–	–	622	–	622	–	622
Dividend relating to 2006 paid	–	–	–	(15,736)	(15,736)	(550)	(16,286)
Total comprehensive income for the year	–	–	751	17,096	17,847	1,037	18,884
<b>End of financial year</b>	<b>32,024</b>	<b>(900)</b>	<b>6,419</b>	<b>58,852</b>	<b>96,395</b>	<b>1,761</b>	<b>98,156</b>

FRS 32(33)

FRS 102(7)

FRS 1(107)



## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 2 : Early adoption of FRS 1(R) *Presentation of Financial Statements*

#### (D) Notes – Disclosure of tax effects relating to each component of other comprehensive income

FRS 1(90)

	2008 \$'000		
	Before tax	Tax (expense)	Net of tax
Financial assets, available-for-sale	537	(92)	445
Cash flow hedges	77	(14)	63
Currency translation differences	2,334	-	2,334
Disposal of a subsidiary	(1,500)	-	(1,500)
Revaluation gains on land and buildings	253	(46)	207
Tax on employee share option scheme	114	-	114
	1,815	(152)	1,663

	2007 \$'000		
	Before tax	Tax (expense)	Net of tax
Financial assets, available-for-sale	88	(16)	72
Cash flow hedges	20	(4)	16
Currency translation differences	(170)	-	(170)
Revaluation gains on land and buildings	1,133	(239)	894
Change in tax rate	52	-	52
	1,123	(259)	864

### Example 3 : Revenue Recognition – multi-element arrangements

*Extracts of significant accounting policies:*

#### Revenue recognition

##### *Multiple-element arrangements*

FRS 18(13)

The Group offers certain arrangements where a customer can purchase certain electronic equipment, together with a two-year maintenance contract. When such multiple element arrangements exist, the amount recognised as revenue upon the sale of the equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole and is recognised when the equipment is delivered and the customer has accepted the delivery. The revenue relating to the service element, which represents the fair value of the maintenance arrangement in relation to the fair value of the arrangement taken as a whole, is recognised over the maintenance period evenly. The fair value of each element is determined based on the current market price when the elements are sold separately.

Where the group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration. To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 4 : Provision for dismantlement, removal and restoration

*Extracts of significant accounting policies:*

#### Property, plant and equipment

##### Measurement

##### *Components of costs*

FRS 16(16)(c)

“.....The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories”.

#### Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amounts have been reliably estimated.

FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in the income statement immediately.

INT FRS 101(5)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 4 : Provision for dismantlement, removal and restoration

*Extracts of notes to the financial statements:*

#### Dismantlement, removal or restoration of property, plant and equipment

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that \$[ ] will be used during 2009 and \$[ ] during 2010. Total expected costs to be incurred are \$[ ] (2007: \$[ ]).

FRS 37(85)(a)

Movement in this provision is as follows:

	<u>Group</u>		<u>Company</u>		
	<b>2008</b>	2007	<b>2008</b>	2007	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Beginning of financial year	[ ]	[ ]	[ ]	[ ]	FRS 37(84)(a)
Provision made	[ ]	[ ]	[ ]	[ ]	FRS 37(84)(b)
Provision utilised	[ ]	[ ]	[ ]	[ ]	FRS 37(84)(c)
Amortisation of discount	[ ]	[ ]	[ ]	[ ]	FRS 37(84)(e)
End of financial year	[ ]	[ ]	[ ]	[ ]	FRS 37(84)(a)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 5 : Post-employment benefits – Pension and medical benefits

*Extracts of significant accounting policies:*

##### Employee compensation

##### (a) *Pension benefits*

The Group operates both defined benefit and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

FRS 19(7)

FRS 19(44)

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

FRS 19(7)

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

FRS 19(54)

FRS 19(64)

FRS 19(78)

Actuarial gains and losses<sup>1</sup> are recognised directly in retained earnings and presented in the Statement of Recognised Income and Expense in the period when they arise.

FRS 19(93-93D)  
FRS 19(120A)(a)

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

FRS 19(96)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

##### Extracts of significant accounting policies: (continued)

##### (b) Post-employment medical benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology applied to defined benefit plans. Actuarial gains and losses<sup>1</sup> are recognised directly in retained earnings and presented in the Statement of Recognised Income and Expense in the period when they arise. These obligations are valued annually by independent qualified actuaries.

FRS 19(120A)(b)

FRS 19(120A)(a)

#### Guidance Notes

##### Post-employment benefits

1. There are three approaches to account for actuarial gains and losses, namely:
  - (a) Corridor approach – in which actuarial gains and losses outside the corridor threshold are recognised in the income statement over the expected average remaining working lives of the participants of the plan;
  - (b) Statement of Recognised Income and Expense (“SoRIE”) approach - recognising all actuarial gains and losses directly to reserves (as illustrated above). If this option is elected, the preparer must present SoRIE, rather than a Statement of Changes in Equity, as a primary statement; and
  - (c) Any systematic method that results in a faster recognition of actuarial gains and losses than the corridor approach. Such permitted methods include immediate recognition of all actuarial gains and losses to the income statement. Although this method introduces significant volatility to the income statement, it is easy to implement.
2. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be more useful. It may be useful to distinguish groupings by criteria such as follows:
  - (a) The geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or
  - (b) Whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

FRS 19(92-93)

FRS 19(93A)

FRS 19(93)

FRS 19(122)

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements:

	Group	
	2008	2007
	\$'000	\$'000
<b>Balance sheet obligations for:</b>		
Pension benefits	3,225	1,532
Post-employment medical benefits	1,410	701
	<b>4,635</b>	<b>2,233</b>
<b>Income statement charge for:</b>		
Pension benefits	755	488
Post-employment medical benefits	149	107
	<b>904</b>	<b>595</b>

(a) Pension benefits

	Group	
	2008	2007
	\$'000	\$'000
The amount recognised in the balance sheet is determined as follows:		
Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,991)	(2,797)
	<b>164</b>	<b>146</b>
Present value of unfunded obligations	3,206	1,549
Unrecognised past service cost	(145)	(163)
Liability recognised in the balance sheet	<b>3,225</b>	<b>1,532</b>

FRS 19(120A)(d,f)

	Group	
	2008	2007
	\$'000	\$'000
The amounts recognised in the income statement are as follows:		
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Curtailment	65	–
	<b>755</b>	<b>488</b>

FRS 19(120A)(g)

Included in:		
Cost of goods sold	516	319
Administrative expenses	239	169
	<b>755</b>	<b>488</b>

FRS 19(120A)(g)

Actual return on plan assets	<b>495</b>	<b>235</b>
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FRS 19(120A)(m)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

Extracts of notes to the the financial statements: (continued)

Movement in the defined benefit obligation is as follows:

FRS 19(120A)(c)

	Group	
	2008	2007
	\$'000	\$'000
Beginning of financial year	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial (gains)/losses	(15)	495
Currency translation differences	(43)	(103)
Benefits paid	(66)	(121)
Subsidiaries acquired	3,691	–
Curtailments	65	–
End of financial year	9,361	4,492

Movement in the fair value of plan assets is as follows:

FRS 19(120A)(e)

	Group	
	2008	2007
	\$'000	\$'000
Beginning of financial year	2,797	2,264
Expected return on plan assets	510	240
Actuarial losses	(15)	(5)
Currency translation differences	25	(22)
Contributions by the employer	908	411
Contributions by plan participants	55	30
Benefits paid	(66)	(121)
Subsidiaries acquired	1,777	–
End of financial year	5,991	2,797

The principal actuarial assumptions used were as follows:

FRS 19(120A)(n)

	Group	
	2008	2007
Discount rate	7.0%	6.8%
Expected return on plan assets	8.5%	8.3%
Future salary increases	5.0%	4.5%
Future pension increases	3.0%	2.5%

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

*Extracts of notes to the financial statements: (continued)*

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

The average remaining life expectancy in years of a pensioner retiring at age 65 is as follows:

	2008	2007
Male	18.5	18.5
Female	22.0	22.0

#### (b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the Philippines. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

FRS 19(120A)(a,b)

In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2007: 7.6%).

FRS 19(120A)(n)

The amount recognised in the balance sheet is determined as follows:

FRS 19(120A)(d,f)

	Group	
	2008	2007
	\$'000	\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Liability recognised in the balance sheet	1,410	701



## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

*Extracts of notes to the financial statements: (continued)*

The amounts recognised in the income statement are as follows:

FRS 19(120A)(g)

	Group	
	2008	2007
	\$'000	\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
	<b>149</b>	<b>107</b>
Included in:		
Cost of goods sold	102	71
Administrative expenses	47	36
	<b>149</b>	<b>107</b>
Actual return on plan assets	<b>51</b>	<b>24</b>

FRS 19(120A)(g)

FRS 19(120A)(m)

Movement in the defined benefit obligation for post-employment medical plan is as follows:

FRS 19(120A)(c)

	Group	
	2008	2007
	\$'000	\$'000
Beginning of financial year	1,003	708
Current service cost	153	107
Interest cost	49	25
Actuarial (gains)/losses	(2)	204
Currency translation differences	25	(41)
Subsidiaries acquired	802	–
End of financial year	<b>2,030</b>	<b>1,003</b>

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

*Extracts of notes to the financial statements: (continued)*

Movement in the fair value of plan assets for post-employment medical plan is as follows:

FRS 19(120A)(e)

	Group	
	2008 \$'000	2007 \$'000
Beginning of financial year	302	207
Expected return on plan assets	53	25
Actuarial losses	(2)	(1)
Currency translation differences	5	(2)
Contributions by the employer	185	73
Subsidiaries acquired	77	–
End of financial year	620	302

The effect of a 1% change in the assumed medical cost trend rate is as follows:

FRS 19(120A)(o)

	Group	
	Increase \$'000	Decrease \$'000
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

The amounts recognised in SoRIE for pension and post-employment medical benefits are as follows:

	2008 \$'000	2007 \$'000
Actuarial losses recognised during financial year	–	705
Cumulative actuarial losses recognised	705	705

FRS 19(120A)(h)

FRS 19(120A)(i)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 5 : Post-employment benefits – Pension and medical benefits (continued)

*Extracts of notes to the financial statements: (continued)*

Plan assets of pension and post-employment medical benefits comprise the following:

FRS 19(120A)(j)

	<u>Group</u>			
	2008		2007	
	\$'000	%	\$'000	%
Equity securities	3,256	49	1,595	51
Debt securities	2,571	39	855	28
Other	784	12	649	21
	<b>6,611</b>	<b>100</b>	<b>3,099</b>	<b>100</b>

Plan assets include the Company's ordinary shares with a fair value of \$136,000 (2007: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2007: \$609,000).

FRS 19(120A)(k)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

FRS 19(120A)(l)

Expected contributions to pension post employment medical benefit plans for the financial year ending 31 December 2009 are \$1,150,000.

FRS 19(120)(q)

	<u>Group</u>			
	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year				
Present value of defined benefit obligation	11,391	5,495	4,187	3,937
Fair value of plan assets	(6,611)	(3,099)	(2,471)	(2,222)
Deficit	<b>4,780</b>	<b>2,396</b>	<b>1,716</b>	<b>1,715</b>
Experience adjustments on plan liabilities	(326)	125	55	–
Experience adjustments on plan assets	(17)	(6)	(197)	–

FRS 19(120A)(p)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 6 : Defaults and breaches of loans payable

*Extracts of notes to the financial statements:*

#### Borrowings

##### *Default of loan payments*

FRS 107(18)

The Company was overdue in interest payments of \$[ ] on bank borrowings with a carrying amount of \$[ ]. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[ ] due by [date] remained unpaid.

The Company has paid all outstanding amounts (including additional interest and penalties for late payment) during the fourth quarter.

Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

##### *Breaches of loan covenants*

FRS 107(19)

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[ ], of which the Company has currently drawn an amount of \$[ ].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[ ]. The outstanding balance was presented as a current liability as at 31 December 2008. Management commenced renegotiation of the terms of the loan agreement with the bank on [date].

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management expects that a revised loan agreement will be in place in the second quarter of 2009.

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 7 : Convertible foreign currency bonds

*Extracts of significant accounting policies:*

#### Convertible foreign currency bonds

On issuance of convertible foreign currency bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

FRS 32(28)

FRS 32 AG31

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the income statement. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

FRS 32 AG32

*Extracts of notes to the financial statements:*

#### Other losses - net

	Group	
	2008	2007
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	<b>4,083</b>	–

FRS 107(20)(a)(v)

#### Finance expenses

	Group	
	2008	2007
	\$'000	\$'000
Interest expense:		
– Convertible bonds	<b>16,966</b>	–

FRS 107(20)(b)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 7 : Convertible foreign currency bonds (continued)

*Extracts of notes to the financial statements: (continued)*

#### Convertible foreign currency bonds

FRS 107(17,34)

On 1 October 2008, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2012. The bonds will be redeemed on 4 October 2012 at their nominal value or they can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of \$2.20 per share at any time on or after 14 November 2007 up to the close of business on 24 September 2012 if not called for redemption. On full conversion, up to 320,000,000 conversion shares (“Conversion Ratio”) are expected to be issued and allotted to the holders of the bonds.

The convertible bonds recognised in the balance sheet are analysed as follows:

	\$'000
Face value of convertible bonds issued on 1 October 2008, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component as at initial recognition, 1 October 2008	695,917
Interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	706,985

The fair value of the liability component of the convertible bonds at 31 December 2008 is \$706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25,27)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 8 : Property under development for sale

*Extracts of significant accounting policies:*

##### Development properties

RAP 11

Development properties refer to properties under development for 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 the development and selling expenses.

FRS 2(9)

FRS 2(6)

##### *Sold development properties*

RAP 11(9)

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 physical surveys of construction work completed. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

FRS 11(29)

FRS 11(36)

The aggregated costs incurred and the profit/loss recognised in each development property that has been sold are 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”.

FRS 11(43)

FRS 11(44)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 8 : Property under development for sale (continued)

Extracts of notes to the financial statements:

#### Development properties

	<u>Group</u>	
	2008	2007
	\$'000	\$'000
<i>Unsold development properties:</i>		
Beginning of financial year	1,300	800
Contract costs incurred during financial year	510	800
Transfer to sold development properties	(666)	(300)
End of financial year	1,144	1,300
<i>Sold development properties:</i>		
Aggregate costs incurred and profits recognised (less losses recognised) on sold development properties in progress	4,466	2,222
Less: Progress billings	(3,400)	(1,212)
	1,066	1,010
Presented as:		
– Due from customers (Note [ ])	1,333	1,820
– Due to customers (Note [ ])	(267)	(810)
	1,066	1,010

The Group uses the percentage of completion method to account for its construction contracts. If the completed contract method has been used, these items will be affected as follows:

	<u>Increase/(Decrease)</u>	
	2008	2007
	\$'000	\$'000
<u>Balance sheets as at 31 December</u>		
Retained earnings	(200)	(300)
Due from customers	100	60
Due to customers	(20)	(30)
<u>Income statements</u>		
Revenue	2,000	1,200
Profit after tax	100	40

#### Guidance Notes

##### Properties under development for sale

1. The movement in "Due from/to customers" should be included under operating activities for cash flow presentation purposes.

FRS 7(14)



## Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Limited Group.

### Critical accounting estimates, assumptions and judgements

FRS 1(113,116)

The following critical accounting estimates, assumptions and judgements may be applicable, among many other possible areas not presented in PwC Holdings Ltd Group's financial statements.

(a) Useful lives of electrical component division's plant and equipment

The costs of plant and equipment for the manufacture of electronic component parts are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives to be between 5 and 7 years, based on the estimated useful lives for similar machineries in the same industry and the projected life-cycles for its products. These estimates can change significantly as a result of expected usage or abandonment, technological innovations and competitors' actions, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

If the actual useful lives of the technology division plant and equipment differ by 10% from management's estimates, the carrying amount of the plant and equipment will be an estimated \$1,000,000 higher or \$970,000 lower.

(b) Post-employment pension obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have a tenure approximating the tenure of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

If the discount rate used differs by 1% from management's estimates, the carrying amount of pension obligations will be an estimated \$425,000 lower or \$450,000 higher.

## Additional Illustrative Disclosures

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Limited Group.

### Critical accounting estimates, assumptions and judgements (continued)

#### (c) Warranty claims

The Group gives two-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

If claims costs differ by 10% from management's estimates, the warranty provisions will be an estimated \$2,000,000 higher or \$1,875,000 lower.

#### (d) Property, plant and equipment

The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to the income statement. The Group reviews the residual values and useful lives of property, plant and equipment at each balance sheet date in accordance with the accounting policy in Note 2.4. The estimation of the residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 December 2008 is \$153.8 million and the annual depreciation charge for the financial year ended 31 December 2008 is \$17.7 million.

If the actual useful lives of the property, plant and equipment are longer or shorter than the management's estimate by one year on average, the Group's annual depreciation charge will be reduced by \$4.0 million and increased by \$6.0 million respectively.

#### (e) Fair value estimation on unlisted securities

The Group holds corporate variable rate notes that are not traded in an active market amounting to \$347,000. The Group has used discounted cash flow analyses for valuing these financial assets and made estimates about expected future cash flows and discount rates.

If the discount rate used in the discounted cash flow analysis is increased or decreased by 1% from management's estimates, the Group's carrying amount of financial assets, available-for-sale will be reduced by \$80,000 or increased by \$85,000 respectively.

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