

The background of the entire page is a photograph. It shows a large, dark stone archway. Inside the archway, a person is silhouetted against a bright orange and yellow sunset sky. The person's arms are raised in a 'V' shape. The sun is a bright, glowing orb positioned just below the person's arms, creating a lens flare effect. The foreground is dark and silhouetted, showing the base of the archway and some distant land or water under the sunset sky.

Sustaining Trust in the Brave New World

Illustrative Annual Report
2009 Edition

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

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 13,000 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.

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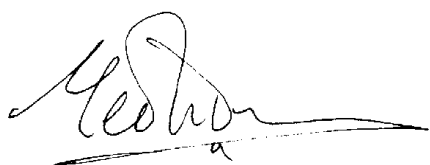
Foreword

The past 12 months have been an eventful period for the corporate reporting landscape. Rapid developments in financial reporting requirements have followed closely on the heels of unprecedented events in the financial world. Sustaining trust in corporate reporting in the new economic environment is more critical than ever.

Faithful, reliable and robust financial reporting is essential to establishing and sustaining such trust. This is precisely what we hope to achieve with the 2009 edition of “PricewaterhouseCoopers’ Illustrative Annual Report” and the accompanying “SFRS Pocket Guide”. This publication aims to help directors, audit committee members, management and preparers of financial statements to understand and implement new financial reporting changes in an effective and efficient manner. Through this publication, we hope to help you achieve high-quality financial reporting that complies with the various requirements of the Singapore Financial Reporting Standards (FRS), Singapore Companies Act and Singapore Exchange Listing Manual.

In this publication, you will find example disclosures for the new disclosure requirements that are effective in the current year, notably those set out in FRS 108 Operating Segments, FRS 1(R) Presentation of Financial Statements and Amendments to FRS 107 Financial Instruments: Disclosures. In addition, this publication includes a new Appendix that deals with the disclosures under the revised FRS 103 Business Combinations, which becomes effective for annual reporting periods commencing on or after 1 July 2009.

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 regular PricewaterhouseCoopers contact should you have any questions or comments regarding this publication or the implementation of the new accounting standards.



Yeoh Oon Jin
Head of Assurance
Singapore
September 2009

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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:

ACGC	Audit Committee Guidance Committee – Guidebook for Audit Committee in Singapore
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 2009, provides a sample annual report of a fictitious group of companies for the financial year ending 31 December 2009. 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 2009.

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 LLP (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.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2009	FRS 1 (Revised)	Presentation of Financial Statements	IAS 1 (Revised)	Presentation of Financial Statements	FRS 1(Revised) is consistent with IAS 1 in all material aspects.
2005	FRS 2	Inventories	IAS 2	Inventories	FRS 2 is consistent with IAS 2 in all material aspects.
2003	FRS 7	Cash Flow Statements	IAS 7	Cash Flow Statements	FRS 7 is consistent with IAS 7 (effective from 1994) in all material aspects.
2005	FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	FRS 8 is consistent with IAS 8 in all material aspects.
2005	FRS 10	Events after the Balance Sheet Date	IAS 10	Events after the Balance Sheet Date	FRS 10 is consistent with IAS 10 in all material aspects.
2003	FRS 11	Construction Contracts	IAS 11	Construction Contracts	FRS 11 is consistent with IAS 11 (effective from 1995) in all material aspects.
2003	FRS 12	Income Taxes	IAS 12	Income Taxes	<p>FRS 12 is consistent with IAS 12 (effective from 1998) in all material aspects, except for accounting for unremitted foreign income.</p> <p>Under Recommended Accounting Practice (RAP) 8 issued by the Institute of Certified Public Accountants of Singapore (ICPAS), no deferred tax is accounted for temporary difference arising from foreign income not yet remitted to Singapore if:</p> <ul style="list-style-type: none"> (a) the entity is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. <p>Under IAS 12, deferred tax is required to be accounted for temporary difference arising from such unremitted foreign income.</p>

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2005	FRS 16	Property, Plant and Equipment (PPE)	IAS 16	Property, Plant and Equipment (PPE)	<p>FRS 16 is consistent with IAS 16 in all material aspects, except that FRS 16 gives the following exemption:</p> <p>“For an enterprise which had: revalued its PPE before 1 January 1984 (in accordance with the prevailing accounting standard at the time); or performed any one-off revaluation on its PPE between 1 January 1984 and 31 December 1996 (both dates inclusive), there will be no need for the enterprise to revalue its assets in accordance with paragraph 29 of FRS 16”.</p> <p>“One-off revaluation” means any instance where an item of PPE was revalued only once between 1 January 1984 and 31 December 1996 (both dates inclusive).</p> <p>Where an item of PPE has been revalued more than once during this period, the company should:</p> <ul style="list-style-type: none"> (a) explain why the particular item of PPE should be exempted; and (b) obtain the auditor’s concurrence of the explanation. <p>IAS 16 does not include the above exemption.</p>

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2005	FRS 17	Leases	IAS 17	Leases	<p>FRS 17 is consistent with IAS 17 in all material aspects, except that FRS 17 has removed the following paragraph:</p> <p>“.... a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incident to ownership, in which case the lease of land will be an operating lease. A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.”</p> <p>This allows leasehold lands to be treated as finance leases and leased assets be recorded as an item of property, plant and equipment or investment property, which can be carried using cost or revaluation/fair value model.</p> <p>Under the existing IAS 17, such leasehold lands are treated as prepaid lease payments which cannot be subsequently re-measured and carried at revaluation/fair value model, unless the land is part of an investment property that is measured at fair value under IAS 40.</p> <p>In the 2009 Annual Improvements, IAS 17 has removed the requirement for land title to pass before land leases can qualify as finance leases, thereby making it more consistent with FRS 17. This amendment is effective for annual periods beginning from 1 January 2010, and has been adopted locally. However, the indefinite economic life of land will still be an important consideration in the operating/finance lease classification.</p>

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2003	FRS 18	Revenue	IAS 18	Revenue	<p>FRS 18 is consistent with IAS 18 (effective from 1995) in all material aspects except for revenue recognition of pre-sold uncompleted properties.</p> <p>IFRIC 15, which prescribes the accounting treatment for sale of uncompleted properties, has not been adopted locally. Please refer to section B below on Interpretations for details.</p> <p>Under IFRS, such revenue is generally recognised after the properties are completed and handed over to the buyers.</p>
2006	FRS 19	Employee Benefits	IAS 19	Employee Benefits	FRS 19 is consistent with IAS 19 in all material aspects except for the non-adoption of IFRIC 14.
2003	FRS 20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	FRS 20 is consistent with IAS 20 (effective from 1984) in all material aspects.
2006	FRS 21	The Effects of Changes in Foreign Exchange Rates	IAS 21	The Effects of Changes in Foreign Exchange Rates	FRS 21 is consistent with IAS 21 in all material aspects.
2009	FRS 23	Borrowing Costs (Revised in 2007)	IAS 23	Borrowing Costs (Revised in 2007)	FRS 23 (revised in 2007) is consistent with IAS 23 (revised in 2007) in all material aspects.
2006	FRS 24	Related Party Disclosures	IAS 24	Related Party Disclosures	FRS 24 is consistent with IAS 24 in all material aspects.
2003	FRS 26	Accounting and Reporting by Retirement Benefit Plans	IAS 26	Accounting and Reporting by Retirement Benefit Plans	FRS 26 is consistent with IAS 26 (effective from 1998) in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2005	FRS 27	Consolidated and Separate Financial Statements	IAS 27	Consolidated and Separate Financial Statements	<p>FRS 27 is consistent with IAS 27 in all material aspects, except in one of the conditions for exemption from consolidation.</p> <p>FRS 27 requires the ultimate holding company or any intermediate parent of a company that seeks exemption from consolidation to produce consolidated financial statements that are available for public use. These consolidated financial statements need not comply with any specific accounting framework.</p> <p>IAS 27 requires the ultimate holding company or any intermediate parent of a company that seeks exemption from consolidation to produce consolidated financial statements that are available for public use and comply with IFRS.</p>
2005	FRS 28	Investments in Associates	IAS 28	Investments in Associates	FRS 28 is consistent with IAS 28 in all material aspects, except in one of the conditions for exemption from equity accounting. The dissimilarity is as identified in FRS 27.
2003	FRS 29	Financial Reporting in Hyperinflationary Economies	IAS 29	Financial Reporting in Hyperinflationary Economies	FRS 29 is consistent with IAS 29 (effective from 1990) in all material aspects.
2005	FRS 31	Interests in Joint Ventures	IAS 31	Interests in Joint Ventures	FRS 31 is consistent with IAS 31 in all material aspects, except in one of the conditions for exemption from proportionate consolidation or equity accounting. The dissimilarity is as identified in FRS 27.
2007 – for listed companies 2008 – for non-listed companies	FRS 32	Financial Instruments: Presentation	IAS 32	Financial Instruments: Presentation	FRS 32 is consistent with IAS 32 (effective from 2007) in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2005	FRS 33	Earnings Per Share	IAS 33	Earnings Per Share	FRS 33 is consistent with IAS 33 in all material aspects.
2003	FRS 34	Interim Financial Reporting	IAS 34	Interim Financial Reporting	FRS 34 is consistent with IAS 34 in all material aspects.
1 Jul 2004	FRS 36	Impairment of Assets	IAS 36	Impairment of Assets	<p>FRS 36 is consistent with IAS 36 in all material aspects except for the transitional dates as follows:</p> <p>IAS 36 is applicable to goodwill and intangible assets acquired in business combinations for which agreement date is on or after 31 March 2004 and to all other intangible assets prospectively from the beginning of the first annual period beginning on or after 31 March 2004.</p> <p>FRS 36 is applicable prospectively from the beginning of the first annual period beginning on or after 1 July 2004.</p>
2003	FRS 37	Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Provisions, Contingent Liabilities and Contingent Assets	FRS 37 is consistent with IAS 37 (effective from 1999) in all material aspects.
1 Jul 2004	FRS 38	Intangible Assets	IAS 38	Intangible Assets	FRS 38 is consistent with IAS 38 in all material aspects except for transitional dates as described in FRS 36 above.
2006	FRS 39	Financial Instruments: Recognition and Measurement	IAS 39	Financial Instruments: Recognition and Measurement	FRS 39 is consistent with IAS 39 in all material aspects except for the effect of difference in transition dates.
2007	FRS 40	Investment property	IAS 40	Investment Property	FRS 40 is consistent with IAS 40 (effective from 2005) in all material aspects.
2003	FRS 41	Agriculture	IAS 41	Agriculture	FRS 41 is consistent with IAS 41 in all material aspects.
2009	FRS 101	First-time Adoption of Financial Reporting Standards	IFRS 1	First-time Adoption of International Financial Reporting Standards	FRS 101 is consistent with IFRS 1 in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2005 – for listed companies 2006 – for other companies	FRS 102	Share-based Payments	IFRS 2	Share-based Payments	<p>FRS 102 is consistent with IFRS 2 in all material aspects, except for their effective dates for non-listed companies. For non-listed companies, FRS 102 is effective for annual periods beginning on or after 1 January 2006, whilst IFRS 2 is effective for annual periods beginning on or after 1 January 2005.</p> <p>Additionally, IFRS 2 will apply to:</p> <ul style="list-style-type: none"> (a) share-based payment transactions that were granted on or after 7 November 2002 and had not yet vested by 1 January 2005; and (b) share-based payment transactions made before 7 November 2002, which were subsequently modified. <p>FRS 102 replaces “7 November 2002” with “22 November 2002”.</p>
1 Jul 2004	FRS 103	Business Combinations	IFRS 3	Business Combinations	<p>FRS 103 is consistent with IFRS 3 in all material aspects, except for their effective dates.</p> <p>FRS 103 is effective for business combinations occurring in annual periods beginning on or after 1 July 2004, whilst IFRS 3 is effective for business combinations with the agreement date on or after 31 March 2004.</p> <p>For annual periods commencing on or after 1 July 2009, FRS 103 (revised in 2009) will become effective and will supersede the existing standard. The new standard will be consistent with IFRS in all material aspects.</p>
2006	FRS 104	Insurance Contracts	IFRS 4	Insurance Contracts	FRS 104 is consistent with IFRS 4 in all material aspects.
2005	FRS 105	Non-current Assets Held for Sale and Discontinued Operations	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	FRS 105 is consistent with IFRS 5 in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(A) Financial Reporting Standards					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2006	FRS 106	Exploration for and Evaluation of Mineral Resources	IFRS 6	Exploration for and Evaluation of Mineral Resources	FRS 106 is consistent with IFRS 6 in all material aspects.
2007 – for listed companies 2008 – for non-listed companies	FRS 107	Financial Instruments: Disclosures	IFRS 7	Financial Instruments: Disclosures	FRS 107 is consistent with IFRS 7 in all material aspects, except for their effective dates for non-listed companies. For non-listed companies, FRS 107 is effective for annual periods beginning on or after 1 January 2008, whilst IFRS 7 is effective for annual periods beginning on or after 1 January 2007.
2009	FRS 108	Operating Segments	IFRS 8	Operating Segments	FRS 108 is consistent with IFRS 8 in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(B) Interpretations					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
2003	INT FRS 7	Introduction of the Euro	SIC 7	Introduction of the Euro	INT FRS 7 is consistent with SIC 7 (effective from 1998) in all material aspects.
2003	INT FRS 10	Government Assistance – No specific Relation to Operating Activities	SIC 10	Government Assistance – No specific Relation to Operating Activities	INT FRS 10 is consistent with SIC 10 (effective from 1998) in all material aspects.
2003	INT FRS 12	Consolidation – Special Purpose Entities	SIC 12	Consolidation – Special Purpose Entities	INT FRS 12 is consistent with SIC 12 (effective from 1999) in all material aspects.
2003	INT FRS 13	Jointly Controlled Entities – Non-Monetary Contribution by Venturers	SIC 13	Jointly Controlled Entities – Non-Monetary Contribution by Venturers	INT FRS 13 is consistent with SIC 13 (effective from 1999) in all material aspects.
2003	INT FRS 15	Operating Leases – Incentives	SIC 15	Operating Leases – Incentives	INT FRS 15 is consistent with SIC 15 (effective from 1999) in all material aspects.
2003	INT FRS 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	INT FRS 21 is consistent with SIC 21 (effective from 2000) in all material aspects.
2003	INT FRS 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	SIC 25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	INT FRS 25 is consistent with SIC 25 (effective from 2000) in all material aspects.
2003	INT FRS 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	INT FRS 27 is consistent with SIC 27 (effective from 2001) in all material aspects.
2003	INT FRS 29	Disclosure – Service Concession Arrangements	SIC 29	Disclosure – Service Concession Arrangements	INT FRS 29 is consistent with SIC 29 (effective from 2001) in all material aspects.
2003	INT FRS 31	Revenue – Barter Transactions Involving Advertising Services	SIC 31	Revenue – Barter Transactions Involving Advertising Services	INT FRS 31 is consistent with SIC 31 (effective from 2001) in all material aspects.
2003	INT FRS 32	Intangible Assets – Web Site Costs	SIC 32	Intangible Assets – Web Site Costs	INT FRS 32 is consistent with SIC 32 (effective from 2002) in all material aspects.
1 Sep 2004	INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities	IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	INT FRS 101 is consistent with IFRIC 1 (effective from 2002) in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(B) Interpretations					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
–	–	–	IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	This interpretation has not been adopted locally.
2006	INT FRS 104	Determining whether an Arrangement contains a Lease	IFRIC 4	Determining whether an Arrangement contains a Lease	INT FRS 104 is consistent with IFRIC 4 in all material aspects.
2006	INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	INT FRS 105 is consistent with IFRIC 5 in all material aspects.
1 Dec 2005	INT FRS 106	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	INT FRS 106 is consistent with IFRIC 6 in all material aspects.
1 Mar 2006	INT FRS 107	Applying the Restatement Approach under FRS 29	IFRIC 7	Applying the Restatement Approach under IAS 29	INT FRS 107 is consistent with IFRIC 7 in all material aspects.
1 May 2006	INT FRS 108	Scope of FRS 102	IFRIC 8	Scope of IFRS 2	INT FRS 108 is consistent with IFRIC 8 in all material aspects.
1 Jun 2006	INT FRS 109	Reassessment of Embedded Derivatives	IFRIC 9	Reassessment of Embedded Derivatives	INT FRS 109 is consistent with IFRIC 9 in all material aspects.
1 Nov 2006	INT FRS 110	Interim Financial Reporting and Impairment	IFRIC 10	Interim Financial Reporting and Impairment	INT FRS 110 is consistent with IFRIC 10 in all material aspects.
1 Mar 2007	INT FRS 111	FRS 102 – Group and Treasury Share Transactions	IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	INT FRS 111 is consistent with IFRIC 11 in all material aspects.
2008	INT FRS 112	Service Concession Arrangements	IFRIC 12	Service Concession Arrangements	INT FRS 112 is consistent with IFRIC 12 in all material aspects.
1 Jul 2008	INT FRS 113	Customer Loyalty Programmes	IFRIC 13	Customer Loyalty Programmes	INT FRS 113 is consistent with IFRIC 13 in all material aspects.
2008	INT FRS 114	Defined Benefit Assets and Minimum Funding Requirements	IFRIC 14	Defined Benefit Assets and Minimum Funding Requirements	INT FRS 114 is consistent with IFRIC 14 in all material aspects.

Differences between Singapore Financial Reporting Standards and International Financial Reporting Standards

As at 31 August 2009

(B) Interpretations					
Effective from 1 January; unless otherwise specified	Singapore Financial Reporting Standards		International Financial Reporting Standards		Overall comparison
–	–	–	IFRIC 15	Agreements for Construction of Real Estate	<p>Agreements for Construction of Real Estate effective for annual periods commencing 1 January 2009 has not been adopted locally.</p> <p>Based on IFRIC 15, an agreement for the construction of real estate meets the definition of a construction contract, and percentage-of-completion accounting can be used, only when the buyer is able to:</p> <ul style="list-style-type: none"> • specify the major structural elements of the design of the real estate before construction begins; and/or • specify major structural changes once construction is in progress (whether or not it exercises that ability). <p>If the agreement is not a construction contract, it may be an agreement for the rendering of services if the entity is not required to acquire and supply the construction materials required for the construction. In this situation, the entity may still be able to use percentage-of-completion accounting.</p> <p>If the agreement is neither a construction contract nor a service contract, it is a contract to supply goods for which IAS 18 should be applied. In this case, the percentage-of-completion accounting can only be applied if the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.</p>
1 Oct 2008	INT FRS 116	Hedges of a Net Investment in a Foreign Operation	IFRIC 16	Hedges of a Net Investment in a Foreign Operation	INT FRS 116 is consistent with IFRIC 16 in all material aspects.
1 July 2009	INT FRS 117	Distributions of Non-Cash Assets to Owners	IFRIC 17	Distributions of Non-Cash Assets to Owners	INT FRS 117 is consistent with IFRIC 17 in all material aspects.
1 July 2009	INT FRS 118	Transfer of Assets from Customers	IFRIC 18	Transfer of Assets from Customers	INT FRS 118 is consistent with IFRIC 18 in all material aspects.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Clarifications effective immediately			
FRS 18 <i>Revenue</i>	<p>FRS 18 has been amended to provide guidance in assessing whether an entity is acting as a principal or agent.</p> <p>As this amendment is made to an illustrative appendix that is not an integral part of the Standard, it did not specify an effective date.</p>	<p>The principle that an entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods/ services remains unchanged. The amendment included the following features that suggest that the entity is a principal:</p> <ol style="list-style-type: none"> 1. the entity has primary responsibility for providing goods and services or for fulfilling the order 2. the entity has inventory risk 3. the entity has latitude in establishing prices 4. the entity bears the customer's credit risk. <p>These features should be assessed in totality.</p> <p>The amendment specifies that where the entity earns a pre-determined consideration (e.g. fixed fee per transaction) the entity is likely to be an agent.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>PwC Observation Although this additional guidance is an illustration of the current principle, it is expected to change some existing practices and improve consistency in application.</p> </div>	None.
Effective for annual periods beginning on or after 1 July 2008			
INT FRS 113 <i>Customer Loyalty Programmes</i>	Explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits (such as points or travel miles).	<p>Requires allocation of part of the consideration of initial sale transaction to the award credits based on fair values. Fair value is the amount for which the award credits could be sold separately, and would be reduced to take into account:</p> <ul style="list-style-type: none"> • the fair value of awards that would be offered to customers who have not earned award credits from an initial sale; and • the proportion of award credits that are not expected to be redeemed by customers. 	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<p>PwC Observation Companies are required to estimate the individual fair value of the award credits and expected redemptions.</p> <p>Historical information will often provide the best estimate of the redemption rate. Systems and processes to collect and analyse these data (the number of award credits that have been issued) should be established.</p> <p>Portion of revenue relating to awards are deferred.</p>	
		<p>If the entity supplies the future goods or services under the award by itself, it shall recognise the revenue when the awards are redeemed and it fulfils its obligations to supply the goods and services.</p> <p>If a third party supplies the future goods or services, revenue is recognised when the third party becomes obligated to supply the future goods or services. In addition, the amount of revenue recognised is dependent on whether the entity is collecting the consideration as principal or agent.</p>	
		<p>PwC Observation The arrangements with providers of the third party goods or services need to be studied carefully to determine when the obligations are passed to the third party, and if the entity is a principal or agent in the arrangement.</p> <p>If at any time the unavoidable costs to satisfy award credits exceed the consideration allocated to those credits, a liability for onerous contracts is recognised.</p>	

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	<p>Applies to non-derivative financial assets classified as fair value through profit or loss ("FVPL") other than those designated at FVPL by the entity upon initial recognition.</p> <p>Also applies to certain available-for-sale financial assets.</p>	<p>Permits financial assets that are classified as FVPL to be classified out of the FVPL category if all of the following conditions are met:</p> <ul style="list-style-type: none"> • the asset is not a derivative • the asset is not designated as FVPL at initial recognition • the asset is no longer held for the purpose of selling or repurchasing in the near term; and • either <ul style="list-style-type: none"> - rare circumstances have occurred; or <div data-bbox="609 855 1002 1321" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>PwC Observation The amendment did not precisely define what qualifies as "rare circumstances". In the press release accompanying the publication of the amendments, IASB indicated that the deterioration of the world's financial markets that has occurred during the third quarter of 2008 is a possible example of rare circumstances. In practice, events are unlikely to affect all entities to the same extent. As such, an event that may justify reclassification for an entity may not be relevant for another entity.</p> </div>	Changes in disclosure requirements arising as a result of this change are dealt with in FRS 107 (see below).
		<ul style="list-style-type: none"> - the asset meets the definition of loans and receivables (if the asset had not been classified as held for trading at initial recognition) and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity <p>The amendment also permits an available-for-sale financial asset that meets the definition of loans and receivables (if it had not been designated as available-for-sale) to be reclassified into the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.</p> <div data-bbox="609 1912 1002 2105" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>PwC Observations This amendment would reduce earnings volatility in a volatile market i.e. both fair value losses (unless impaired) and gains are excluded from profit or loss.</p> </div>	

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 107 <i>Financial Instruments: Disclosures</i>	None.	None.	<p>New disclosures arising from the FRS 39 amendment on reclassification (see above) include:</p> <ul style="list-style-type: none"> • amounts reclassified into and out of each category and the reason for reclassification • carrying amounts and fair values of all financial assets reclassified in current and previous period • if rare circumstances have occurred, the rare situation, and the facts and circumstances indicating that the situation was rare • for the period of reclassification, the fair value gain or loss recognised in profit or other comprehensive income • for each period after reclassification, the fair value gain or loss that would have been recognised if the reclassification did not occur, and the gains, losses, income, and expenses that were recognised instead • effective interest rate and estimated recoverable cash flows at reclassification date.
Effective for annual periods ending on or after 30 June 2009			
INT FRS 109 <i>Reassessment of Embedded Derivatives</i>	None.	<p>The amendment clarifies that when a financial asset that comprises an embedded derivative is reclassified out of the fair value through profit or loss category, an entity should re-assess whether the embedded derivative should be separated from the host contract and accounted for separately in the financial statements.</p> <p>If the entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid (combined) contract out of the FVPL category, that reclassification is prohibited. In such circumstances the hybrid (combined) contract remains classified as FVPL in its entirety.</p> <p>The assessment on whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on reclassification of a financial asset out of the FVPL category shall be made on the basis of the circumstances that existed on the later date of:</p>	None.

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<p>(a) when the entity first became a party to the contract; and</p> <p>(b) a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.</p>	
		<p><u>PwC Observation</u></p> <p>This amendment arose subsequent to the amendment allowing financial assets to be reclassified out of the FVPL category (see above on <i>Reclassification of Financial Assets</i>). It was unclear whether the reclassification amendment allowed the entire financial asset (including all embedded derivatives) to be reclassified out of FVPL. As such, this amendment to INT FRS 109 was issued to clarify that the embedded derivatives may still have to be fair valued through profit or loss after the host instrument is reclassified out of the FVPL category.</p> <p>Consequently, if entities wish to use the reclassification amendment to reduce income statement volatility, they should consider whether that objective can be achieved given this amendment to INT FRS 109. In some cases (e.g. certain Collateralised Debt Obligations), a significant portion of the income statement volatility may arise from the embedded derivatives rather than the host instrument. If the embedded derivatives are required to remain in the FVPL category, reclassifying only the host instrument will not help to reduce income statement volatility significantly.</p>	

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Effective for annual periods beginning on or after 1 October 2008			
INT FRS 116 <i>Hedges of a net investment in a foreign operation</i>	This Interpretation applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with FRS 39.	<p>The interpretation clarifies that:</p> <ul style="list-style-type: none"> Hedge accounting may be applied to FX differences arising between the functional currency of the foreign operation and the functional currency of the ultimate, and any intermediate, parent in the group. Hedge accounting may not be applied in relation to presentation currencies of intermediate and ultimate parent companies if their presentation currencies differ from their functional currencies. 	None.
<div style="border: 1px solid black; padding: 5px;"> <p><u>PwC Observation</u></p> <p>The amendment prohibits hedging of exchange differences arising between presentation currency and functional currency, which will result in certain existing net investment hedges being unable to qualify as hedges going forward. The amendment requires such hedges to be discontinued prospectively, which may result in a large impact on profit or loss when this amendment is first adopted, as the hedging instrument gains that accumulated in equity are charged to profit or loss in that period.</p> </div>			
<ul style="list-style-type: none"> The hedging instrument may be held by any entity within the group (except for foreign operation that itself is being hedged). The assessment of hedge effectiveness is not affected by whether the hedging instrument is a derivative or a non-derivative instrument or by the method of consolidation. 			

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Effective for annual periods beginning on or after 1 January 2009			
FRS 1 <i>Presentation of Financial Statements</i>	<u>Change of terms</u> The 'Balance Sheet' and the 'Cash Flow Statement' are described as the 'Statement of Financial Position' and 'Statement of Cash Flows' respectively. However, an entity may continue to use 'Balance Sheet' and the 'Cash Flow Statement' as long as the meaning is clear.	None.	FRS 1 (Revised) <u>Presentation of primary statements</u> <ul style="list-style-type: none"> <i>Balance Sheet at the beginning of the comparative period</i> <p>When the entity has made a prior period adjustment or a reclassification of items in the financial statements, the presentation of an additional Statement of Financial Position (Balance Sheets) at the beginning of the comparative period is required. An additional Statement of Financial Position at the date of transition to FRS is also required in an entity's first FRS financial statements.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>PwC Observation In our view, where the restatement or reclassification does not affect any items of the Statement of Financial Position, the Statement of Financial Position as at the beginning of the earliest comparative period may be omitted.</p> </div> <ul style="list-style-type: none"> <i>Reporting owner changes in equity and non-owner changes in equity in two different statements</i> <p>All changes in equity arising from transactions with owners in their capacity as owners (that is, owner changes in equity) are to be presented separately from non-owner changes in equity. An entity is also not permitted to present components of income and expense (that is, non-owner changes in equity or other comprehensive income "OCI") in the statement of changes in equity.</p> <p>OCI shall be presented in a single statement (a statement of comprehensive income) or in two statements (a statement of profit or loss and a statement of comprehensive income).</p>

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
			<ul style="list-style-type: none"> • <i>Reclassification adjustments and related tax effects</i> <ul style="list-style-type: none"> - The income tax related to each component of OCI are required to be disclosed either in the statement of comprehensive income or in the notes. - Reclassification adjustments (that is, amounts reclassified to profit or loss in the current period that were recognised as other comprehensive income in previous periods) are required to be disclosed, together with the income tax relating to each item. <p><u>Classification of puttable financial instruments</u></p> <ul style="list-style-type: none"> • If an entity has reclassified <ul style="list-style-type: none"> (a) a puttable financial instrument classified as an equity instrument, or (b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity on liquidation and is classified as an equity instrument, between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification. • For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere): <ul style="list-style-type: none"> (a) summary quantitative data about the amount classified as equity; (b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period; (c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and (d) information about how the expected cash outflow on redemption or repurchase was determined.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
			<p>In addition, if the entity is a limited life entity, information regarding the length of its life should be disclosed.</p> <p><u>Classification of non-hedging derivatives</u> Non-hedging derivatives are not necessarily classified as current assets and liabilities. The criteria in FRS 1 that distinguish current and non-current assets and liabilities must be applied.</p>
FRS 8 <i>Accounting policies, changes in accounting estimates and errors</i>	None.	The amendment clarifies that implementation guidance that is not an integral part of a standard is only intended to assist entities in applying standards. They are not meant to contain mandatory requirements.	None.
FRS 10 <i>Events after the reporting period</i>	None.	The amendment reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.	None.
FRS 16 <i>Property, Plant and Equipment</i>	None.	<p>Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue.</p> <p>The carrying amount of the asset is transferred to inventories when the asset becomes held for sale.</p> <p>A consequential amendment to FRS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.</p>	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 19 <i>Employee benefits</i>	<p>A plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment.</p> <p>The definition of return on plan assets is amended to state that plan administration costs should be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.</p>	An amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.	The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
FRS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	None.	The amendments specify that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with FRS 39 and the proceeds received. The benefit is accounted for in accordance with FRS 20.	None.
FRS 23 <i>Borrowing Costs</i>	<p>Exempts from its scope:</p> <p>(a) assets measured at fair value; and</p> <p>(b) inventories that are manufactured or produced in large quantities on a repetitive basis.</p>	<p>Aligns definition of borrowing costs with FRS 39 such that amortisation of ancillary borrowing costs and loan discounts/premiums are only included as borrowing costs if they constitute part of the interest cost computed using the effective interest rate method in FRS 39.</p> <p>Removes the option to recognise immediately as expense borrowing costs that are directly attributable to qualifying assets. Such borrowing costs must be capitalised.</p>	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 27 <i>Consolidated and separate financial statements</i>	None.	<p>The amendment requires recognition of dividends as income in the separate financial statements of the investor.</p> <div> <p><u>PwC Observation</u></p> <p>Previously, income was recognised only to the extent that the dividend arose from post-acquisition profits – the remaining being recognised as a recovery of investment. While this was conceptually correct, such determination was in certain cases difficult. The simplification in accounting comes however with a new requirement to test the cost of investment for impairment following the dividend distributions.</p> </div> <ul style="list-style-type: none"> When a parent reorganizes the structure of its group by establishing a new entity as its parent, the amendment requires, under certain conditions, that the new parent measures its cost of investment in the original parent, based on its share of equity items shown at the date of reorganization in the original parent's separate financial statements. 	None.
FRS 28 <i>Investments in Associates</i>	None.	<p>The amendments clarify that any impairment loss is not allocated to specific assets included within the investment, for example, goodwill.</p> <div> <p><u>PwC Observations</u></p> <p>Equity accounting post impairment would still be based on notional purchase price allocation at acquisition date.</p> </div>	Where an investment in associate is accounted for in accordance with FRS 39, the only FRS 28 disclosure that is required is the nature and extent of any significant restrictions (eg resulting from borrowing arrangements or regulatory requirements) on the ability of associates to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.
FRS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	None.	The guidance is amended to reflect the fact that a number of assets and liabilities (e.g. biological assets) are measured at fair value rather than historical cost.	None.

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 31 <i>Interests in Joint Ventures</i>	None.	None.	<p>Where an investment in joint venture ("JV") is accounted for in accordance with FRS 39, the following disclosures are required:</p> <ul style="list-style-type: none"> the aggregate amount of the following commitments: <ul style="list-style-type: none"> capital commitments of the venturer in relation to its JVs and its share in the capital commitments that are incurred jointly with other venturers; and its share of the capital commitments of the JVs themselves. a listing and description of interests in significant joint ventures and the proportion of ownership interest held in jointly controlled entities.
FRS 32 <i>Financial Instruments: Disclosure and Presentation</i>	<p>FRS 32 has been amended to address the classification of:</p> <p>a) puttable financial instruments, and</p> <p>b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.</p> <p>Financial instruments are puttable when the holder of the instrument has the option to sell it back to the entity, or that it has to be put back to the entity on an uncertain event such as death or retirement.</p>	<ul style="list-style-type: none"> The amendment requires some financial instruments that meet the definition of a financial liability to be classified as equity. To qualify for equity classification in the separate financial statements of the issuer the instrument should: <ul style="list-style-type: none"> Entitle the holder to a pro rata share of the entity's net assets in the event of liquidation Be subordinate to all other classes of instruments Be in a class of instruments with identical features Have no other features that suggests that it is a liability, apart from the contractual obligation for the issuer to repurchase the instrument with cash or another financial asset Have total expected cash flows that are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity To qualify for equity classification, the issuer also cannot have any other instruments that have cash flows based on profit, change in recognised net assets, or change in fair value of assets, and that have the effect of restricting or fixing the residual return to the puttable instrument holders 	<p>Changes in disclosure requirements as a result of this change are dealt with in FRS 1 (see above).</p>

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<p><u>PwC Observation</u> This amendment may affect fixed life investment trusts. Previously, units issued by such trusts may not meet the definition of “equity” due to the contractual obligation to repay unitholders after a stipulated period. The amendment provides an avenue for such units to be treated as equity provided that the above conditions are met.</p>	
FRS 36 <i>Impairment of Assets</i>	None.	None.	Where the fair value less costs to sell of a cash-generating unit (“CGU”) containing goodwill or intangible assets with indefinite useful life is calculated on the basis of discounted cash flows, disclosures such as the period of projection of cash flows, growth rate and discount rate applied to the cash flows projections should be made. These disclosures have been similarly disclosed if the recoverable amount of the CGU has been determined using a value-in-use calculation.
FRS 38 <i>Intangible Assets</i>	None.	<ul style="list-style-type: none"> An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. <p><u>PwC Observation</u> Marketing materials such as mail order catalogues and marketing brochures should be recognised as an expense when the entity has received these materials.</p> <ul style="list-style-type: none"> The restriction on the use of a method of amortisation that results in a lower amount of accumulated amortisation than the straight line method has been lifted. <p><u>PwC Observation</u> We do not expect a significant change in method of amortization with this change.</p>	None.

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	<p>A financial asset or financial liability can be classified as “at fair value through profit or loss – held for trading” if it was part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking.</p> <p>The amendments clarify that to meet the above classification criterion, the assets/liabilities must be part of such a portfolio from the point of initial recognition.</p>	<ul style="list-style-type: none"> The amendments clarify that where: <ul style="list-style-type: none"> (i) a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge; or (ii) financial assets are reclassified following a change in policy by an insurance company in accordance with FRS 104; these instruments can be reclassified into or out of FVPL classification. The amendments remove a “segment” as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendments clarify that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. 	None.
FRS 40 <i>Investment property</i>	The amendment brings property that is under construction or development for future use as investment property into the scope of FRS 40.	Where the fair value model is applied for all investment properties, such property is, therefore, measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.	None.
FRS 41 <i>Agriculture</i>	The standard currently refers to ‘point-of-sale costs’. Given that this term is not used in any other standard, the amendment replaces this term with ‘costs to sell’.	<p>The amendments require the use of a market-based discount rate where fair value calculations are based on discounted cash flows.</p> <p>The amendments removed the prohibition on taking into account biological transformation when calculating fair value.</p>	None.

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 101 <i>First time adoption of FRS</i>	None.	The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous Generally Accepted Accounting Principles ("GAAP") to measure the initial cost of investments in subsidiaries/JV/associates in the separate financial statements.	<p>If an entity uses a deemed cost in its opening FRS statement of financial position for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements, the entity's first FRS separate financial statements shall disclose:</p> <ul style="list-style-type: none"> (a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount; (b) the aggregate deemed cost of those investments for which deemed cost is fair value; and (c) the aggregate adjustment to the carrying amounts reported under previous GAAP.
FRS 102 <i>Share-based Payments</i>	None.	<ul style="list-style-type: none"> Clarifies that vesting conditions consist of service conditions and performance conditions only. Other conditions are considered non-vesting conditions. All non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>PwC Observation</u> Examples of non-vesting conditions include:</p> <ul style="list-style-type: none"> employees making contributions towards the exercise price of a share-based payment employees receiving shares if a commodity indexing increases by a minimum percentage continuation of the share-based plan by the entity </div> <ul style="list-style-type: none"> All cancellations, whether by the entity or by other parties are accounted for consistently i.e. to recognise immediately the amount of the expense that would otherwise have been recognised over the remainder of the vesting period. 	None.

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 107 <i>Financial Instruments: Disclosures</i>	The amendment requires enhanced disclosures about fair value measurements and liquidity risk.	None.	<p>Fair Value Hierarchy Disclosures</p> <ul style="list-style-type: none"> The amendments require fair value measurements to be grouped and disclosed in the following levels: <ul style="list-style-type: none"> (a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and (c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>PwC Observation</u> Distinguishing between level 2 and level 3 fair values can be fairly judgemental. For example, interest rate swaps (“IRS”) are priced using data from yield curves. However, when the yield curve does not include the yield for the precise maturity of the IRS held, interpolation of yield curve data may be required. Interpolation may result in an otherwise level 2 IRS fair value falling into a level 3 category.</p> </div> <ul style="list-style-type: none"> Other disclosures required include to help users assess the reliability of fair values include: <ul style="list-style-type: none"> - significant transfers between Level 1 and Level 2 and reasons for the transfers - for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation of opening level 3 balances to the closing balances - reasons for transfers into or out of Level 3 - sensitivity analysis for fair value measurements in Level 3 for inputs which can cause fair values to change

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	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
			Liquidity Disclosures The amendment also amends the requirements of the contractual maturity disclosures. For derivative liabilities which are not essential to an understanding of the timing of cash flows, such as those held in a portfolio for trading purposes, the amendments remove the requirement to disclose contractual maturities. Expected maturities may be disclosed instead if these are more reflective of the holding period. The amendments also require financial guarantee contracts to be included in the contractual maturity disclosures.
FRS 108 <i>Operating Segments</i> Supersedes FRS 14 <i>Segment Reporting</i>	Identification of operating segments <ul style="list-style-type: none"> Under FRS 108, operating segments are identified based on internal reports that are regularly reviewed by the entity's chief operating decision maker ("CODM") for the purpose of allocating resources and assessing performance. FRS 14 requires identification of business segments and geographical segments, and a distinction shall be made between primary and secondary segments. A component of an entity that sells primarily or exclusively to other operating segments of the entity can be an operating segment under FRS 108. FRS 14 limits reportable segments to those with significant sales to external customers. 	Measurement of segment information <ul style="list-style-type: none"> Under FRS 108, the amount reported for each operating segment item shall be measured based on the measure reported to the CODM. FRS 14 requires the amount reported to be prepared in conformity with the accounting policies adopted for the financial statements. FRS 14 defines segment revenue, segment expense, segment result, segment assets and segment liabilities. FRS 108 does not define these terms, but requires an explanation of how segment profit or loss, segment assets and segment liabilities are measured for each reportable segment.	New disclosures under FRS 108 include: <ul style="list-style-type: none"> Factors used to identify the entity's operating segments, including the basis of organisation (for example, based on differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether segments have been aggregated). Types of products and services from which each reportable segment derives its revenues. Disclose measure of segment profit or loss reviewed by the CODM, irrespective of its conformity with the measure used in the financial statements. Disclose interest revenue separately from interest expense for each reportable segment, unless a majority of the segment's revenue is from interest and the CODM allocates resources and assesses performance using net interest revenue. If there is only one reportable segment, disclose information for the entity as a whole about its products and services, geographical areas, and major customers, irrespective of whether the information is reviewed by the CODM.

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
			<p><u>PwC Observation</u></p> <p>The amounts to be disclosed could be provided to the CODM in various forms, for example ratios or percentages. When determining whether the amount should be disclosed, it is important to consider the requirements of the FRS 108 core principle, which is to disclose information used by the CODM to enable users to evaluate the financial effects of business activities of the entity.</p> <p>Example – A CODM receives the following information in the management pack which is used to assess performance and allocate resources:</p> <ul style="list-style-type: none"> • working capital information consisting of only current assets less current liabilities • taxation information only as a percentage of EBITDA (the actual number is not provided) • interest cover information only i.e. a ratio of interest expense to EBITDA (the actual interest expense amount is not provided) <p>In applying the principle described above, the following disclosures would be made:</p> <ul style="list-style-type: none"> • working capital would be provided as this is the measure of assets provided • taxation would be provided since it is relevant to the business as shown by the percentage – calculating the actual figure should be fairly straightforward • Interest expense would be required since it is included in a figure which is important to the decision making of the entity – calculating the actual figure should be fairly straightforward

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Effective for annual periods beginning on or after 1 July 2009			
FRS 27 (Revised) <i>Consolidated and separate financial statements</i>	None.	<p>The standard has been revised to require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model").</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p><u>PwC Observation</u> The equity impacts when buying-out non-controlling interests or purchasing additional interests will be of different magnitude depending on whether the non-controlling interest was accounted for at fair value or based on its proportionate share at the time of the business combination (refer to FRS 103 (Revised) below).</p> </div> <p>When control over a previous subsidiary is lost, any investment retained in the entity is re-measured to fair value and the resulting gain or loss is recognised in the statement of comprehensive income.</p> <p>Profit or loss is attributed to the group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. This differs from the existing FRS 27, which requires losses that create a deficit non-controlling interest to be allocated against the majority interest, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.</p>	<p>The standard has been revised to require the following disclosures:</p> <ul style="list-style-type: none"> • Presentation of a schedule that shows the effect on group equity of transactions with non-controlling interests that do not result in a loss of control. • When control over a subsidiary is lost, the following disclosures are required: <ul style="list-style-type: none"> - the gain or loss recognized, the line item in which it is included in the statement of comprehensive income - the portion of the gain/loss relating to re-measuring any investment retained.

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Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	None.	<p>Amended to give additional guidance on the designation of a hedged item. The amendment describes how hedge accounting should be applied in two particular situations:</p> <p><u>A one-sided risk in a hedged item:</u> The amendment effectively prohibits including changes in the time value of an option within a hedging relationship.</p> <div style="border: 1px solid black; padding: 5px;"> <p><u>PwC Observation</u> The prohibition on the use of option time values in a hedging relationship may result in certain hitherto effective hedging relationships to no longer meet the FRS 39 hedging criteria. The amendment is applied retrospectively, and as such, may have significant impact on both current and comparative results.</p> </div> <p><u>Inflation component of a hedged item:</u> Usually, inflation is not a separately identifiable and reliably measurable component of a financial instrument. As such, it cannot be designated as a risk or a portion of a financial instrument for hedging purposes. An exception is made for a recognised inflation-linked bond. The contractually specified inflation portion of the cash flows of such a bond (assuming there is no requirement to account for an embedded derivative separately) can be separately identifiable and reliably measurable as long as other cash flows of the instrument are not affected by the inflation portion.</p>	None.
FRS 102 <i>Share-Based Payment</i>	The scope of FRS 102 has been amended to exclude assets acquired via business combinations that are either common control transactions or the contribution of businesses on the formation of joint ventures even though shares are issued for these transactions.	None.	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 103 (Revised) <i>Business Combinations</i>	<ul style="list-style-type: none"> The definition of a business is amended. An integrated set of activities and assets need only to be capable of being conducted and managed for the purpose of providing a return, in order to qualify as a business. Business combinations achieved by contract alone (i.e. without obtaining an ownership interest) and business combinations involving mutual entities are now in the scope of the revised standard. 	<ul style="list-style-type: none"> The amendment entails several changes in the application of the acquisition method. All transaction costs will be expensed. Choice of whether to account for non-controlling interest at time of a business combination at fair value (i.e. incl. goodwill) or based on their proportionate share of the net assets (i.e. excl. goodwill). A step acquisition will result in re-measurement of the previously held investment to fair value, through the income statement. Additional guidance is provided on the initial measurement of certain assets and liabilities acquired. Contingent consideration (adjustments to the purchase price which depend on future events) is recognised at fair value at the acquisition date. Subsequent changes of the fair value are recognised in profit or loss (when the contingent consideration meets the definition of a liability) instead of goodwill. 	<p>The FRS requires the acquirer to disclose information that enables users of its financial statements to evaluate the nature and financial effect of business combinations that occurred during the current reporting period or after the reporting date but before the financial statements are authorised for issue. Key disclosures include:</p> <ul style="list-style-type: none"> Name and description of the acquiree Acquisition date Percentage of voting interests acquired Primary reasons for the business combinations and description of how control was obtained Qualitative description of the factors that make up goodwill recognized. If the acquisition results in a bargain purchase, disclose the gain and the reasons behind it Fair value at acquisition date of the total consideration transferred with a breakdown by major type of consideration Several information on contingent consideration and indemnification assets Amounts recognized at acquisition date for each major class of assets and liabilities Several information on acquired receivables and contingent liabilities Information on transactions recognized separately from the business combination For acquisitions less than 100%, information on the amount of non-controlling interest that was recognized, how it was measured, and the valuation techniques and key inputs used if it was measured at fair value For acquisitions achieved in stage, fair value of the previously held equity interest and resulting gain or loss recognised Amount of revenue and profit or loss of acquiree since acquisition date and of combined entity if acquisition had occurred at the beginning of the current period

PwC Observation

The new standards are expected to add to earnings volatility and making earnings harder to predict (as of the date of acquisition and afterwards). The standards are also likely to:

- influence acquisition negotiations and deal structures in an effort to mitigate unwanted earnings impacts
- potentially impact the scope and extent of due diligence and data-gathering exercises prior to acquisition
- require new policies and procedures to monitor and determine changes in fair value of some assets and liabilities
- call for the early input of accountants and lawyers, and expand the call for valuation expertise

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
			<p>After a business combination, the acquirer must disclose any adjustments recognised in the current reporting period that relate to business combinations that occurred in the current or previous reporting periods in accordance with FRS 103.59-63. Key disclosures include:</p> <ul style="list-style-type: none"> • Information as to whether the accounting for the acquisition is provisional or not, the reasons and the items that are provisional, and the adjustments recognized during the period on those provisional items • Changes in recognized contingent consideration (including changes in range of outcomes, valuation techniques and key inputs used to measure contingent consideration) • Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period • Information on any gain or loss recognized in the current period relating to the assets and/or liabilities acquired
INT FRS 109 <i>Reassessment of Embedded Derivatives</i>	<p>The amendment excludes certain embedded derivatives from the scope of INT FRS 109. These include embedded derivatives in contracts acquired in:</p> <ul style="list-style-type: none"> (a) business combinations (as defined in FRS 103, as revised in 2008); (b) combination of entities or businesses under common control; and (c) formation of joint ventures as defined in FRS 31. 	None.	None.
INT FRS 116 <i>Hedges of a Net Investment in a Foreign Operation</i>	None.	<p>The amendments allow a net investment in a foreign operation to be hedged by a hedging instrument that is held within the foreign operation that is being hedged. Previously, the hedging instrument cannot be held within the hedged foreign operation.</p>	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
INT FRS 117 <i>Distributions of Non-cash Assets to Owners</i>	<p>This Interpretation applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:</p> <p>(a) distributions of non-cash assets (eg. items of property, plant and equipment, businesses as defined in FRS 103, ownership interests in another entity or disposal groups as defined in FRS 105); and</p> <p>(b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.</p> <p>This Interpretation applies only to distributions in which all owners of the same class of equity instruments are treated equally.</p> <p>This Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.</p> <p>This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.</p>	<p>It clarifies that:</p> <ul style="list-style-type: none"> a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity an entity should measure the dividend payable at the fair value of the net assets to be distributed an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><u>PwC Observation</u> The amendment would standardise the current practices whereby distributions are also measured at the book value.</p> </div>	<ul style="list-style-type: none"> An entity shall present the difference described in paragraph 14 as a separate line item in profit or loss. An entity shall disclose the following information, if applicable: <ul style="list-style-type: none"> (a) the carrying amount of the dividend payable at the beginning and end of the period; and (b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed. <p>If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:</p> <ul style="list-style-type: none"> (a) the nature of the asset to be distributed; (b) the carrying amount of the asset to be distributed as of the end of the reporting period; and (c) the estimated fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method used to determine that fair value required by FRS 107 paragraph 27(a) and (b).

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
INT FRS 118 <i>Transfer of Assets from Customers</i>	<p>INT FRS 118 clarifies the accounting for arrangements where an item of property, plant and equipment (or in some cases cash which must be used to acquire or construct an item of PPE) which is provided by the customer, is used to provide an ongoing service.</p> <p>Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.</p> <p>This Interpretation does not apply to agreements in which the transfer is either a government grant as defined in FRS 20 or infrastructure used in a service concession arrangement that is within the scope of INT FRS 112.</p>	<p>The interpretation clarifies that:</p> <ul style="list-style-type: none"> • All access providers would be required to assess whether the contributed resource qualifies for recognition as an asset (i.e. whether the access provider controls the asset), and if so, recognise that asset as property, plant and equipment at fair value. • The resulting credit would be recognised as revenue over the period in which access to goods or services is provided. This requires the entity to identify what are the separately identifiable services rendered under the agreement in exchange of the asset transferred. If the access provider has the obligation to render more than one separately identifiable service in exchange of the asset transferred, the credit arising from the transfer of the asset by the customer should be allocated to each service rendered and recognised in line with the revenue recognition for each service. • For cash contributions, all access providers would be required to assess whether the acquired or constructed item of PPE qualifies for recognition as an asset (i.e. the access provider has control over that resource), and if so, recognise that asset as property, plant and equipment at cost. Revenue will be recognised in the same manner as for the transfer of an item of PPE, at the amount of cash received. 	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
Effective for annual periods beginning on or after 1 January 2010			
FRS 1 <i>Presentation of Financial Statements</i>	None.	None.	Clarifies that when a counterparty can opt to require settlement of the liability by the issue of equity instruments, such an option does not affect the classification of the liability as current/non-current.
FRS 7 <i>Cash Flow Statements</i>	None.	None.	The amendment requires that expenditures can be classified as investing cash flows only if they result in a recognised asset in the statement of financial position.
FRS 36 <i>Impairment of Assets</i>	None.	Clarifies that the level at which goodwill is tested for impairment cannot be larger than an operating segment before aggregation.	None.
FRS 38 <i>Intangible Assets</i>	None.	Now includes specific references to the more commonly used methods of valuing intangible assets: market comparisons using multiples, discounted cash flow (including the relief from royalty method) and the replacement cost approach.	None.
FRS 39 <i>Financial Instruments: Recognition and Measurement</i>	The scope of FRS 39 is changed. Previously, <u>any</u> contracts between an acquirer and a vendor to buy or sell an acquiree at a future date are excluded from FRS 39. With the amendment, only <u>forward</u> contracts that result in a business combination at a future acquisition date are exempted. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.	<ul style="list-style-type: none"> Clarify that for cash flow hedges of forecast transactions, the hedging reserve is reclassified to profit or loss when the hedged cash flows affect profit or loss. Previously, FRS 39 specified that the reclassification was done when the hedged asset or liability affects profit or loss. The amendments specify that a call, put or prepayment option embedded in a host debt contract or host insurance contract is closely related to the host contract if the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Previously, such options were not closely related. 	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	None.	None.	Clarifies that disclosures required for non-current assets or disposal groups classified as held for sale or discontinued operations are those specified in FRS 105. Disclosures required by other standards for such non-current assets are not applicable, unless they relate specifically to non-current assets held for sale, or they relate to the measurement of non-current assets that are excluded from the measurement scope of FRS 105.
FRS 108 <i>Operating Segments</i>	None.	None.	<p>Previously, a measure of total assets is required for each reportable segment.</p> <p>With the amendment, a measure of total assets is required only if such amounts are regularly provided to the chief operating decision maker.</p>

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

IFRS Amendments and Interpretations not yet adopted in Singapore (As at 30 June 2009)

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
IFRIC 15 <i>Agreements for the Construction of Real Estate</i> (effective 1 January 2009, early application permitted)	Provides guidance on how and when revenue from the construction of real estate should follow IAS 11 Construction Contracts or IAS 18 Revenue.	<ul style="list-style-type: none"> The interpretation clarifies that an agreement for the construction of real estate meets the definition of a construction contract and will be able to use percentage-of-completion accounting only when the buyer is able to <ul style="list-style-type: none"> specify the major structural elements of the design of the real estate before construction begins; and/or specify major structural changes once construction is in progress (whether or not it exercises that ability). If the agreement is not a construction contract, it may be an agreement for the rendering of services if the entity is not required to acquire and supply the construction materials required for the construction. In this situation, the entity may still be able to use percentage-of-completion accounting. If the agreement is neither a construction contract nor a service contract, it is a contract to supply goods for which IAS/FRS 18 should be applied. In this case, the percentage-of-completion accounting can only be applied if the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses. 	None.

Summary of Key Changes on Singapore Financial Reporting Standards (FRS)

As at 31 August 2009

IFRS Amendments and Interpretations not yet adopted in Singapore (As at 30 June 2009)

Standard/ Interpretation	Significant changes on		
	Scope and Definition	Measurement and Recognition	Presentation and Disclosures
		<p><u>PwC Observation</u></p> <p>Entities that have previously recognised revenue from the sale of real estate under IAS 11 / FRS 11 (i.e. revenue recognises over the period of construction) will be most significantly affected if their arrangements do not meet the definition of a construction contract (e.g. entities that build residential houses or apartments for sale to individuals) or it does not satisfy the criteria for continuous transfer of control, risks and rewards of the construction in progress.</p> <p>Such entities will recognise the revenue when the criteria for the sale of goods and/or services under FRS 18, as appropriate, have been satisfied.</p> <p>The impact of the interpretation may not be restricted to real estate entities. It can also be applicable to other entities that build and sell other assets that take significant time to build, such as ships.</p>	
Amendments to IFRS 2 <i>Group Cash-settled Share-based Payment Transactions</i> (effective 1 January 2010, early application permitted)	None.	This amendment addresses the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the related goods or services in cases where the entity has no obligation to settle the transaction. In such a case, the entity receiving the goods or services would account for the transaction as an equity-settled share-based payment and the group entity settling the transaction would account for the share-based payment as cash-settled.	None.

List of Technical Pronouncements

Applicable after 1 January 2010, as at 31 August 2009

Singapore Financial Reporting Standards (FRS)		Related Interpretations of Financial Reporting Standards (INT FRS)
Preface	Preface to Financial Reporting Standards	
Framework	Framework for the Preparation and Presentation of Financial Statements	
FRS 1	Presentation of Financial Statements	<p>INT FRS 27 (revised in 2004) Evaluating the Substance of Transactions Involving the Legal Form of a Lease (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 29 (revised in 2004) Disclosure – Service Concession Arrangements (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 117 (issued in 2009) Distributions of Non-Cash Assets to Owners (effective for periods commencing on or after 1 July 2009)</p>
FRS 2	Inventories	
FRS 7	Cash Flow Statements	
FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
FRS 10	Events after the Balance Sheet Date	INT FRS 117 (issued in 2009) Distributions of Non-Cash Assets to Owners (effective for periods beginning on or after 1 July 2009)
FRS 11	Construction Contracts	INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 12	Income Taxes	<p>INT FRS 21 (revised in 2004) Income Taxes – Recovery of Revalued Non-Depreciable Assets (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 25 (revised in 2004) Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders (effective for periods commencing on or after 1 February 2003)</p>
FRS 16	Property, Plant and Equipment	<p>INT FRS 101 (issued in 2004) Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for periods commencing on or after 1 September 2004)</p> <p>INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)</p> <p>INT FRS 118 (issued in 2009) Transfers of Assets from Customers (effective for transfers of assets received on or after 1 July 2009)</p>

List of Technical Pronouncements

Applicable after 1 January 2010, as at 31 August 2009

Singapore Financial Reporting Standards (FRS)		Related Interpretations of Financial Reporting Standards (INT FRS)
FRS 17	Leases	<p>INT FRS 15 (revised in 2004) Operating Leases – Incentives (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 27 (revised in 2004) Evaluating the Substance of Transactions Involving the Legal Form of a Lease (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 104 (issued in 2005) Determining Whether an Arrangement Contains a Lease (effective for periods commencing on or after 1 January 2006)</p> <p>INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)</p>
FRS 18	Revenue	<p>INT FRS 31 (revised in 2004) Revenue – Barter Transactions Involving Advertising Services (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)</p> <p>INT FRS 113 (issued in 2008) Customer Loyalty Programmes (effective for periods commencing on or after 1 July 2008)</p> <p>INT FRS 118 (issued in 2009) Transfers of Assets from Customers (effective for transfers of assets received on or after 1 July 2009)</p>
FRS 19	Employee Benefits Amendments relating to Actuarial Gains and Losses, Group Plans and Disclosures	INT FRS 114 (issued in 2008) The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for periods commencing on or after 1 January 2008)
FRS 20	Accounting for Government Grants and Disclosure of Government Assistance	<p>INT FRS 10 (revised in 2004) Government Assistance – No Specific Relation to Operating Activities (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)</p>
FRS 21	The Effects of Changes in Foreign Exchange Rates	INT FRS 7 (revised in 2004) Introduction of the Euro (effective for periods commencing on or after 1 February 2003)
FRS 23	Borrowing Costs	INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 24	Related Party Disclosures	
FRS 26	Accounting and Reporting by Retirement Benefit Plans	
FRS 27	Consolidated and Separate Financial Statements	<p>INT FRS 105 (issued in 2005) Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for periods commencing on or after 1 January 2006)</p> <p>INT FRS 117 (issued in 2009) Distributions of Non-Cash Assets to Owners (effective for periods commencing on or after 1 July 2009)</p>
FRS 28	Investments in Associates	

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Applicable after 1 January 2010, as at 31 August 2009

Singapore Financial Reporting Standards (FRS)		Related Interpretations of Financial Reporting Standards (INT FRS)
FRS 29	Financial Reporting in Hyperinflationary Economies	INT FRS 107 (issued in 2006) Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (effective for periods commencing on or after 1 March 2006)
FRS 31	Interests in Joint Ventures	INT FRS 13 (revised in 2004) Jointly Controlled Entities – Non-Monetary Contributions by Venturers (effective for periods commencing on or after 1 February 2003) INT FRS 105 (issued in 2005) Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for periods commencing on or after 1 January 2006)
FRS 32	Financial Instruments: Presentation and Disclosure	INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 33	Earnings Per Share	
FRS 34	Interim Financial Reporting	INT FRS 110 (issued in 2006) Interim Financial Reporting and Impairment (effective for periods commencing on or after 1 November 2006)
FRS 36	Impairment of Assets	INT FRS 110 (issued in 2006) Interim Financial Reporting and Impairment (effective for periods commencing on or after 1 November 2006)
FRS 37	Provisions, Contingent Liabilities and Contingent Assets	INT FRS 105 (issued in 2005) Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for periods commencing on or after 1 January 2006) INT FRS 106 (issued in 2005) Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for periods commencing on or after 1 December 2005) INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 38	Intangible Assets Amendments relating to FRS 106 Exploration for and Evaluation of Mineral Resources	INT FRS 32 (revised in 2004) Intangible Assets – Web Site Costs (effective for periods commencing on or after 1 February 2003) INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 39	Financial Instruments: Recognition and Measurement	CCDG Practice Direction 3 FRS 39 – Financial Instruments : Recognition and Measurement (effective for periods commencing on or after 1 January 2005) INT FRS 109 (issued in 2006) Reassessment of Embedded Derivatives (effective for periods commencing on or after 1 June 2006) INT FRS 110 (issued in 2006) Interim Financial Reporting and Impairment (effective for periods commencing on or after 1 November 2006) INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008) INT FRS 116 (issued in 2008) Hedges of a Net Investment in a Foreign Operation (effective for periods commencing on or after 1 October 2008)

List of Technical Pronouncements

Applicable after 1 January 2010, as at 31 August 2009

Singapore Financial Reporting Standards (FRS)		Related Interpretations of Financial Reporting Standards (INT FRS)
FRS 40	Investment Property	
FRS 41	Agriculture	
FRS 101	First-time Adoption of Financial Reporting Standards	<p>INT FRS 109 (issued in 2006) Reassessment of Embedded Derivatives (effective for periods commencing on or after 1 June 2006)</p> <p>INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)</p> <p>INT FRS 118 (issued in 2009) Transfers of Assets from Customers (effective for periods commencing on or after 1 July 2009)</p>
FRS 102	Share-based Payment	<p>INT FRS 108 (issued in 2006) Scope of FRS 102 (effective for periods commencing on or after 1 May 2006)</p> <p>INT FRS 111 (issued in 2007) Group and Treasury Share Transactions (effective for periods commencing on or after 1 March 2007)</p>
FRS 103	Business Combinations	<p>INT FRS 12 (revised in 2004) Consolidation – Special Purpose Entities (effective for periods commencing on or after 1 February 2003)</p> <p>INT FRS 117 (issued in 2009) Distributions of Non-Cash Assets to Owners (effective for periods commencing on or after 1 July 2009)</p>
FRS 104	Insurance Contracts	
FRS 105	Non-current Assets Held for Sale and Discontinued Operations	
FRS 106	Exploration for and Evaluation of Mineral Resources	
FRS 107	Financial Instruments Disclosures	INT FRS 112 (issued in 2007) Service Concession Arrangements (effective for periods commencing on or after 1 January 2008)
FRS 108	Operating Segments	

List of Technical Pronouncements

As at 31 August 2009

Exposure Draft issued by Accounting Standards Council	End of comment period
<u>Proposed Financial Reporting Standards (FRS)</u>	
ED An improved Conceptual Framework for Financial Reporting:	15 August 2008
Chapter 1: The Objective of Financial Reporting	
Chapter 2: Qualitative Characteristics and Constraints of Decision	
– Useful Financial Reporting Information	
ED Management Commentary	30 November 2009
ED Rate-regulated Activities	21 September 2009
ED Discount Rate for Employee Benefits – Proposed Amendments to FRS 19	21 September 2009
ED Classification of Rights Issues	23 August 2009
ED Financial Instruments: Classification and Measurement	19 August 2009
ED Fair Value Measurement	4 August 2009
ED Derecognition – Amendments to FRS 39 and FRS 107	17 June 2009
ED Income Tax	17 June 2009
ED Consolidated Financial Statements	6 February 2009
ED Relationships with the State	6 February 2009
ED FRS 101 – Additional exemptions for First-time adopters	23 November 2008
ED FRS 105 – Discontinued Operations	23 November 2008
ED FRS 33 Simplifying Earnings per Share	17 October 2008
ED Joint Arrangements	11 January 2008
ED of Proposed amendments to FRS 102 Share-based Payment	4 February 2008
and INT FRS 111 FRS 102 – Group and Treasury Share Transactions	
ED FRS for Small and Medium-size Entities	1 September 2007
ED Proposed amendments to FRS 24 Related Party Disclosures	25 April 2007
ED Proposed amendments to FRS 37 Provisions,	28 September 2005
Contingent Liabilities and Contingent Assets	
<u>Draft Interpretations</u>	
ED Extinguishing Financial Liabilities with Equity Instruments	1 September 2009
ED Amendments to INT FRS 114	30 June 2009
ED INT FRS – Real Estate Sales	5 September 2007
<u>Others</u>	
Request for Information – Impairment of Financial Assets: Expected Cash Flow Approach	7 August 2009
Discussion Paper – Credit Risk in Liability Measurement	5 August 2009
Discussion Paper – Preliminary Views on Leases	20 May 2009
Discussion Paper – Preliminary Views on Revenue Recognition in Contracts with Customers	3 April 2009
Discussion Paper – Preliminary Views on Financial Statement Presentation	14 February 2009

PwC Holdings Ltd

(Incorporated in Singapore. Registration Number: 197406205L)

And its Subsidiaries

Illustrative Annual Report

For the financial year ended 31 December 2009



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Board of Directors

As at 19 March 2010

Mr Tan Cheng Eng Independent, Non-executive Director

Aged 58, Singaporean

SGX 1207(4)(c),
CG Guideline 4.6

- *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 2008.

Mr Tan holds a Master's 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 council of 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 2007. 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 Bioinformatics 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.

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 2007. 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.

Board of Directors

As at 19 March 2010

Dr Ran Jedwin Gervasio Executive Director

Aged 44, American

- *Member of Board of Directors*
- *Member of Risk Committee*

Dr Ran Jedwin Gervasio joined the Board on 26 February 2010. 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 2009.

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 an 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.

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 2008. 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 Singapore Stock Exchange, 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.

Board of Directors

As at 19 March 2010

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 2008.

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 is also a fellow of the Singapore Computer Society.

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 Singapore Stock Exchange.

Madam Wan Oon Kee Independent, Non-executive Director

Aged 48, Singaporean

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

Madam Wan Oon Kee was appointed to the Board on 31 July 2002 and was last re-elected on 31 July 2007.

Madam Wan holds a Bachelor of Science (Building Control) degree from the University of London and a Master of Business Administration from Harvard Business School, US. 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.

Board of Directors

As at 19 March 2010

Mr Lee Chee Wai

Independent, Non-executive Director

Aged 56, Singaporean

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

Mr Lee Chee Wai joined the Board on 1 May 2009.

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.

Principle 4: Board Membership

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

CG Guideline 4.6

Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its subsidiaries, board committees served on (as a member or Chairman), date of first appointment as a director, date of last re-election as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments, should be disclosed in the annual report. In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the Nominating Committee to be independent. The names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.

Corporate Governance Report

For the financial year ended 31 December 2009

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 describe their corporate governance practices with specific reference to the principles of the Code and to explain any deviations from any guideline in the 2005 Code in their annual reports.

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 2009, 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"), the Singapore Companies Act and the Audit Committee Guidance Committee ("ACGC") Guidebook which was issued on 30 October 2008, focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

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 2009

(A) BOARD MATTERS

The Board of Directors as at 19 March 2010 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)

A description of the background of each director is presented in the “Board of Directors” section of this annual report.

CG Guideline 4.6

Principle 1: The Board's Conduct Of Affairs

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 Management to achieve this and the Management remains accountable to the Board.

CG Guideline 1.1

The Board's role is to:

- (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- (c) review management performance; and
- (d) set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.

The Board's role is to:

- 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;
- Establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- Review management's performance; and
- Set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

CG Guideline 1.1

The Board regularly reviews the business plans, the assessment of key risks by management and assesses the adequacy of internal controls 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 with relevant regulations. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

Corporate Governance Report

For the financial year ended 31 December 2009

CG Guideline 1.5

Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines. 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

CG Guideline 1.2

All directors must objectively take decisions in the interests of the company.

CG Guideline 1.3

If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to four Committees, namely the Audit, Nomination, Remuneration and Risk Committees. Information on each of the four Committees 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 Guidelines 1.2 and 1.3

CG Guideline 1.4

The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and video-conference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.

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 2009

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 is as follows:

CG Guideline 1.4

	Position	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee		Risk Committee					
		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾					
		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended				
<u>Executive Director</u>															
Ang Boon Chew	M	10	10	-	-	-	-	-	-	-	-	-	-		
Andrew Lloyd ⁽²⁾	-	1	1	-	-	-	-	-	-	-	-	-	-		
Ran Jedwin Gervasio ⁽³⁾	M	-	-	-	-	-	-	-	-	-	M	3	3		
<u>Non-executive Director</u>															
Tan Cheng Eng	C	10	10	M	7	7	-	-	-	C	2	2	-	3	3
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	-	-	-	C	-	-
Lee Chee Wai ⁽⁴⁾	M	7	6	-	-	-	M	2	2	M	1	1	M	3	3
Selamat Baharuddin ⁽⁵⁾	-	3	3	-	4	3	-	1	1	-	-	-	-	-	-

Denotes:

C – Chairman as at 19 March 2010

M – Member as at 19 March 2010

⁽¹⁾ Number of meetings held/attended during the financial year/period from 1 January 2009 (or from date of appointment of Director, where applicable) to 31 December 2009

⁽²⁾ Resigned on 5 February 2010

⁽³⁾ Appointed on 26 February 2010

⁽⁴⁾ Appointed on 1 May 2009

⁽⁵⁾ Resigned on 1 May 2009

CG Guideline 1.6

Every director should receive appropriate training (including his or her duties as a director and how to discharge those duties) when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices. It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

CG Guideline 1.7

Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.

Commentary 1.8

The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.

Corporate Governance Report

For the financial year ended 31 December 2009

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, changing commercial risks and accounting standards, all directors attend specifically tailored training conducted by professionals at least annually. 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

ACGC Guidebook, Page 117, Para 1.2.1 Commentary 1.8

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.

CG Guideline 2.1

There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board. An "independent" director is one who has no relationship with the company, its related companies¹ or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Examples of such relationships, which would deem a director not to be independent, include:

- (a) a director being employed by the company or any of its related companies for the current or any of the past three financial years;
- (b) a director who has an immediate family member² who is, or has been in any of the past three financial years, employed by the company or any of its related companies as a senior executive officer whose remuneration is determined by the remuneration committee;
- (c) a director, or an immediate family member, accepting any compensation from the company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year; or
- (d) a director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments in the current or immediate past financial year. As a guide, payments³ aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

CG Guideline 2.2

The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a director to be not independent. If the company wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.

¹ A related company in relation to a company includes its subsidiary, fellow subsidiary, or parent company.

² As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, stepchild, brother, sister and parent.

³ Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

Corporate Governance Report

For the financial year ended 31 December 2009

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 judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from Management.

Principle 2,
CG Guidelines 2.1, 2.2

CG Guideline 2.4

The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge.

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. Mr Tan Cheng Eng and Mr Balachandran Nair are trained in finance and management. 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 Guideline 2.4

CG Guideline 2.3

The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company.

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.

Principle 2,
CG Guideline 2.3

CG Guideline 2.1

Commentary 3.3

Companies should appoint an independent non-executive director to be the lead independent director and he/she should be available to shareholders where they have concerns which contact through the normal channels of the Chairman, Chief Executive Officer or Finance Director has failed to resolve or for which such contact is inappropriate.

Corporate Governance Report

For the financial year ended 31 December 2009

The Board appointed Mr Balachandran Nair to act 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.

Commentary 3.3

CG Guideline 2.5

Non-executive directors should:

- (a) constructively challenge and help develop proposals on strategy; and
- (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

Commentary 2.6

To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without management present.

Mr Balachandran Nair leads and co-ordinates the activities of the non-executive directors of the Group and aids the non-executive directors to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The non-executive directors meet regularly on their own without Management present.

CG Guideline 2.5,
Commentary 2.6

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.

Principle 3: Chairman and Chief Executive Officer

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.

CG Guideline 3.1

The Chairman and Chief Executive Officer (“CEO”) should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other (i.e. be of the same immediate family).

Corporate Governance Report

For the financial year ended 31 December 2009

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 Guideline 3.1

CG Guideline 3.2

The Chairman should:

- (a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- (b) ensure that the directors receive accurate, timely and clear information;
- (c) ensure effective communication with shareholders;
- (d) encourage constructive relations between the Board and Management;
- (e) facilitate the effective contribution of non-executive directors in particular;
- (f) encourage constructive relations between executive directors and non-executive directors; and
- (g) promote high standards of corporate governance.

The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

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

Corporate Governance Report

For the financial year ended 31 December 2009

Principle 4

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

CG Guideline 4.1

Companies should establish a Nominating Committee ("NC") to make recommendations to the Board on all board appointments. The NC should comprise at least three directors, a majority of whom, including the Chairman, should be independent. In addition, the NC Chairman should be a director who is not, or who is not directly associated with⁴, a substantial shareholder (with interest of 5% or more in the voting shares of the company). Its membership should be disclosed in the annual report. The NC should have written terms of reference that describe the responsibilities of its members.

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

CG Guideline 4.5

A description of the process for the selection and appointment of new directors to the Board should be disclosed. This should include disclosure on the search and nomination process.

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

⁴ A director will be considered "directly associated" to a substantial shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Corporate Governance Report

For the financial year ended 31 December 2009

CG Guideline 4.2

The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

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

Principle 5: Board Performance

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.

CG Guideline 5.4

Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.

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

CG Guideline 4.3

The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2. Conversely, the NC has the discretion to determine that a director is non independent even if he does not fall under the circumstances set forth in Guideline 2.1.

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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)

CG Guideline 4.4

When a director has multiple board representations, he or she must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

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

CG Guideline 5.1

Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.

CG Guideline 5.2

The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.

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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 resources was appointed by the Nomination Committee to help to design and implement the process. This is the fifth year in which this board evaluation process has been implemented.

CG Guidelines 5.1 and 5.2

CG Guideline 5.3

In addition to any relevant performance criteria which the Board may propose, the performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.

Commentary 5.5

Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.

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 utilizes 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

CG Guidelines 5.1 and 5.4

As above

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

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Principle 6: Access to Information

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.

CG Guideline 6.1

Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.

CG Guideline 6.2

Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

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

CG Guideline 10.2

The Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.

Corporate Governance Report

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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

CG Guideline 6.5

The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.

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

CG Guideline 6.3

Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include 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. The company secretary should attend all board meetings.

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

CG Guideline 6.4

The appointment and the removal of the company secretary should be a matter for the Board as a whole.

Corporate Governance Report

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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.
Corporate Governance Report

CG Guideline 6.4

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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.

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

CG Guideline 7.1

The Board should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent. This is to minimise the risk of any potential conflict of interest.

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

CG Guideline 7.2

The RC will recommend to the Board a framework of remuneration, and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. The RC will also review the remuneration of senior management.

Corporate Governance Report

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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

Commentary 7.3

If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors.

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

Principle 8: Level and Mix Of Remuneration

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.

Commentary 8.5

In setting remuneration packages, the company should be aware of pay and employment conditions within the industry and in comparable companies. But they should use such comparison with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.

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

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CG Guideline 8.1

The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.

(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.

CG Guideline 8.4

Long-term incentive schemes are generally encouraged. The RC should review whether directors should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

CG Guideline 9.4

The report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.

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(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.

CG Guidelines 8.4 and 9.4

CG Guideline 8.3

In the case of service contracts, there should be a fixed appointment period for all executive directors. In any case, service contracts should not be excessively long or with onerous removal clauses. The RC should review what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performance.

Commentary 8.6

Notice periods in service contracts should be set at a period of six months or less. If it is necessary to offer longer notice periods to new directors recruited from outside, such periods should reduce to six months or less after the initial notice period.

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.

CG Guideline 8.3, and Commentary 8.6

Corporate Governance Report

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

Type of Appointment	Proposed Fee
Board Of Directors	\$
Basic Fee	50,000
Board Chairman Allowance	32,000
Audit Committee	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
Other Board Committees	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
Attendance Fee	
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

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.

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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.

CG Guideline 8.2

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure on Remuneration

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.

CG Guideline 9.1

The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main vehicle through which the company reports to shareholders on remuneration matters. The members of the RC should be listed in the report.

CG Guideline 9.2

The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.

CG Guideline 9.4

As above

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Principle 9,
CG Guidelines 9.1, 9.2
and 9.4

	Basic salary ⁽¹⁾ \$'000	Fees ⁽¹⁾ \$'000	Bonus \$'000	Benefits- in-kind \$'000	Termi- nation benefit \$'000	Fair value share of options granted ⁽²⁾ \$'000	Total 2009 \$'000	Total 2008 \$'000	Total fair value of options granted in ⁽¹⁰⁾ 2009 2008 \$'000 \$'000	
Executive Directors										
Ang Boon Chew	284	32 ⁽³⁾	417	36	-	86	855	748	100	72
Andrew Lloyd ⁽⁴⁾	274	32 ⁽³⁾	355	13	-	-	674	686	-	-
Ran Jedwin Gervasio ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-
Non-executive Directors										
Tan Cheng Eng	-	95 ⁽³⁾	-	-	-	-	95	92	-	-
David Grey	-	70 ^{(3),(6)}	-	-	-	-	70	68	-	-
Balachan-dran Nair	-	65 ⁽³⁾	-	-	-	-	65	60	-	-
Michael Philip White	-	56	-	-	-	-	56	27	-	-
Wan Oon Kee	-	44	-	-	-	-	44	42	-	-
Lee Chee Wai ⁽⁷⁾	-	41	-	-	-	-	41	-	-	-
Selamat Baharuddin	-	30	-	-	100 ⁽⁸⁾	-	130	78	-	-
Francis Wong	-	-	-	-	-	-	-	48	-	-
	558	465	772	49	100	86	2,030	1,849	100	72

Key Management Personnel

Ran Jedwin Gervasio ⁽⁵⁾	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 Rahmat	200	-	178	9	-	32	419	280	35	29
Tracy Phung ⁽⁹⁾	228	-	132	7	-	30	397	-	32	-
	999	-	956	57	-	214	2,226	618	217	183

Denotes:

⁽¹⁾ Includes allowances and contributions to Central Provident Fund (where applicable)

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

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

⁽⁴⁾ Resigned as a director on 5 February 2010.

⁽⁵⁾ Joined the Group as a key executive on 1 October 2009 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 26 February 2010.

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

⁽⁷⁾ Appointed as a director on 1 May 2009.

⁽⁸⁾ 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 2009.

⁽⁹⁾ Joined the Group as a key executive on 1 January 2009.

⁽¹⁰⁾ 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.

CG Guideline 9.3

For transparency, the report should disclose the same details of the remuneration of employees who are immediate family members⁵ of a director or the CEO, and whose remuneration exceed \$150,000 during the year. This can be done on a no-name basis with clear indication of which director or the CEO the employee is related to.

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

⁵ As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, stepchild, brother, sister and parent.

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(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

CG Guideline 10.1

The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

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.

Commentary notes

"Meet the bank" policy

As a best practice, the CEO should arrange an annual meeting with all banks at a senior (not trading level), to confirm operations are "within mandate" and confirm with the senior bank representatives the CEO's understanding of the types and sizes of transactions being undertaken. There should also be a physical meeting arranged between the Chairman and each bank at the start of new relationships.

During the financial year, the CEO has met up with the senior bank representatives of all banks that the Group has transactions with, to confirm his understanding of the types and sizes of transactions being undertaken by the Group and that all operations are "within mandate". In addition, the Chairman also attended two separate meetings with Citibank Singapore and Barclays Bank PLC to understand the nature of the new business relationships with the banks before bank mandates were signed with them during the year.

(C.1) Audit Committee

Principle 11: Audit Committee

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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CG Guideline 11.1

The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.

CG Guideline 11.8

The Board should disclose the names of the members of the AC and details of the Committee's activities in the company's annual report.

The Audit Committee comprises the following Directors:

CG Guidelines 11 and 11.8

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

CG Guideline 11.5

The AC should meet with the external auditors, and with the internal auditors, without the presence of the company's Management, at least annually.

The Audit Committee held seven meetings during the financial year. These meetings were attended by the CEO, Finance Director and Head of Internal Audit Department ("IAD") at the invitation of the Audit Committee. 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 to:

CA201B(6)
ACGC Guidebook
Page 32, Para 1.2.19
and Page 33, Para 1.2.21

CG Guideline 11.5,
ACGC Guidebook
Page 13, Para 1.2.16,
Page 102, Para 1.2.4,
Page 76, Para 1.2.7,
Page 56, Para 1.2.1
and Page 78, Para 1.2.8.2

- Obtain feedback on the competency and adequacy of the finance function;
- Enquire into the root causes for major audit adjustments and issues; and
- Inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements.

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)

CG Guideline 11.2

The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.

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The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. 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. One of the Audit Committee members, Mr Michael Philip White is knowledgeable about Information Technology ("IT") systems and controls and possesses the relevant experience related to the oversight function for risk management.

CG Guideline 11.2,
ACGC Guidebook
Pages 5 and 6, Para
1.2.4, Page 26, Para
1.2.1, 1.2.2 and page
23, Para 1.2.32

Guidance notes

1. ACGC Guidebook Pages 5 and 6, Para 1.2.4 provides guidance that the accounting or related financial management expertise or experience possess by at least two AC members could be interpreted as having some or all of the following:
 - The ability to read and understand financial statements, including the Group's balance sheet, income statement and cash flow statement
 - The ability to understand and assess the general application of local or other generally accepted accounting principles
 - The ability to ask pertinent questions about the Group's financial reporting process
 - The ability to effectively challenge Management's assertions on financials and Management's responses when appropriate
 - The ability to understand internal controls and risk factors relevant to the Group's operations, including those relating to complex financial instruments that are in use
 - Experience gained through executive responsibility for a sizeable business including having or having had responsibility for the finance function, such as being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities
 - Education or professional qualifications relating substantially to accounting or finance
 - Experience in working within the areas of corporate finance, financial reporting or accounting
2. ACGC Guidebook Page 23, Para 1.2.32 recommends the AC to consider having a member who is knowledgeable about IT systems and controls or organise a panel of experienced persons to review the IT areas for companies whose key operations are reliant on sophisticated integrated systems.

Corporate Governance Report

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(C.2) Roles and responsibilities of the Audit Committee

CG Guideline 11.3

The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

CG Guideline 11.4

The duties of the AC should include:

- (a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (b) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;
- (c) reviewing the adequacy of the company's internal controls, as set out in Guideline 12.1;
- (d) reviewing the effectiveness of the company's internal audit function; and
- (e) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

CG Guideline 11.6

The AC should review the independence of the external auditors annually.

CG Guideline 13.3

The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.

CG Guideline 13.4

The AC should, at least annually, ensure the adequacy of the internal audit function.

Corporate Governance Report

For the financial year ended 31 December 2009

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 cooperation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has adequate 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:

- Reviewing the scope, approach 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 as well as the extent of reliance placed by the external auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- Reviewing the significant financial reporting issues and judgments 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;
- Reviewing the quarterly half-yearly and full-year financial reports of the Group, prior to their submission to the Board; and
- Coordinate with the Risk Committee on its oversight on financial reporting matters

Principle 11 and CG Guideline 11.3

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

ACGC Guidebook Page 74, Para 1.2.4, Page 75, Para 1.2.5 and Page 50, Para 1.2.26

ACGC Guidebook Page 125, Appendix A2

(C.3) Internal controls

Principle 12: Internal Controls

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

CG Guideline 12.1

The AC should review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). The AC should ensure that a review of the effectiveness of the company's internal controls is conducted at least annually. Such review can be carried out by the internal (auditor) and/or public accountants, provided that where the public accountant is also the external auditor of the company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the company.

Corporate Governance Report

For the financial year ended 31 December 2009

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 Audit Committee has considered the five components of internal control namely Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring to gain an understanding of controls at the entity level.

ACGC Guidebook
Page 130,
Appendix B2

The IAD performs detailed work to assist the Audit Committee in the evaluation of internal controls, financial and accounting matters, compliance, business and financial risk management including controls in critical Information Technology ("IT") systems. 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.

ACGC Guidebook
Page 23, Para 1.2.31

(C.4) Assessing the design and operating effectiveness of internal controls

In assessing the design and operating effectiveness of internal controls, the Audit Committee has established that the following objectives have been addressed:

ACGC Guidebook
Page 11, Para 1.2.2

- Assets are safeguarded
- Fraud or errors in the accounting records are prevented or detected
- Accuracy and completeness of accounting records are ensured
- Reliable financial information is prepared in a timely manner
- Compliance with applicable internal policies, laws and regulations relating to the financial reporting process

The CEO and the CFO have signed an undertaking confirming their responsibilities for internal controls, as follows:

ACGC Guidebook
Page 12, Para 1.2.6
and 1.2.7

- Are responsible for establishing and maintaining internal controls
- Have designed such internal controls to ensure that material information relating to the Group, its consolidated subsidiaries and equity-accounted associates is disclosed on a timely basis for the purposes of preparing financial statements
- Have evaluated the effectiveness of the Group's internal controls as at the end of the financial year and reported the conclusion to the Audit Committee
- Have disclosed to the Group's external auditor and the Audit Committee

- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise, or report financial data and
- (b) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Group's internal controls; and
- (c) all material weaknesses and significant deficiencies in internal controls

Corporate Governance Report

For the financial year ended 31 December 2009

CG Guideline 12.2

The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.

(C.5) Conclusion on effectiveness of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls were adequate.

Principle 13: Internal Audit

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

CG Guideline 13.1

The Internal Auditor's primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.

CG Guideline 13.2

The Internal Auditor should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CG Guideline 13.3

As above

(C.6) Internal Audit

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 risks and internal controls of the Group.

IAD performs its evaluation of internal controls against the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (1992).

Principle 13
ACGC Guidebook
Page 43, Para 1.2.4

CG Guideline 13.1,
ACGC Guidebook
Page 44, Para 1.2.10
and Page 13, Para
1.2.12

Corporate Governance Report

For the financial year ended 31 December 2009

During the year, IAD has considered the following components of internal control:

1. **Control Environment:** The nature of the Group's Control Environment has a pervasive effect on IAD's assessment of risks. IAD assessed the design of the various elements in the Control Environment to determine the strength of the foundation for all other components of internal control and made appropriate recommendations for improving the Control Environment. For example, IAD considered the following elements (which have a pervasive effect) and how they have been incorporated into the Group's processes:
 - Communication and enforcement of integrity and ethical values
 - Commitment to competence
 - Participation by those charged with governance
 - Management's philosophy and operating style
 - Organisational structure
 - Assignment of authority and responsibility
 - Human resource policies and practices
2. **Risk Assessment:** IAD performed a risk assessment process of the Group's various operations and identified the relevant risks and their significance and assessed their likelihood (including consideration of the results from the risk management process (see C.7 later)).
3. **Control Activities, Information and Communication:** IAD assisted the Group in maintaining effective control by evaluating the effectiveness and efficiency of processes, in particular the adequacy of internal controls over authorisation, information processing, physical controls, segregation of duties and performance reviews. IAD has also obtained an understanding of how the Group has responded to risks arising from IT and assessed the adequacy of automated application controls.
4. **Monitoring of controls:** IAD continued to ensure that management adequately monitors internal controls as part of the Control Activities noted above, especially in processes, people and systems.

The Audit Committee approves the internal audit plan and budget 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 IAD has met the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

CG Guideline 13.2

CG Guideline 13.3

During the year, the IAD conducted its audit reviews based on the approved internal audit plans. Upon completion of each audit assignment, the IAD reported its findings and recommendations to management who would respond on the actions to be taken. The IAD submitted quarterly internal audit summary reports to the Audit Committee on the status of the audit plan and on audit findings and actions taken by management on the findings.

ACGC Guidebook
Page 50, Para 1.2.30

The Head of IAD reports to the Audit Committee on the nature and frequency of training and seminars attended by the IAD staff to enhance their skill sets in specialised areas and professional Internal Audit standards.

ACGC Guidebook
Page 44, Para 1.2.10

Corporate Governance Report

For the financial year ended 31 December 2009

(C.7) Risk Management

As part of Management's efforts in promoting a 'risk-aware' culture, 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 and Audit Committee. Management also conducted an annual training on risk management and a risk discussion forum to heighten risk awareness for staff at middle management level.

ACGC Guidebook
Page 29, Para 1.2.9

ACGC Guidebook
Page 29, Para 1.2.10

(C.7.1) Risk Committee

The Risk Committee ("RC") was formed in April 2009 as part of the Group's efforts to strengthen its risk management processes and framework. The RC comprises the following Directors:

Madam Wan Oon Kee (Chairman)
Dr Ran Jedwin Gervasio
Mr Lee Chee Wai

There were three meetings of the RC held in 2009. The RC's role is to:

- Review the adequacy and effectiveness of the Group's risk management process and system
- Review and approve in broad terms, the risk guidelines and limits including country concentration limits for the Group and the Business Units, which are reviewed annually
- Review the risk management maturity of the Group, the status of the risk management activities and the significant risks faced by the Group and the business units
- Guide management on the process to identify, evaluate and manage significant risks
- Report to the Board and the Audit Committee on material matters, findings and recommendations pertaining to risk management

(C.7.2) Assessment of Risk Management Framework

The Risk Committee reviewed the adequacy of the Group's risk management framework and conducted four dialogue sessions with Management to understand the process to identify, assess, manage and monitor risks within the Group. In addition, the Risk Committee also engaged an external risk management consultant, ABC LLP during the year to conduct an independent review on the effectiveness, adequacy and robustness of the Group's risk management policies and processes and make recommendations to enhance the controls over the risk management process.

ACGC Guidebook
Page 27, Para 1.2.4

ACGC Guidebook
Page 29, Para 1.2.7

Management presented semi-annual reports to the Risk Committee and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

ACGC Guidebook
Page 28, Para 1.2.5

- Assessment of the Group's key risks by major business units and risk categories
- Identification of specific 'risk owners' who are responsible for the risks identified
- Description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis
- Ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps
- Status and changes in plans undertaken by Management to manage key risks
- Description of the risk monitoring and escalation processes and also systems in place

Corporate Governance Report

For the financial year ended 31 December 2009

(C.7.3) Risk appetite and tolerance limits

Management has established both qualitative and quantitative risk tolerance limits for each key risks by considering the relative importance of the related objectives and aligning risk tolerances with risk appetite. Operating within risk tolerances provides Management with greater assurance that the Group remains within its risk appetite. On an annual basis, Management evaluates the tolerance limits to assess the Group's resilience to risk.

Based on the above, the Risk Committee concluded that the Group's risk management framework was adequate. Management has appropriately defined and the Risk Committee, together with the Board has approved the risk appetite of the Group.

ACGC Guidebook
Page 27, Para 1.2.4

(C.7.4) 'Near-miss' programme

In addition, Management has implemented a 'near-miss' programme, with the Audit Committee's endorsement to identify events that indicate system or process weaknesses, which could result in major consequences if not remedied. The objective for such arrangements is to encourage staff to disclose 'near-misses' without fear of reprisals. Collection and analysis of such 'near-miss' data, together with the subsequent identification of remedial actions are undertaken by a Compliance Manager who reports directly to the Chairman of the Audit Committee.

ACGC Guidebook
Page 30, Para 1.2.12

(C.7.5) Business Continuity Plan

The Board has reviewed and approved the business continuity plan to deal with pandemic situation, information technology failures and loss of business premises so as to mitigate the negative impact on the Group's operation. The approved plan was endorsed by the Audit Committee and addressed the following:

ACGC Guidebook
Page 35, Para 1.2.27

- Identification of critical business functions and its operational arrangement
- Impact of possible closure of business operation sites and availability of alternate offices
- Communication plans with business partners on revised operational protocols should an event occur
- Measures to reduce spread of a pandemic outbreak
- Crisis management procedures
- Operational continuity plans

Management has conducted semi-annual tests on the business continuity plan and reported the results of these tests to the Board and the Audit Committee.

(C.8) Whistle blowing programme

CG Guideline 11.7

The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

Corporate Governance Report

For the financial year ended 31 December 2009

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group undertakes to investigate complaints of suspected fraud in an objective manner and 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.

ACGC Guidebook
Page 17, Para 1.2.24
and
CG Guideline 11.7

CG Guideline 11.6

As above

(C.9) Auditors' independence

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 reappointment. 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) and
ACGC Guidebook
Page 83, Para 1.2.12

(C.10) Interested Person Transactions

The Audit Committee reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The Audit Committee is satisfied that there were no material contracts involving the interests of the CEO, Directors or the controlling shareholders and their subsidiaries. Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the shareholders' mandate for IPT was last renewed. The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective.

ACGC Guidebook
Page 91, Para 1.2.1

Management accordingly recommended that the Company not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the Audit Committee concurred with management's recommendations.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

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

Corporate Governance Report

For the financial year ended 31 December 2009

CG Guideline 14.1

Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

CG Guideline 14.2

Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.

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, 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 for the information of shareholders.

CG Guideline 14.2

Principle 15: Greater Shareholder Participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

CG Guideline 15.1

Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. In this regard, companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.

Corporate Governance Report

For the financial year ended 31 December 2009

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

Commentary 15.4

Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.

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

CG Guideline 15.3

The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

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

Corporate Governance Report

For the financial year ended 31 December 2009

CG Guideline 15.2

The chairpersons of the Audit, Nomination and Remuneration committees should be There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, companies should explain the reasons and material implications.

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

Commentary 15.5

Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.

A summary of the discussion at the Annual General Meeting will be made available on the Group’s website at 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 2009

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2009 and the balance sheet of the Company as at 31 December 2009.

CA 201(5)
CA 201(6A)

Directors

The directors of the Company in office at the date of this report¹ 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 2009)¹
Dr Ran Jedwin Gervasio (appointed on 26 February 2010)¹

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 95 and 96 of this report.

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

Directors' interests in shares or debentures²

- (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 corporations³, 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 31.12.2009	At 1.1.2009 or date if appointment if later	At 31.12.2009	At 1.1.2009 or date if appointment if later
Company (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	—	—
Ultimate Holding Corporation - PwC Global Limited (No. of ordinary shares)				
Mr David Grey	1,000,000	1,000,000	—	—
Immediate Holding Company - PwC Corporate Limited (No. of ordinary shares)				
Mr Andrew Lloyd (resigned on 5 January 2010) ²	200,000	200,000	—	—

Directors' Report

For the financial year ended 31 December 2009

Directors' interests in shares or debentures² (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 95 and 96 of this report.

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

	No. of unissued ordinary shares under option	
	At 31.12.2009	At 1.1.2009 or date of appointment, if later
<u>Mr Ang Boon Chew</u>		
2006 Options	–	30,000
2008 Options	50,000	50,000
2009 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 31.12.2009	At 1.1.2009 or date of appointment, if later
PwC Furniture (PRC) Co., Ltd		
- Registered and issued share capital	RMB 8,500,000	RMB 8,500,000
PwC Components (Singapore) Pte Ltd		
- No. of ordinary shares	1,300,000	1,300,000
PwC Components (China) Pte Ltd		
- 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 2010 were the same as those as at 31 December 2009.

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 2009

Share options

(a) PwC Employee Share Option Scheme⁴

CA 201(11B)
SGX 1207(15)
SGX 853

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.

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 2006 (“2006 Options”). The Company also granted options to subscribe for 1,965,000 ordinary shares of the Company on 1 January 2008 (“2008 Options”). Particulars of the 2005 Options and 2008 Options were set out in the Directors' Report for the financial years ended 31 December 2006 and 31 December 2008 respectively.⁵

CA 201(11A)

Directors' Report

For the financial year ended 31 December 2009

Share options (continued)

(a) PwC Employee Share Option Scheme⁴ (continued)

On 1 January 2009, the Company granted options to subscribe for 964,000 ordinary shares of the Company at exercise price of \$2.95 per share ("2009 Options"). The 2009 Options are exercisable from 1 January 2011 and expire on 31 December 2014. The total fair value of the 2009 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 31.12.2009	Aggregate granted since commencement of scheme to 31.12.2009	Aggregate exercised since commencement of scheme to 31.12.2009	Aggregate outstanding as at 31.12.2009
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 associates⁶ (as defined in the Listing Manual of 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 per share, upon the exercise of the 2006 Options.

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

(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 31.12.2009	Exercise price	Exercise period
2006 Options	1,000,000	\$1.31	1.1.2008 - 31.12.2011
2008 Options	1,532,000	\$1.28	1.1.2010 - 31.12.2013
2009 Options	964,000	\$2.95	1.1.2011 - 31.12.2014
	<u>3,496,000</u>		

Directors' Report

For the financial year ended 31 December 2009

Audit Committee⁷

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 any recommendations on 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 2009 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 LLP, has expressed its willingness to accept re-appointment.

DV

On behalf of the directors⁸



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2010^{9,10}

Directors' Report

For the financial year ended 31 December 2009

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 Share-Based Payment 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. The Listing Manual defines associates differently to that in paragraph 2 of FRS 28. An associate is defined in the Listing Manual 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 2009

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 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 2009

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 105 to 260 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 2009 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended^{1,2,3}; 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 directors⁴



Tan Cheng Eng
Director



Ang Boon Chew
Director

19 March 2010⁴

Statement by Directors

For the financial year ended 31 December 2009

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 Singapore Exchange 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 2009], 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 statement of comprehensive income 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 105 to 260, which comprise the balance sheets of the Company¹ and of the Group as at 31 December 2009, the consolidated statement of comprehensive income, 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 Standards². 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.

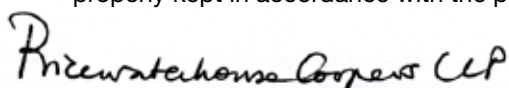
Opinion

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 Standards³ so as to give a true and fair view of the state of affairs of the Company¹ and of the Group as at 31 December 2009, 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 LLP
Public Accountants and Certified Public Accountants

Singapore, 19 March 2010³

Independent Auditor's Report

for the financial year ended 31 December 2009

Reference

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 2009, the statement of changes in equity of the Company and of the Group, and the consolidated statement of comprehensive income 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 2009, 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 Statement of Comprehensive Income¹

For the financial year ended 31 December 2009

FRS 1(88,92)
SGX 1207(5)(a)

	Note	2009 ³ \$'000	2008 ³ \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(103)
Gross profit		132,848	65,678	FRS 1(103)
Other income	7	4,018	1,166	FRS 1(103)
Other losses - net ⁷	8	(1,503)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(103)
- Administrative		(28,579)	(10,107)	FRS 1(103)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies ⁵		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations⁴		32,476	18,500	
Discontinued operations⁴				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit⁴		32,576	18,020	FRS 1(82)(f)
Other comprehensive income⁷:				
Financial assets, available-for-sale				
- Fair value gains		604	72	
- Reclassification		(164)	-	
Cash flow hedges				
- Fair value gains		339	331	
- Reclassification		(279)	(315)	
Currency translation differences arising from consolidation		2,334	(118)	
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	-	
Revaluation gains on property, plant and equipment		165	894	
Excess tax on employee share option scheme		114	-	
Change in tax rate		50	-	
Other comprehensive income, net of tax		1,963	864	
Total comprehensive income		34,539	18,884	

Consolidated Statement of Comprehensive Income¹

For the financial year ended 31 December 2009

	Note	2009 ³ \$'000	2008 ³ \$'000	
Profit attributable to:				
Equity holders of the Company		30,028	17,096	FRS 1(83)(b)
Minority interests		2,548	924	FRS 1(83)(a)
		32,576	18,020	
Total comprehensive income attributable to:				
Equity holders of the Company		31,434	17,847	
Minority interests		3,105	1,037	
		34,539	18,884	
Earnings per share⁶ for profit from continuing operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
- Basic	12	1.33	0.90	
- Diluted		1.18	0.87	
Earnings/(loss) per share⁶ for profit from discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(68)
- Basic	12	0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

Consolidated Statement of Comprehensive Income¹

For the financial year ended 31 December 2009

Guidance notes

Consolidated statement of comprehensive income

Statement of comprehensive income, cash flow statement and statement of changes in shareholders' equity of the holding company

1. If consolidated financial statements are presented, the statement of comprehensive income, 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 statement of comprehensive income, 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 or the nature of the expenses, whichever provides information that is reliable and more relevant. In addition, an entity has the choice of presenting the statement of comprehensive income using a one-statement or a two-statement approach. These alternative presentations have been illustrated in Appendix 1 example 1.

FRS 1(99)

FRS 1(81)

If the expenses are presented by function, additional disclosures on the nature of expenses are required (Note 5 of the financial statements).

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 statement of comprehensive income, changes in equity, cash flows and related disclosure notes are not comparable.

FRS 1(36)

Continuing/Discontinued operations

4. A discontinued operation must represent a separate major line 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 *Investments in Associates*. The share of results of joint ventures accounted for using equity accounting is presented similarly.

FRS 1(82)(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)

Choice in presentation

7. 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.

Additional disclosures

8. Additional line items, headings and subtotals shall be presented on the face of the statement of comprehensive income only when such presentation is necessary for 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(55)

Balance Sheet – Group

As at 31 December 2009

	Note	2009 \$'000	2008 \$'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				
Cash and cash equivalents	13	22,010	36,212	FRS 1(60)
Financial assets, at fair value through profit or loss	14	10,785	8,326	FRS 1(54)(i)
Derivative financial instruments	15	1,069	452	FRS 1(54)(d)
Financial assets, available-for-sale	16	1,950	646	FRS 1(54)(d)
Trade and other receivables	17	19,510	16,399	FRS 1(54)(h)
Inventories	18	24,258	17,094	FRS 1(54)(g)
Construction contract work-in-progress	19	262	147	
		79,844	79,276	
Disposal group classified as held-for-sale	11	3,333	–	FRS 105(38)
		83,177	79,276	FRS 1(54)(j)
Non-current assets				
Derivative financial instruments	15	395	112	FRS 1(60)
Financial assets, available-for-sale	16	15,298	12,291	FRS 1(54)(d)
Trade and other receivables	20	3,122	1,990	FRS 1(54)(h)
Investments in associated companies	23	8,208	8,569	FRS 1(54)(e)
Investment properties	26	5,550	3,415	FRS 1(54)(b)
Financial assets, held-to-maturity	27	2,122	1,593	FRS 1(54)(d)
Property, plant and equipment	28	153,611	99,930	FRS 1(54)(a)
Intangible assets	29	24,322	19,600	FRS 1(54)(c)
Deferred income tax assets	36	3,319	3,228	FRS 1(54)(o)
		215,947	150,728	
Total assets		299,124	230,004	
LIABILITIES				
Current liabilities				
Trade and other payables	30	16,441	10,556	FRS 1(60)
Current income tax liabilities	10	2,942	3,833	FRS 1(54)(k)
Derivative financial instruments	15	440	240	FRS 1(54)(n)
Borrowings	31	9,524	15,670	FRS 1(54)(m)
Provisions for other liabilities and charges	35	2,126	2,300	FRS 1(54)(l)
		31,473	32,599	
Liabilities directly associated with disposal group classified as held-for-sale	11	220	–	FRS 105(38)
		31,693	32,599	FRS 1(54)(p)
Non-current liabilities				
Derivative financial instruments	15	135	44	FRS 1(60)
Borrowings	31	118,300	89,214	FRS 1(54)(m)
Deferred income tax liabilities	36	11,670	8,406	FRS 1(54)(o)
Provisions for other liabilities and charges	35	1,655	1,585	FRS 1(54)(l)
		131,760	99,249	
Total liabilities		163,453	131,848	
NET ASSETS		135,671	98,156	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	41,495	32,024	FRS 1(78)(e)
Treasury shares	37	(1,418)	(900)	FRS 1(78)(e)
Other reserves	38	9,628	6,419	FRS 1(78)(e)
Retained profits	39	78,778	58,852	FRS 1(78)(e)
		128,483	96,395	FRS 1(54)(r)
Minority interests		7,188	1,761	FRS 1(54)(q)
Total equity		135,671	98,156	

Balance Sheet – Company

As at 31 December 2009

	Note	2009 \$'000	2008 \$'000	FRS 1(54,77) SGX 1207(5)(a) SGX 1207(5)(b)
ASSETS				
Current assets				
Cash and cash equivalents	13	2,002	2,977	FRS 1(60)
Derivative financial instruments	15	232	78	FRS 1(54)(i)
Trade and other receivables	17	7,612	2,166	FRS 1(54)(d)
Inventories	18	2,200	335	FRS 1(54)(h)
		12,046	5,556	FRS 1(54)(g)
Non-current assets				
Derivative financial instruments	15	34	6	FRS 1(60)
Financial assets, available-for-sale	16	1,500	1,218	FRS 1(54)(d)
Trade and other receivables	20	3,136	3,200	FRS 1(54)(d)
Investments in associated companies	23	1,000	1,000	FRS 1(54)(h)
Investment in a joint venture	24	880	880	FRS 1(54)(e)
Investments in subsidiaries	25	110,410	96,460	FRS 1(55)
Property, plant and equipment	28	855	400	FRS 1(55)
Intangible assets	29	1,200	1,100	FRS 1(54)(a)
		119,015	104,264	FRS 1(54)(c)
Total assets		131,061	109,820	
LIABILITIES				
Current liabilities				
Trade and other payables	30	707	549	FRS 1(60)
Current income tax liabilities	10	235	325	FRS 1(54)(k)
Derivative financial instruments	15	35	45	FRS 1(54)(n)
Borrowings	31	3,500	10,200	FRS 1(54)(m)
Provisions for other liabilities and charges	35	100	210	FRS 1(54)(m)
		4,577	11,329	FRS 1(54)(l)
Non-current liabilities				
Derivative financial instruments	15	12	2	FRS 1(60)
Borrowings	31	78,267	61,751	FRS 1(54)(m)
Deferred income tax liabilities	36	2,779	2,051	FRS 1(54)(m)
Provisions for other liabilities and charges	35	200	95	FRS 1(54)(o)
		81,258	63,899	FRS 1(54)(l)
Total liabilities		85,835	75,228	
NET ASSETS		45,226	34,592	
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	41,495	32,024	FRS 1(78)(e)
Treasury shares	37	(1,418)	(900)	FRS 1(78)(e)
Other reserves	38	3,873	2,034	FRS 1(78)(e)
Retained profits	39	1,276	1,434	FRS 1(78)(e)
Total equity		45,226	34,592	

PwC Holdings Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity¹

For the financial year ended 31 December 2009

Reference

← Attributable to equity holders of the Company →

	Note	Share capital \$'000	Treasury shares \$'000	Share option reserve \$'000	Capital reserve \$'000	Fair value reserve \$'000	Hedging reserve \$'000	Currency translation reserve \$'000	Equity component of convertible bonds \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000	Reference
2009															
Beginning of financial year		32,024	(900)	1,892	-	127	24	2,376	-	2,000	58,852	96,395	1,761	98,156	
Purchase of treasury shares	37	-	(2,072)	-	-	-	-	-	-	-	-	(2,072)	-	(2,072)	FRS 32(33)
Employee share option scheme															
- Value of employee services	38(b)(i)	-	-	690	-	-	-	-	-	-	-	690	-	690	FRS 102(7)
- Treasury shares re-issued	37	-	1,554	(946)	374	-	-	-	-	-	-	982	-	982	FRS 32(33)
Issue of shares	37	9,884	-	-	-	-	-	-	-	-	-	9,884	-	9,884	FRS 1(106)(diii)
Share issue expenses	37	(413)	-	-	-	-	-	-	-	-	-	(413)	-	(413)	FRS 1(106)(diii), 109)
Convertible bond															
- equity component	38(b)(vi)	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685	FRS 32(28)
Dividend relating to 2008 paid	40	-	-	-	-	-	-	-	-	(10,102)	(10,102)	(10,102)	(1,920)	(12,022)	FRS 1(106)(diii)
Disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	(300)	(300)	FRS 1(106)(diii)
Acquisition of a subsidiary	13	-	-	-	-	-	-	-	-	-	-	-	4,542	4,542	FRS 1(106)(diii)
Total comprehensive income for the year		-	-	-	114	445	63	582	-	202	30,028	31,434	3,105	34,539	FRS 1(106)(dii,iii)
End of financial year		41,495	(1,418)	1,636	488	572	87	2,958	1,685	2,202	78,778	128,483	7,188	135,671	

Consolidated Statement of Changes in Equity¹

For the financial year ended 31 December 2009

		Attributable to equity holders of the Company									
Note	Share capital \$'000	Treasury shares \$'000	Share option reserve \$'000	Fair value reserve \$'000	Hedging reserve \$'000	Currency translation reserve \$'000	Asset revaluation reserve \$'000	Retained profits \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
2008											
Beginning of financial year	32,024	-	1,270	55	8	2,454	1,259	57,492	94,562	1,274	95,836
Purchase of treasury shares	-	(900)	-	-	-	-	-	-	(900)	-	(900)
Employee share option scheme	-	-	622	-	-	-	-	-	622	-	622
- Value of employee services	-	-	-	-	-	-	-	(15,736)	(15,736)	(550)	(16,286)
Dividends relating to 2007 paid	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	72	16	(78)	741	17,096	17,847	1,037	18,884
End of financial year	32,024	(900)	1,892	127	24	2,376	2,000	58,852	96,395	1,761	98,156

FRS 32(33)

FRS 102(7)

FRS 1(106)(d)(iii)

FRS 1(106)(di,ii)

FRS 1(106)(d)

FRS 1(108)

Guidance notes

Consolidated statement of changes in equity ("SoCE")

Presentation of each component of equity in the SoCE

1. FRS 1(R) requires an entity to show in the SoCE, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period.

Components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000	Reference
Cash flows from operating activities¹				FRS 7(1)
Total profit		32,576	18,020	SGX 1207(5)(c)
Adjustments for				FRS 7(10,18(b))
- Income tax expense		14,958	7,531	FRS 7(20)(b-c)
- Employee share option expense		690	622	
- Amortisation, depreciation and impairment ²		23,204	10,097	
- Gain on disposal of property, plant and equipment		(17)	(8)	
- Impairment loss on financial assets, available-for-sale		575	—	
- Net gain on disposal of financial assets, available-for-sale		(200)	—	
- Reclassification adjustments from hedging reserve to profit or loss		(230)	(354)	
- Loss on disposal of a subsidiary		945	—	
- Fair value loss/(gain) on investment property		123	(50)	
- Interest income ³		(1,180)	(620)	FRS 7(31-34)
- Dividend income ³		(2,230)	(400)	FRS 7(31-34)
- Finance expenses ³		9,812	7,884	FRS 7(31-34)
- Share of loss/(profit) of associated companies		174	(145)	
- Unrealised currency translation (gains)/losses		970	1,001	FRS 7(25,26)
		80,170	43,578	
Change in working capital, net of effects from acquisition and disposal of subsidiaries				FRS 7(20)(a)
- Inventories and construction work-in-progress		(7,887)	1,031	
- Trade and other receivables		(6,986)	1,117	
- Financial assets, at fair value through profit or loss		(2,651)	(500)	
- Trade and other payables		(8,577)	526	
- Provisions for liabilities and other charges		(308)	39	
Cash generated from operations ⁵		53,761	45,791	
Interest received ³		35	13	FRS 7(31)
Interest paid ³		(5,789)	(9,574)	FRS 7(31)
Income tax paid		(15,504)	(10,974)	FRS 7(35)
Net cash provided by operating activities		32,503	25,256	
Cash flows from investing activities				FRS 7(21)
Acquisition of a subsidiary, net of cash acquired	13	(13,950)	—	FRS 7(39,42)
Additions to property, plant and equipment ⁴		(9,565)	(8,082)	FRS 7(16(a),43)
Additions to investment property		(288)	—	
Additions of intangible assets		(2,813)	(700)	FRS 7(16)(a)
Purchases of financial assets, available-for-sale		(3,956)	(691)	FRS 7(16)(c)
Purchases of financial assets, held-to-maturity		(472)	(372)	FRS 7(16)(c)
Disposal of a subsidiary, net of cash disposed of	13	179	—	FRS 7(39,42)
Disposal of property, plant and equipment		4,974	2,995	FRS 7(16)(b)
Disposal of investment property		70	—	
Disposal of financial assets, available-for-sale		300	—	FRS 7(16)(d)
Loans to an associated company		(1,455)	(547)	FRS 7(16)(e)
Repayment of loans by an associated company		63	98	FRS 7(16)(f)
Receipt of dividends ³		2,230	396	FRS 7(31)
Receipt of interest ³		2,290	346	FRS 7(31)
Net cash used in investing activities		(22,393)	(6,557)	

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000	
Cash flows from financing activities				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		(71,434)	(36,745)	FRS 7(17)(d)
Repayment of lease liabilities		(165)	(93)	FRS 7(17)(e)
Interest ³		(3,180)	(450)	FRS 7(31)
Dividends – equity holders of the Company		(10,102)	(15,736)	FRS 7(31)
Dividends – minority interests		(1,920)	(550)	FRS 7(31)
Net cash used in financing activities		(19,920)	(6,474)	
Net (decrease)/increase in cash and cash equivalents		(9,810)	12,225	
Cash and cash equivalents				
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)
End of financial year	13	19,160	29,548	FRS 7(45)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2009

Guidance notes

Consolidated Statement Of Cash Flows

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:

FRS 7(18)(a)

	2009 \$'000	2008 \$'000
Cash flows from operating activities		
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

FRS 7 App A
FRS 7(19)

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

Discontinued operations

2. Non-cash items excluded from profit for purposes of the cash flow statement should include those non-cash items attributed to discontinued operations.

Dividends and interest

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

FRS 7(31-34)

The interest amounts to be adjusted against profit after tax are the amounts charged or credited to profit or loss. 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.

Additions to property, plant and equipment

4. Additions to property, plant and equipment in the cash flow statement should be net of hedging gains/losses transferred from hedging reserve.

Reconciliation from profit after tax to cash generated from operations

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

Notes to the Financial Statements

For the financial year ended 31 December 2009

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.^{1,2}

FRS 1(138)(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(138)(b)

The Group acquired control of XYZ Electronics Group (now known as PwC Components (China) Group), an electronics components manufacturing group operating in China (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 44 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(138)

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

FRS 1(51)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2. Significant accounting policies^{1,2,3}

FRS 1(112)(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).
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(119)

FRS 1(119)

FRS 1(121)

FRS 1(17)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.1 Basis of preparation

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

FRS 1(16)
SGX 1207(5)(d)

FRS 1(117)(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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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Guidance notes

General information

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(25)

FRS 10(14)

FRS 1(25)

FRS 1(25)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2009

On 1 January 2009, 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 revised FRS and INT FRS that are relevant to the Group¹:

FRS 8(28)(a)
FRS 8(28)(b)

- FRS 1 (revised) *Presentation of financial statements* (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. Where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 January 2008 in the current financial year.
- FRS 108 *Operating segments* (effective from 1 January 2009) replaces FRS 14 *Segment reporting*, and 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. Segment revenue, segment profits and segment assets are also measured on a basis that is consistent with internal reporting.
- Amendment to FRS 107 *Improving disclosures about financial statements* (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy (see Note 43). The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2009 (continued)

- FRS 40 (amendment) *Investment property* (and consequential amendments to FRS 16) (effective from 1 January 2009). Prior to 1 January 2009, property that is under construction or development for future use as an investment property was accounted for under FRS 16 *Property, plant and equipment* at cost less impairment. With effect from 1 January 2009, such property is accounted in accordance with FRS 40 *Investment property* at fair value as the Group has adopted the fair value model for accounting of investment property². The amendment is applied prospectively from 1 January 2009, and has no impact on the financial statements for the previous financial year. The amendment resulted in the following impact on the financial statements of the Group as at 31 December 2009:

	Increase/(Decrease)
	\$'000
Investment properties	2,140
Property, plant and equipment	(2,040)
Other losses – net	(100)
Deferred tax expense	17
Deferred tax liabilities	17

The adoption of the above amendment to FRS 40 did not have a significant impact on the basic and diluted earnings per share for the financial year ended 31 December 2009.

The amendment resulted in the following impact on the financial statements of the Group as at 1 January 2009:

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	Increase/(Decrease)
	\$'000
Investment properties	2,040
Property, plant and equipment	(2,040)
Other losses – net	(50)
Deferred tax liabilities	9

Notes to the Financial Statements

For the financial year ended 31 December 2009

Guidance notes

Basis of preparation – Interpretations and amendments to published standards effective in 2009

- The following are the new or amended Standards and Interpretations (issued up to 16 June 2009) that are applicable or may be early adopted for the current financial year.

FRS 1 (revised)	Presentation of Financial Statements
FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	Events after the Reporting Period
FRS 16	Property, Plant and Equipment
FRS 18	Revenue
FRS 19	Employee Benefits
FRS 20	Accounting for Government Grants and Disclosure of Government Assistance
FRS 23 (revised)	Borrowing Costs
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28	Investments in Associates and FRS 31 Interests in Joint Ventures
FRS 29	Financial Reporting in Hyperinflationary Economies
FRS 32	Financial Instruments: Presentation
FRS 34	Interim Financial Reporting
FRS 36	Impairment of Assets
FRS 38	Intangible Assets
FRS 39	Financial Instruments: Recognition and Measurement
FRS 40	Investment Property
FRS 41	Agriculture
FRS 101	First-time Adoption of Financial Reporting Standards
FRS 102	Share-based Payment
FRS 103 (revised)	Business Combinations
FRS 105	Non-current Assets Held-for-sale and Discontinued Operations
FRS 107	Financial Instruments: Disclosures
FRS 108	Operating Segments
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation
INT FRS 117	Distributions of Non-cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers

- Where the fair value of the investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

In addition, if the Group adopts the cost model for investment properties, the investment property under construction will continue to be measured at cost.

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.2 Revenue recognition^{1,2}

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 tax³, 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, 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. Past experience and projections are 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.

DV

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 2009

2.2 Revenue recognition (continued)

(e) Interest income^{4,6}

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^{5,6}

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 on 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 debt securities.
5. From 1 January 2009, dividends on equity securities are recognised in income. The previous requirement in FRS 18 to deduct pre-acquisition dividends from the cost of the securities has been removed.
6. Where interest representing recovery of the cost of investment is material, the following disclosure can be considered:

FRS 18(13)

FRS 18(32)

FRS 18(32)

"Where the Group receives interest from its debt investments, which clearly represent recovery of part of the cost of the investments, the 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 2009

2.3 Group accounting¹

(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 exchange², 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 acquisition², irrespective of the extent of non-controlling 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)

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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 statements³, 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 asset 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.

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Notes to the Financial Statements

For the financial year ended 31 December 2009

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)

Date 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 2009

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 Group¹. Disposals to minority interests result in gains and losses for the Group that are recognised in profit or loss. 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 the difference between the consideration paid or received and the relevant share of the carrying value of net assets of the subsidiary acquired or disposed is recognised directly in equity. This may be recognised in retained profits or as a separate reserve. This treatment is provided in the revised FRS 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 profits.

FRS 27(30)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.3 Group accounting (continued)

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies² 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 profit or loss 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. The 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 profit or loss.³

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.

DV

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

1. 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 profit or loss as illustrated in this publication.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 consolidation¹.

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 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)

The 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.
2. Joint ventures may also take the form of jointly-controlled operations and jointly-controlled assets, which do not involve the establishment of a separate entity from the venturers themselves. In that case, the venturer will recognise in relation to its interest in the jointly-controlled operations or assets:
 - the assets it controls, or its share of the jointly-controlled assets;
 - the liabilities it incurs;
 - the expenses it incurs, and/or its share of the expenses incurred; and
 - its share of the income that it earns.

FRS 31(38)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.4 Property, plant and equipment

(a) Measurement¹

(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 profit or loss. 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 as a loss in the statement of comprehensive income.

FRS 16(39)

FRS 21(30)

FRS 16(40)

(ii) 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)

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost² 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 include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.6 on 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 2009

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)(ii)) 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)

Provision for dismantlement, removal or restoration

2. 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 licence and development costs

3. Computer software licence 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

4. Minor spare parts and servicing equipment are typically carried as inventory and recognised in profit or loss 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 2009

2.4 Property, plant and equipment (continued)

(b) Depreciation

Freehold land is 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 lives¹ 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 profit or loss when the changes arise.

FRS 16(51,61)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss 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 profit or loss within 'Other (losses)/gains – net'. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

FRS 16(68)

FRS 16(71)

FRS 16(41)

Notes to the Financial Statements

For the financial year ended 31 December 2009

Guidance notes

Property, plant and equipment ("PPE") – (b) Depreciation

Component approach to depreciation

1. Parts of some items of PPE may require replacement or major overhauls at regular intervals. 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. 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(13-14, 43, 7)

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

"The [specific class of plant and equipment] are 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 profit or loss."

Depreciation of leasehold land

2. The useful life is the period over which an asset is expected to be available for use by an entity. When assessing the useful life of an asset, all commercial, technical and legal factors, as well as the intention of management should be considered. When leasehold land is accounted for as property, plant and equipment, its useful life would not exceed its lease term.

FRS 16(6,56-57)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 net identifiable net assets 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 ventures¹ 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 profits in the year of acquisition and is not recognised in profit or loss on disposal.²

(b) Acquired trademark and licences

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss 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 licences⁴

Acquired computer software licences 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 an expense when incurred.

FRS 38(24)

FRS 38(27,28)

FRS 38(66,67)

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss 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 profit or loss when the changes arise.

FRS 38(104)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 profits

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 profits shall not be recognised in profit or loss 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 identifiable net assets and contingent liabilities of the subsidiary acquired, the difference ("negative goodwill") is recognised directly in profit or loss, unless it arose from acquisitions prior to [1 January 2001]. Such negative goodwill was adjusted to retained profits in the year of acquisition and is not recognised in profit or loss 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 2009

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties. This includes those costs on borrowings acquired specifically for the construction or development of properties, as well as those in relation to general borrowings used to finance the construction or development of properties.

FRS 23(8, 12, 14)

FRS 39(47)

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. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

Guidance notes

Borrowing costs

1. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised into the cost of the qualifying assets for annual periods beginning on or after 1 January 2009. Previously, FRS 23 *Borrowing Costs* allowed for an accounting policy choice between capitalising those borrowing costs or expensing them as incurred.
2. Where capitalising borrowing costs directly attributable to obtaining a qualifying asset constitutes a change in accounting policy (i.e. the entity used to expense those borrowing costs as incurred), an entity shall start capitalising those borrowing costs only for qualifying assets for which the commencement date for capitalisation is on or after the beginning of the first annual period beginning on or after 1 January 2009 (i.e. 1 January 2009 for calendar year-end entities).

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.7 Contract to construct specialised equipment (“Construction contracts”)¹

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 measured² by reference to the ratio of 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 the 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 cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings³, the balance is presented as due from customers on construction contracts within “trade and other receivables”. Where progress billings exceed the cumulative 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 by customers are included within “trade and other receivables”. Advances³ received are included within “trade and other payables”.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 2009

2.8 Investment properties

Investment properties include those portions¹ of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases² that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

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 value³, determined annually by independent professional valuers on the highest-and-best-use⁴ basis. Changes in fair values are recognised in profit or loss.

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 recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

FRS 40(66)

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.

FRS 40(75)(c)
FRS 1(122)

FRS 40(6,25)

Notes to the Financial Statements

For the financial year ended 31 December 2009

Guidance notes

Investment properties (continued)

3. A reporting entity can choose to apply the cost model, provided it does not classify any property interest held under operating leases as investment property. The following accounting policy may be adopted:

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 profit or loss 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 cases 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.9 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are carried at cost^{1,2} 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 profit or loss.

FRS 27(37)

FRS 27(42)(c)

Guidance notes

Investments in subsidiaries, joint ventures and associated companies

Investments accounted for in accordance with FRS 39

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 or loss in the consolidated financial statements. Accordingly, when the choice has been made to account for them at fair value through profit or loss in the consolidated financial statements, they shall also be accounted for at fair value through profit or loss in the separate financial statements of the investor.

FRS 28(1)

Dividends received from subsidiaries, joint ventures and associated companies

3. For annual periods beginning on or after 1 January 2009, dividends received from subsidiaries, joint ventures and associated companies are recognised in profit or loss in the separate financial statements of the Company. Previously, the distribution was recognised as income only to the extent that it was received from retained profits of the investee arising after the date of acquisition of the investment. Distributions recognised in excess of such profits were regarded as a recovery of investment and recognised as a reduction of the cost of the investment.
4. The receipt of a dividend from a subsidiary, joint venture or associated company is an indicator of impairment of the relevant investment when:
 - (a) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
 - (b) the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared.

FRS 27.38A

FRS 36.12(h)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 as an expense and is not reversed¹ 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 2009

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 inflows 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 profit or loss, unless the asset is carried at revalued amount¹, 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 profit or loss, unless the asset is carried at revalued amount¹, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset¹ was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

FRS 36(119)

Guidance notes

Impairment of non-financial assets

1. 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 2009

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 nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition¹.

FRS 39(9)

(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(66)

(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(66)

(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(66)

(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 of the assets within 12 months after the balance sheet date.

FRS 107 AppB5(b)

FRS 39(9)

FRS 1(66)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.11 Financial assets (continued)

(b) Recognition and derecognition

Regular way² 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 profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

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 or loss are recognised immediately as expenses.

FRS 39(43)

Guidance notes

Financial assets – (a) Classification

1. “Amendments to FRS 39 and FRS 107: Reclassification of Financial Assets” was issued in October 2008, and permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances.

FRS 39(50)

Financial assets – (b) Recognition and derecognition

2. 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 2009

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 dividends¹, are recognised in profit or loss when the changes arise.

FRS 39(55)(a)

FRS 107 AppB5(e)

FRS 21(30)

Interest and dividend income¹ on financial assets, available-for-sale are recognised separately in income. 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 profit or loss 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 2009

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)

FRS107 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 account¹ 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 profit or loss.

FRS 39(63)

The allowance for impairment loss account is reduced through profit or loss 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

In addition to the objective evidence of impairment described in Note 2.11ei, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

FRS 39(61)

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. 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 as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

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 2009

2.12 Financial guarantees^{1,2}

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 profit or loss 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)

Intra-group transactions are eliminated on consolidation.³

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 2009

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(69)

(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 profit or loss over the period of the borrowings using the effective interest method.

FRS 39(43)

FRS 39(47)

(b) Redeemable preference shares¹

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

FRS 32(18)(a)

FRS 32(36)

(c) Convertible bonds²

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(27)(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 profits.

FRS 32 AG32

Notes to the Financial Statements

For the financial year ended 31 December 2009

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. If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is a derivative liability.

An example of a conversion option that is a derivative liability is found in a convertible bond that is denominated in a foreign currency. This is because the fixed amount of the foreign currency bond that will be extinguished if the holder converts represents a variable amount of cash in the functional currency of the issuer. An example of such a convertible bond is given in the illustrative disclosure in Appendix 1 Example 7 of this publication.

3. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

FRS 32(15-16)

FRS 32(18)(a)

FRS 32(15-16,28)

FRS 32.11

FRS 32(28,15-16)

FRS 32 AG27(d)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

FRS 39(43,47)

FRS 39(71)

FRS 39(86)

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

FRS 107(21)

FRS 39(55)

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, of 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 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(66,69)

(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 profit or loss. The fair value changes on the effective portion of currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised separately in profit or loss.

FRS 39(88,93)

FRS 39(89)(b)

FRS 39(89)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 profit or loss when the interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

FRS 39(95)(a)

FRS 39(95)(b)

(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 profit or loss when the hedged forecast transactions are recognised.

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

The fair value changes on the ineffective portion are recognised immediately in profit or loss. 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 profit or loss immediately.

FRS 39(95(b),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 profit or loss 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 profit or loss.

FRS 39(102)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.16 Fair value estimation of financial assets and liabilities

FRS 107(27)

FRS 39 AG69

FRS 39(48A)

FRS 39 AG71-73

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.

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)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.17 Leases

(a) When the Group is the lessee:^{1,3}

The Group leases land, 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 profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

FRS 17(25)

(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 profit or loss on a straight-line basis over the period of the lease.

FRS 17(4)

FRS 17(33)

INT FRS 15(5)

Contingent rents² are recognised as an expense in profit or loss when incurred.

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.17 Leases (continued)

(b) When the Group is the lessor:³

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

(i) Lessor – Finance leases

FRS 17(4)

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.

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 profit or loss 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 profit or loss 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 profit or loss on a straight-line basis over the lease term.

FRS 17(4)

FRS 17(50)

INT FRS 15(4)

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 profit or loss over the lease term on the same basis as the lease income.

FRS 17(52)

Contingent rents² are recognised as income in profit or loss when earned.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 profit or loss 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 profit or loss 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 profit or loss 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 2009

2.18 Research costs

Research costs are recognised as an expense when incurred.

FRS 38(54)

2.19 Inventories¹

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 reserve². Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and 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

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

"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."

FRS 2(19)

2. Management may choose to keep these gains in the hedging reserve until the acquired asset affects profit or loss. At this time, management should re-classify the gains to profit or loss. 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 profit or loss.

FRS 98(a)

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)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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)

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 profit or loss, 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)

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.21 Provisions¹

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 statement of comprehensive income as finance expense.

FRS 37(45,47)

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

FRS 37(59)

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.”

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.22 Employee compensation¹

Employee benefits are recognised as an expense, unless the cost qualifies to 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^{2,3}

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 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 profit or loss, 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.⁴

(c) Termination benefits^{4,5}

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)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 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 profit or loss.”

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 profits 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 profits upon exercise of the option.

FRS 102(23)

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 2009

Guidance notes

Employee remuneration (continued)

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 in profit or loss and no 'corridor' limit is applied; and (b) all past service costs on other long-term employee benefits are recognised immediately in profit or loss, 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 benefit 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 2009

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 currency¹”). The financial statements are presented^{2,3} in Singapore Dollars.

FRS 21(8)

FRS 1(51)(d)

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)

DV

Notes to the Financial Statements

For the financial year ended 31 December 2009

2.23 Currency translation (continued)

(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 profit or loss, 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 profit or loss 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 reporting date;
- (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(79)(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 reporting date. 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 2009

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

FRS 108(5)(b)

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)

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 account¹.

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 re-issued.

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 profits 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 re-issued 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 re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

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 profits.

FRS 32(35)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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.

2.29 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

FRS 12(12)

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income¹.

FRS 12(39)(a)

Government grants relating to assets are deducted against the carrying amount of the assets².

FRS 12(39)(a)

Guidance notes

Government grants

- Grants relating to income should be presented as a credit to the statement of comprehensive income, either separately or under a general heading such as "Other Income". Alternatively, they may be deducted in reporting the related expense.
- Grants related to assets, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying value of the asset.

FRS 12(29)

FRS 12(24)

Both methods are acceptable for the presentation of grants relating to income/assets.

Notes to the Financial Statements

For the financial year ended 31 December 2009

3. Critical accounting estimates, assumptions and judgements^{1,2}

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.

FRS 1

(122,125,126,129)

3.1 Critical accounting estimates and assumptions

(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.

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 29(a)).

An impairment charge of \$4,650,000 arose in the furniture CGU in the People's Republic of China in the financial year ended 31 December 2009, which reduced the carrying amount of goodwill allocated to the furniture CGU in the People's Republic of China from \$4,680,000 to \$30,000. If the management's estimated gross margin used in the value in use calculation for this CGU at 31 December 2009 is lowered by 10%, the remaining goodwill of \$30,000 would be fully impaired, and in addition, the Group would reduce the carrying value of property, plant and equipment in this CGU, amounting to \$20,213,000, by \$350,000.³

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the furniture CGU in the People's Republic of China at 31 December 2009 is raised by 1%, the carrying amounts of goodwill and property, plant and equipment in this CGU would have been reduced by \$30,000 and \$250,000 respectively.³

(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 balance sheet 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 2009

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

3.1 Critical accounting estimates and assumptions (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.³

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.³

(d) 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 in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. 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).³

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

3.2 Critical judgements in applying the entity's accounting policies

(a) *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 2009, 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.

(b) *Impairment of financial assets, available-for-sale*

At the balance sheet date, the fair values of certain equity securities classified as available-for-sale financial assets amounting to \$10,230,000 have declined below cost by \$203,000. The Group has made a judgement that this decline is not significant or prolonged. In making this judgement, the Group has considered, among other factors, the short-term duration of the decline, the small magnitude by which the fair value of the investment is below cost; and the positive financial health and short-term business outlook of the investee.

If the decline in fair value below cost was considered significant or prolonged, the Group would suffer an additional loss of \$203,000 in its 2009 financial statements, being the transfer of the fair value loss included in the fair value reserve to profit or loss.

(c) *Fair value estimation on unlisted securities*

The Group holds corporate variable rate notes that are not traded in an active market amounting to \$5,347,000. 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 \$196,000 or increased by \$209,000 respectively.

FRS 107 (27B(e))

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

3.2 Critical judgements in applying the entity's accounting policies (continued)

(d) Revenue recognition

The Group started to design and sell a new furniture line to a new customer during 2009. 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 2009. If the sale is rescinded, the Group will suffer an estimated loss of \$700,000 in its 2010 financial statements, \$665,000 being the reversal of 2009 profits and \$35,000 being the costs for returning the inventory to the warehouse.

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(128)

FRS 1(129)

FRS 1(126)

Notes to the Financial Statements

For the financial year ended 31 December 2009

4. Revenue

	Group		
	2009	2008	
	\$'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 38(b)(iv)) ¹	128	50	FRS 107(23)(d)
Total sales	210,214	112,360	

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 2009

5. Expenses by nature

(Additional note disclosure when the statement of comprehensive income presents expenses analysed by function)¹

	Group		
	2009	2008	
	\$'000	\$'000	
Purchases of inventories	59,401	23,688	
Amortisation of intangible assets (Note 29(d))	775	515	FRS 38(118)(d)
Depreciation of property, plant and equipment (Note 28)	17,675	9,582	FRS 16(73)(e)(vii)
Impairment loss of goodwill (Note 29(a))	4,650	–	FRS 36(126)(a)
Total amortisation, depreciation and impairment	23,100	10,097	FRS 1(104)
Employee compensation (Note 6)	40,090	15,500	FRS 1(104)
Sub-contractor charges ²	12,400	7,700	
Advertising expense ²	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 ²	7,763	5,876	
Reversal of inventory write-down/inventory write-down ²	(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 (2008: \$45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics.

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

Guidance notes

Expenses by nature

1. This disclosure is required only of entities that present their expenses by function on the face of the statement of comprehensive income. 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 1(93)

FRS 1(97,98)

Notes to the Financial Statements

For the financial year ended 31 December 2009

6. Employee compensation

	Group		
	2009	2008	
	\$'000	\$'000	
Wages and salaries	28,514	11,679	
Employer's contribution to defined contribution plans including Central Provident Fund ¹	9,246	3,717	FRS 19(46)
Termination benefits	1,600	–	FRS 19(142)
Other long-term benefits	300	282	
Share option expense (Note 38(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

- 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 2009

7. Other income¹

FRS 1(97,98)

	Group		
	2009 \$'000	2008 \$'000	
Interest income ²			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	
	1,180	620	
Dividend income ²	2,230	400	FRS 18(35)(b)(v)
Rental income from investment properties (Note 26)	488	146	FRS 40(75)(f)(i)
Government Grant – Jobs credit scheme	120	–	
	4,018	1,166	

Included in the Group's interest income on loans and receivables from non-related parties is interest income of \$80,000 (2008: \$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 (2008: \$62,000). The contingent rent was computed based on sales by the lessees.

FRS 17(56)(b)

The Jobs credit scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The Jobs Credit will be paid to eligible employers in 2009 in four payments and the amount an employer can receive would depend on the fulfilment of the conditions as stated in the scheme.

FRS 20(39)(b)(c)

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 notes 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 2009

8. Other losses – net

FRS 1(97,98)

	Group		
	2009 \$'000	2008 \$'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)(ii)
Financial assets, available-for-sale			
- Impairment loss (Note 16)	(575)	–	FRS 107(20)(a)(ii)
- Transfer from equity on disposal (Note 38(b)(iii))	200	–	FRS 107(20)(e)
	(375)	–	FRS 107(20)(a)(ii)
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 ¹	(210)	(116)	FRS 21(52)(a)
Gain on disposal of property, plant and equipment	17	8	
Net fair value (losses)/gains on investment properties (Note 26)	(123)	50	FRS 40(76)(d)
Loss on disposal of subsidiary (see notes below)	(945)	–	
	(1,503)	(1,611)	

On 28 June 2009, the Company disposed of its 100% interest in PwC Logistics Pte 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 2009, 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 41(b) for details on additional consideration receivable.

FRS 1(97)

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 2009

9. Finance expenses

	Group		
	2009	2008	
	\$'000	\$'000	
Interest expense			
- bank borrowings	(4,922)	(5,872)	DV
- convertible bonds (Note 32)	(2,873)	–	DV
- dividend on redeemable preference shares	(1,950)	(1,950)	FRS 24(17,18(a))
- finance lease liabilities	(67)	(62)	DV
	<u>(9,812)</u>	<u>(7,884)</u>	FRS 107(20)(b)
Amortisation of discount on provision for legal claims (Note 35(c))	(70)	(65)	FRS 37(84)(e)
Cash flow hedges, transfer from hedging reserve (Note 38(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 investment property (Note 26)	<u>129</u>	<u>125</u>	FRS 23(26)(a)
Finance expenses recognised in the statement of comprehensive income	<u>(7,073)</u>	<u>(9,060)</u>	

Borrowing costs on general financing were capitalised at a rate of 6.2% (2008: 5.6%).

FRS 23(26)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2009

10. Income taxes

(a) Income tax expense

	Group		
	2009 \$'000	2008 \$'000	
Tax expense attributable to profit is made up of:			FRS 12(79)
- Profit from current financial year:			
<i>From continuing operations</i>			
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 36)	379	2,635	FRS 12(80)(c)
	14,921	7,618	
<i>From discontinued operations</i>			
Current income tax			
- Foreign (Note 11)	37	(187)	FRS 12(81)(h)
	14,958	7,431	
- Under provision in prior financial years:			
<i>From continuing operations</i>			
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 (Note 11)	37	(187)	
	14,958	7,531	

Notes to the Financial Statements

For the financial year ended 31 December 2009

10. Income taxes (continued)

(a) Income tax expense (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	
	2009 \$'000	2008 \$'000
Profit before tax from		
- continuing operations	47,397	26,218
- discontinued operations (Note 11)	137	(667)
	47,534	25,551
Tax calculated at tax rate of 17% (2008: 18%) ¹	8,081	4,599
Effects of		
- change in Singapore tax rate (Note 36)	-	-
- different tax rates in other countries	5,143	2,196
- tax incentives	(60)	(33)
- expenses not deductible for tax purposes	2,824	952
- income not subject to tax	(966)	(225)
- utilisation of previously unrecognised		
- tax losses	(44)	(23)
- capital allowances	(26)	(15)
- other	6	(20)
Tax charge	14,958	7,431

During the financial year, the Singapore corporate tax rate was reduced from 18% to 17% for the year of assessment 2009 and onwards.

FRS 12(81)(d)

(b) Movement in current income tax liabilities

DV

	Group		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'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	2,942	3,833	235	325

Included in the Company's current tax liabilities is consideration of \$132,000 (2008: \$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 2009

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 22 January 2009, 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 2009] 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 2009

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

Following the approval of the Group's management and shareholders on 31 May 2009 to sell 70% in PwC Glass Sdn Bhd in Malaysia (comprising of the Group's glass business segment), the entire assets and liabilities related to PwC Glass Sdn Bhd are classified as a disposal group held-for-sale on the balance sheet, and the entire results from PwC Glass Sdn Bhd are presented separately on the statement of comprehensive income as "Discontinued operations". The transaction is expected to be completed by April 2010.

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	
	2009 \$'000	2008 \$'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	
	2009 \$'000	2008 \$'000
Operating cash inflows ²	300	790
Investing cash outflows ²	(103)	(20)
Financing cash outflows ²	(295)	(66)
Total cash (outflows)/inflows	(98)	704

Notes to the Financial Statements

For the financial year ended 31 December 2009

11. Discontinued operations and Disposal Group classified as held-for-sale (continued)

	Group 2009 \$'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 29(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 35(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 2009

12. Earnings per share^{1,2}

(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)

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>		
	<u>2009</u>	2008	<u>2009</u>	2008	<u>2009</u>	2008	
Net profit/(loss) attributable to equity holders of the Company (\$'000)	<u>29,928</u>	17,576	<u>100</u>	(480)	<u>30,028</u>	17,096	FRS 33(70)(a)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>22,454</u>	19,500	<u>22,454</u>	19,500	<u>22,454</u>	19,500	FRS 33(70)(b)
Basic earnings/(loss) per share (\$ per share)	<u>1.33</u>	0.90	<u>0.01</u>	(0.02)	<u>1.34</u>	0.88	

(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 2009

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		
	2009	2008	2009	2008	2009	2008	
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	1,858	600	1,858	600	1,858	600	
	27,612	20,100	27,612	20,100	27,612	20,100	FRS 33(70)(b)
Diluted earnings/(loss) per share (\$ per share)	1.18	0.87	*	(0.02)	1.18	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.
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 statement of comprehensive income.

FRS 33(64)

FRS 33(73)

Notes to the Financial Statements

For the financial year ended 31 December 2009

13. Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	12,480	30,798	343	243
Short-term bank deposits ¹	9,530	5,414	1,659	2,734
	22,010	36,212	2,002	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	
	2009	2008
	\$'000	\$'000
Cash and bank balances (as above)	22,010	36,212
Less: Bank deposits pledged ²	(200)	(200)
Less: Bank overdrafts (Note 31)	(2,650)	(6,464)
Cash and cash equivalents per consolidated cash flow statement	19,160	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 \$[] (2008: \$[]) 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 2009

13. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries

On 28 June 2009, the Company disposed of its entire interest in PwC Logistics Pte Ltd for a cash consideration of \$983,000.

FRS 103(66)(a)

On 1 October 2009, the Company acquired 70% of the issued share capital of PwC Components (China) Pte Ltd for a cash consideration of \$14,250,000 (Note 25).

FRS 103(67)(d)

The aggregate effects of the acquisition and disposal of subsidiaries on the cash flows of the Group were:¹

	<div> <div>← Acquisition →</div> <div>Group</div> <div>→ Disposal</div> </div>			
	At fair values	Carrying amounts in acquiree's books	Carrying amount	
	\$'000	\$'000	\$'000	
<u>Identifiable assets and liabilities</u>				
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 28)	67,784	62,971	(1,380)	FRS 7(40)(d)
Trademarks and licences (Note 29(b))	4,000	—	—	FRS 7(40)(d)
Investment in associated company (Note 23)	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	(15,000)	(15,000)	1,257	FRS 7(40)(d)
Provisions for other liabilities and charges (Note 35)	(300)	—	—	
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 36)	(3,753)	(1,953)	2,037	
Total liabilities	(60,512)	(59,931)	3,374	
Identifiable net assets	15,141	6,709	(3,328)	
Less: Minority interests	(4,542)	(575)	300	
Identifiable net assets acquired/(disposed)	10,599	6,134	(3,028)	
Goodwill (Note 29(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 2009

13. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of PwC Logistics Pte Ltd were:¹

	Group \$'000	
Identifiable net assets disposed (as above)	3,028	
Goodwill (Note 29(a))	100	
Transfer from shareholders' equity – currency translation differences (Note 38(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(38)

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

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

	Group		
	2009 \$'000	2008 \$'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 2009

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	
2009							
<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)	
Less: Current portion		(1,069)	440		(232)	35	FRS 1(66, 69)
Non-current portion		395	(135)		34	(12)	
2008							
<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	(47)	FRS 107(22)(a,b)
<i>Non-hedging instruments</i>							
- Currency forwards	1,023	110	(29)	–	–	–	
Total		564	(284)		84	(47)	
Less: Current portion		(452)	240		(78)	45	FRS 1(66,69)
Non-current portion		112	(44)		6	(2)	

Period when the cash flows on cash flow hedges are expected to occur or affect profit or loss

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 December 2012. Fair value gains and losses on the interest rate swaps recognised in the hedging reserve are transferred to profit or loss 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 profit or loss within three months from the balance sheet date except for those forwards 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 in profit or loss 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 2009

16. Financial assets, available-for-sale

	Group		Company		DV
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	12,937	11,958	1,218	1,124	
Currency translation differences ¹	47	200	–	–	
Acquisition of subsidiary (Note 13)	473	–	–	–	
Additions	3,956	691	316	–	
Fair value gains/(losses) recognised in equity (Note 38(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(66)
Non-current portion	15,298	12,291	1,500	1,218	FRS 1(66)

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

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Listed securities					
- equity securities – Singapore ²	7,885	5,587	1,500	1,218	
- equity securities – US ²	3,728	2,086	–	–	
- SGD corporate fixed rate notes of 4% due 27 August 2012 ²	288	–	–	–	
	11,901	7,673	1,500	1,218	
Unlisted securities					
- SGD corporate variable rate notes due 30 November 2010 ²	5,347	5,264	–	–	
	17,248	12,937	1,500	1,218	

The fair values of unlisted debt securities are based on cash flows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2009: 4.2%, 2008: 4.0%).

FRS 107(27)(a,b)

The Group has recognised an impairment loss of \$575,000 (2008: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period during the financial year.

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 2009

17. Trade and other receivables – current

FRS 1(77,78(b))

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Finance lease receivables (Note 21)	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(78)(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 20)	(2,322)	(1,240)	–	–	
	346	36	–	–	
Staff loans (Note 22)	60	25	30	20	
Deposits	345	221	–	–	
Prepayments	200	105	50	50	
Other receivables	40	40	20	15	
	19,510	16,399	7,612	2,166	

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of \$1,260,000 (2008: \$1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2009. 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 31(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 2009

18. Inventories

FRS 1(75)(c)

FRS 2(36)(b)

	<u>Group</u>		<u>Company</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Raw materials	7,622	7,612	–	–
Work-in-progress	1,810	1,796	–	–
Finished/trading goods	14,826	7,686	2,200	335
	24,258	17,094	2,200	335

FRS 2(37)

FRS 2(37)

FRS 2(37)

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$37,842,000 (2008: \$20,738,000).

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

Inventories of \$1,200,000 (2008: \$1,000,000) of the Group and \$600,000 (2008: \$300,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 31(a)).

FRS 2(36)(h)

The Group has recognised a reversal of \$200,000 (2008: Nil), being part of an inventory write-down made in 2008, as the inventories were sold above the carrying amounts in 2009.

FRS 2(36)(f,g)

Notes to the Financial Statements

For the financial year ended 31 December 2009

19. Construction contracts

	Group		
	2009	2008	
	\$'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 profit or loss	(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 ¹ (Note 17)	1,384	1,188	FRS 11(42)(a)
Due to customers on construction contracts ¹ (Note 30)	(80)	(60)	FRS 11(42)(b)
	1,304	1,128	
Advances received on construction contracts (Note 30)	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. These balances are monetary items in nature and will need to be translated at closing rates at the balance sheet date if they are denominated in foreign currencies.

FRS 11(42)

FRS 21(23)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

20. Trade and other receivables – non-current

FRS 1(77,78(b))

	<u>Group</u>		<u>Company</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Finance lease receivables (Note 21)	600	600	–	–
Other receivables				
- Loan to an associated company (Note 17)	2,322	1,240	–	–
- Loans to subsidiaries	–	–	2,986	3,100
- Staff loans (Note 22)	200	150	150	100
	3,122	1,990	3,136	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>	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	%	%
Finance lease receivables	590	610	–	–	7.1%	6.8%
Loan to an associated company	2,400	1,300	–	–	7.3%	7.3%
Loans to subsidiaries	–	–	2,986	3,100	6.5%	6.3%
Staff loans	205	152	155	106	7.5%	7.4%

Notes to the Financial Statements

For the financial year ended 31 December 2009

21. Finance lease receivables

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2010 and 2015, and the non-related parties have options to extend the leases at market rates.

FRS 17(47)(f)

	Group		
	2009	2008	
	\$'000	\$'000	
Gross receivables due			FRS 17(47)(a)
- Not later than one year	236	316	
- Later than one year but within five years	700	600	
- Later than five years	146	147	
	1,082	1,063	
Less: Unearned finance income	(326)	(245)	FRS 17(47)(b)
Net investment in finance leases	756	818	

The net investment in finance leases is analysed as follows:

FRS 17(47)(a)

	Group		
	2009	2008	
	\$'000	\$'000	
Not later than one year (Note 17)	156	218	
Later than one year but within five years (Note 20)	600	600	
	756	818	

22. Staff loans

	Group		Company		
	2009	2008	2009	2008	
	\$'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 20)	200	150	150	100	
	260	175	180	120	

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)

	Group		Company		
	2009	2008	2009	2008	
	\$'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	
	35	55	35	55	

Notes to the Financial Statements

For the financial year ended 31 December 2009

23. Investments in associated companies

	<u>Group</u>		<u>Company</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Equity investment at cost			1,000	1,000
Beginning of financial year	8,569	8,133		
Currency translation differences	(603)	291		
Acquisition of subsidiary (Note 13)	389	–		
Share of (losses)/profits ¹	(174)	145		
Share of movement in fair value reserve (Note 38(b)(iii))	27	–		
End of financial year	8,208	8,569		
The summarised financial information of associated companies is as follows ^{2,3}				
- Assets	59,774	36,918		
- Liabilities	46,401	23,674		
- Revenue	65,865	45,013		
- Net (loss)/profit	(500)	800		
Share of associated companies' contingent liabilities incurred jointly with other investors	106	240		
Contingent liabilities for which the Group is severally liable	60	100		
Goodwill amounting to \$1,020,000 (2008: \$1,020,000) is included in the carrying amount of investments in associated companies.				
The Group has not recognised its share of losses of an associated company amounting to \$15,000 (2008: \$5,000) because the Group's cumulative share of losses exceeds its interest in that entity ⁴ and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to \$27,000 (2008: \$12,000) at the balance sheet date.				
The Group has not recognised its share of profits for the financial year of another associated company amounting to \$13,000 (2008: \$20,000) because the Group's cumulative share of unrecognised losses with respect to that entity amounts to \$25,000 (2008: \$38,000) at the balance sheet date.				
The Group's investments in associated companies include investments in listed associated companies with a carrying amount of \$800,000 (2008: \$800,000), for which the published price quotations are \$1,440,000 (2008: \$1,250,000) at the balance sheet date.				

Details of significant associated companies are provided in Note 50.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 2009

24. Investment in a joint venture

The Company has a 60% equity interest at a cost of \$880,000 (2008: \$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.¹

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 statement of comprehensive income using the line-by-line format of proportionate consolidation:^{2,3}

FRS 31(56)

	Group	
	2009	2008
	\$'000	\$'000
Assets		
- Current assets	803	717
- Non-current assets	2,730	2,124
	<u>3,533</u>	<u>2,841</u>
Liabilities		
- Current liabilities	(388)	(406)
- Non-current liabilities	(1,081)	(1,073)
	<u>(1,469)</u>	<u>(1,479)</u>
Net assets	<u>2,064</u>	<u>1,362</u>
Sales	1,100	778
Expenses	(354)	(509)
Profit before tax	<u>746</u>	<u>269</u>
Income tax	(224)	(160)
Profit after tax	<u>522</u>	<u>109</u>
Operating cash inflows	640	560
Investing cash (outflows)/inflows	(40)	70
Financing cash outflows	(20)	(110)
Total cash inflows	<u>580</u>	<u>520</u>
Capital commitments in relation to interest in joint venture	<u>-</u>	<u>250</u>
Proportionate interest in joint venture's capital commitments	<u>90</u>	<u>92</u>

DV

FRS 7(50)(b)

FRS 31(55)(a)

FRS 31(55)(b)

Details of the joint venture are included in Note 50.

Notes to the Financial Statements

For the financial year ended 31 December 2009

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:

CA 5(1)
FRS 27(4)

- (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).

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 consolidated financial statements 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 2009

25. Investments in subsidiaries

	Company	
	2009	2008
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	96,460	96,460
Acquisition	14,250	–
Disposal	(300)	–
End of financial year	<u>110,410</u>	<u>96,460</u>

DV

Details of significant subsidiaries are included in Note 50.

Acquisition of a subsidiary

On 1 October 2009, the Company acquired 70% of equity interest of XYZ Electronics Pte Ltd (now known as PwC Components (China) Pte Ltd ("PwC China")) 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.

FRS 103(67)(f)

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 2009 to 31 December 2009. The subsidiary's assets and liabilities as at 31 December 2009 were \$2,950,000 and \$890,000 respectively. If the acquisition had occurred on 1 January 2009, 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 2010, which is a transaction after the balance sheet date, is set out in Note 47.

Notes to the Financial Statements

For the financial year ended 31 December 2009

26. Investment properties

	Group		
	2009	2008	
	\$'000	\$'000	
Beginning of financial year	3,415	3,365	FRS 40(76)
Reclassification of property under development from property, plant and equipment ¹	2,040	–	
Improvements	288	–	
Disposals	(70)	–	
Net fair value (loss)/gain recognised in profit or loss (Note 8)	(123)	50	FRS 40(76)(d)
End of financial year	5,550	3,415	FRS 40(76)

Investment properties are carried at fair values² 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 42(c)).

FRS 17(56)(c)

FRS 17(57)

Certain investment properties are mortgaged to secure bank loans (Note 31(a)).

FRS 40(75)(g)

The following amounts are recognised in profit and loss:

	Group		
	2009	2008	
	\$'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

- Under the amendment to FRS 40 that became effective 1 January 2009, investment property that is being constructed or developed for future use as investment property is accounted for as investment property. Accordingly, the amounts are reclassified from property, plant and equipment to investment property.

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 2009

27. Financial assets, held-to-maturity – non-current

	Group		
	2009	2008	
	\$'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	–	FRS 1(65)
	2,122	1,593	FRS 107(8)(b)

The fair values of the bonds at the balance sheet date are as follows:

FRS 107(25)

	Group	
	2009	2008
	\$'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)

	Group	
	2009	2008
	\$'000	\$'000
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 2009

28. Property, plant and equipment

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	Reference
Group								
2009								
<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	FRS 16(73)(a)
	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 ⁶ (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 investment properties ⁴						(2,040)	(2,040)	FRS 40(8)(e), (85B)
Reclassified to disposal group	–	–	–	(1,842)	–	–	(1,842)	FRS 16(73)(e)(ii)
Disposals ¹	–	(594)	(1,526)	(4,887)	–	–	(7,007)	FRS 16(73)(e)(ii)
Revaluation surplus ² (Note 39(b)(vii))	50	93	110	–	–	–	253	FRS 16(73)(e)(iv)
Revaluation adjustments ²	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	8,450	22,854	59,022	102,884	3,743	360	197,313	FRS 16(73)(d)
<i>Representing:</i>								
Cost	–	–	–	102,884	3,743	360	106,987	FRS 16(73)(a)
Valuation	8,450	22,854	59,022	–	–	–	90,326	FRS 16(73)(a),
	8,450	22,854	59,022	102,884	3,743	360	197,313	SGX 1207(10)
								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 ¹	–	(34)	(86)	(550)	–	–	(670)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	–	(455)	(970)	–	–	–	(1,425)	FRS 16(73)(e)(iv)
End of financial year	–	–	–	41,671	2,031	–	43,702	FRS 16(73)(d)
Net book value								
End of financial year	8,450	22,854	59,022	61,213	1,712	360	153,611	

Notes to the Financial Statements

For the financial year ended 31 December 2009

28. Property, plant and equipment (continued)

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	FRS 1(75)(a)
Group								
2008								
<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	FRS 16(73)(a)
	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 ¹	–	–	–	(5,737)	–	–	(5,737)	FRS 16(73)(e)(ii)
Revaluation surplus ² (Note 38(b)(vii))	100	235	798	–	–	–	1,133	FRS 16(73)(e)(iv)
Revaluation adjustments ²	–	(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	
Disposals ¹	–	–	–	(2,750)	–	–	(2,750)	FRS 16(73)(e)(ii)
Revaluation adjustments ²	–	(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	8,400	8,061	21,453	58,526	1,450	2,040	99,930	

Notes to the Financial Statements

For the financial year ended 31 December 2009

28. Property, plant and equipment (continued)

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000	FRS 1(75)(a)
Company				
2009				
<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)
Net book value				
End of financial year	649	206	855	
2008				
<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)
Net book value				
End of financial year	370	30	400	

Notes to the Financial Statements

For the financial year ended 31 December 2009

28. 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 (2008: Nil) and \$200,000 (2008: Nil) respectively.

FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are \$745,000 (2008: \$450,000) and \$180,000 (2008: Nil) respectively at the balance sheet date⁵.

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	
	2009	2008
	\$'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 \$52,835,000 and \$537,000 respectively (2008: \$75,530,000 and \$390,000) (Note 31(a)).

FRS 16(74)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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.

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.

Property under development

4. Property under construction or development for future use as investment property is in the scope of FRS 40 for annual periods beginning on or after 1 January 2009 ("the effective date") (Improvements to FRS published in October 2008). Investment property under construction that was previously accounted for as property under development under FRS 16 shall be reclassified as investment property from the effective date onwards.

Leased assets

5. Net carrying amount at the balance sheet date shall be disclosed for each class of assets acquired by finance lease.

Acquisition of subsidiary

6. Property, plant and equipment acquired as part of a business combination should be initially recorded at fair value from the perspective of the Group. From the viewpoint of the acquired entity, however, the property, plant and equipment continue to be recorded at cost less accumulated depreciation, including accumulated depreciation recorded prior to the date of the business combination. At Group level, consolidation adjustments may be necessary to adjust subsidiary book values to the Group numbers. For example, any pre-acquisition accumulated depreciation at the subsidiary level should not be carried forward to the consolidated Group numbers.

FRS 16(35)

FRS 16(81)

FRS 40(8)(e), (85B)

FRS 17(31)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Intangible assets

<u>Composition:</u>	<u>Group</u>		<u>Company</u>	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Goodwill arising on consolidation (Note (a))	10,860	12,000	–	–
Trademark and licences (Note (b))	12,648	7,000	1,000	1,000
Computer software licences and development costs (Note (c))	814	600	200	100
	24,322	19,600	1,200	1,100

(a) Goodwill arising on consolidation

	<u>Group</u>		
	2009	2008	
	\$'000	\$'000	
<i>Cost</i>			
Beginning of financial year	12,000	12,150	FRS 103(75)(a)
Acquisition of subsidiary (Note 13)	3,651	–	FRS 38(118)(e)(i)
Disposal of subsidiary (Note 13)	(100)	–	FRS 38(118)(e)(viii)
Currency translation differences	(41)	(150)	FRS 103(75)(f)
End of financial year	15,510	12,000	FRS 103(75)(h)
<i>Accumulated impairment</i>			
Beginning of financial year	–	–	FRS 103(75)(a)
Impairment charge (Note 5)	4,650	–	FRS 38(118)(e)(iv)
End of financial year	4,650	–	FRS 103(75)(e)
			FRS 103(75)(h)
Net book value	10,860	12,000	

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

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					
	2009			2008		
Component	parts	Furniture	Total	Component	Furniture	Total
	\$'000	\$'000	\$'000	parts	\$'000	\$'000
Singapore	5,970	120	6,090	5,970	120	6,090
People's Republic of China ("PRC")	3,764	27	3,791	125	4,680	4,805
Philippines	270	90	360	300	100	400
Other	539	80	619	625	80	705
	10,543	317	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)

2009	Component parts				Furniture			
	Singapore	PRC	Philippines	Other	Singapore	PRC	Philippines	Other
Gross margin ¹	45.0%	56.0%	57.0%	56.0%	30.0%	32.0%	34.0%	35.0%
Growth rate ²	2.0%	4.5%	2.2%	1.9%	1.1%	2.6%	1.9%	1.4%
Discount rate ³	7.1%	14.5%	12.0%	13.2%	7.0%	15.0%	13.3%	13.5%

¹ Budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows beyond the budget period

³ Pre-tax discount rate applied to the pre-tax cash flow projections

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

2008	← Component parts →				← Furniture →			
	Singapore	PRC	Philippines	Other	Singapore	PRC	Philippines	Other
Gross margin ¹	60.0%	59.0%	60.0%	56.0%	58.0%	56.0%	58.0%	55.0%
Growth rate ²	5.8%	8.8%	7.8%	1.9%	5.1%	8.3%	7.1%	1.4%
Discount rate ³	6.3%	10.0%	10.7%	12.8%	6.5%	11.0%	11.8%	13.5%

¹ Budgeted gross margin

² Weighted average growth rate used to extrapolate cash flows beyond the budget period

³ Pre-tax discount rate applied to the pre-tax cash flow projections

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)(ii)

FRS 36(55)

An impairment charge of \$4,650,000 (2008: Nil) is included within "Administrative expenses" in the statement of comprehensive income¹. 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)

The impairment test carried out as at 31 December 2009 for the component parts CGU in Singapore, which includes 55% of the goodwill recognised on the balance sheet has revealed that the recoverable amount of the CGU is only \$10,000,000 or 3% higher than its carrying amount. This is the result of the significant pressure felt on selling prices and a sharp decrease in demand encountered as a result of the economic crisis. A further decrease in the growth margin by 1% or a decrease in the growth rate by 0.2% would result in the recoverable amount of the component parts CGU in Singapore to equal its carrying amount².

FRS 36(134)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Intangible assets (continued)

(b) Trademark and licences

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					
Beginning of financial year	7,700	7,306	1,560	900	FRS 38(118)(e)
Currency translation differences	(19)	(306)	–	–	FRS 38(118)(e)(vii)
Acquisition of subsidiary (Note 13)	4,000	–	–	–	FRS 38(118)(e)(i)
Additions	2,447	700	100	660	FRS 38(118)(e)(i)
Reclassified to disposal group (Note 11)	(100)	–	–	–	FRS 38(118)(e)(ii)
End of financial year	14,028	7,700	1,660	1,560	FRS 38(118)(e)
<i>Accumulated amortisation</i>					
Beginning of financial year	700	335	560	500	FRS 38(118)(e)(vi)
Amortisation charge					
- Continuing operations	655	315	100	60	
- Discontinued operations	25	50	–	–	
End of financial year	1,380	700	660	560	FRS 38(118)(c)
Net book value	12,648	7,000	1,000	1,000	

(c) Computer software licences and development costs

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					
Beginning of financial year	1,300	1,345	120	120	FRS 38(118)(c)
Currency translation differences	(32)	(45)	–	–	FRS 38(118)(e)
Additions	366	–	120	–	FRS 38(118)(e)(vii)
End of financial year	1,634	1,300	240	120	FRS 38(118)(e)(i)
<i>Accumulated amortisation</i>					
Beginning of financial year	700	500	20	–	FRS 38(118)(c)
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	

Notes to the Financial Statements

For the financial year ended 31 December 2009

29. Intangible assets (continued)

- (d) Amortisation expense included in the statement of comprehensive income is analysed as follows¹:

FRS 38(118)(d)

	Group	
	2009	2008
	\$'000	\$'000
Cost of sales	655	315
Administrative expenses	120	200
Total (Note 5)	775	515

Guidance notes

Intangible assets

Line items on the statement of comprehensive income in which impairment losses are included

1. These disclosures are required only for entities that present expenses by function on the face of the statement of comprehensive income.

FRS 38(118)(d)

Effects of reasonably possible changes on impairment key assumptions

1. If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount, disclose:

FRS 36(134(f))

- the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;
- the value assigned to the key assumption;
- the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

Notes to the Financial Statements

For the financial year ended 31 December 2009

30. Trade and other payables – current

FRS 1(77)

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Trade payables to					FRS 24(17)(b),22)
- Non-related parties	958	528	86	140	
- Associated companies	2,202	1,095	40	200	FRS 24(18)(d)
- Subsidiaries	–	–	20	14	FRS 24(18)(c)
- Fellow subsidiaries	9,690	7,021	–	–	FRS 24(18)(g)
	12,850	8,644	146	354	
Construction contracts					
- Advances received (Note 19)	541	262	–	–	FRS 11(40)(b)
- Due to customers (Note 19)	80	60	–	–	FRS 11(42)(b)
	621	322	–	–	
Accrued interest payable on borrowings	1,381	538	113	167	
Financial guarantees	–	–	160	–	
Other accruals for operating expenses	1,589	1,052	288	28	
	16,441	10,556	707	549	

Notes to the Financial Statements

For the financial year ended 31 December 2009

31. Borrowings

	Group		Company		FRS 1(77)
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Bank overdrafts (Note 13)	2,650	6,464	3,500	3,200	
Bank borrowings ²	6,754	9,131	–	7,000	FRS 1(73)
Finance lease liabilities (Note 34)	120	75	–	–	
	9,524	15,670	3,500	10,200	FRS 1(60,69)
<i>Non-current</i>					
Bank borrowings ²	39,228	58,839	–	31,751	FRS 1(73)
Convertible bonds (Note 32)	48,267	–	48,267	–	
Redeemable preference shares (Note 33)	30,000	30,000	30,000	30,000	
Finance lease liabilities (Note 34)	805	375	–	–	
	118,300	89,214	78,267	61,751	FRS 1(60,69)
Total borrowings ¹	127,824	104,884	81,767	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)

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
6 months or less	2,710	6,501	3,500	3,200
6 – 12 months	6,814	9,169	–	7,000
1 – 5 years	87,995	59,104	48,267	31,715
Over 5 years	30,305	30,110	30,000	30,000
	127,824	104,884	81,767	71,915

(a) Security granted

Total borrowings include secured liabilities of \$49,557,000 (2008: \$74,884,000) and \$3,500,000 (2008: \$41,951,000) 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 26) and certain land and buildings (Note 28(d)). Finance lease liabilities of the Group are effectively secured over the leased plant and equipment, and motor vehicles (Note 28(a)), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

FRS 107(14)

FRS 2(36)(h)

FRS 16(74)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

31. Borrowings (continued)

(b) Fair value of non-current borrowings

FRS 107(25)

FRS 107(29)(a)

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	41,193	57,135	–	29,987
Convertible bonds	48,267	–	48,267	–
Redeemable preference shares	30,931	31,314	30,391	31,314
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	
	2009	2008	2009	2008
Bank borrowings	5.8%	6.3%	–	6.3%
Convertible bonds	6.0%	–	6.0%	–
Redeemable preference shares	6.0%	5.8%	6.0%	5.8%
Finance lease liabilities	6.0%	6.1%	–	–

(c) Undrawn borrowing facilities

DV

FRS 7(50)(a)

	Group		Company	
	2009	2008	2009	2008
	\$'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 2010. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Guidance notes

- 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(74)

FRS 107(18)

FRS 1(73)

Notes to the Financial Statements

For the financial year ended 31 December 2009

32. Convertible bonds

On 2 January 2009, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of \$50,000,000. The bonds are due for repayment five years from the issue date at their nominal value of \$50,000,000 or conversion 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

	Group and Company	
	2009	2008
	\$'000	\$'000
Face value of convertible bonds issued on 2 January 2009	50,000	—
Equity conversion component (Note 38(b)(vi)) ¹	(2,106)	—
Liability component on initial recognition at 2 January 2009	47,894	—
Interest expense (Note 9)	2,873	—
Interest paid	(2,500)	—
Liability component at end of financial year (Note 31)	48,267	—

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 2009

33. 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

34. 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	
	2009	2008
	\$'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
	<u>1,296</u>	<u>630</u>
Less: Future finance charges	(371)	(180)
Present value of finance lease liabilities	<u>925</u>	<u>450</u>

FRS 17(31)(b)

The present values of finance lease liabilities are analysed as follows:

FRS 17(31)(b)

	Group	
	2009	2008
	\$'000	\$'000
Not later than one year (Note 31)	<u>120</u>	<u>75</u>
Later than one year (Note 31)		
- Between one and five years	500	265
- Later than five years	305	110
	<u>805</u>	<u>375</u>
Total	<u>925</u>	<u>450</u>

Notes to the Financial Statements

For the financial year ended 31 December 2009

35. Provisions for other liabilities and charges

FRS 1(78)(d)

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					FRS 1(61,69)
Warranty (Note (a))	1,026	2,300	100	210	
Restructuring (Note (b))	1,100	–	–	–	
	2,126	2,300	100	210	
<i>Non-current</i>					FRS 1(61,69)
Legal claims (Note (c))	1,655	1,585	200	95	
Total	3,781	3,885	300	305	

(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>		
	2009	2008 ¹	2009	2008 ¹	
	\$'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	1,026	2,300	100	210	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 2009. 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)

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 2009, following the finalisation of certain restructuring costs in the second half of 2009. The provision for restructuring is expected to be fully utilised during the first half of 2010.²

FRS 34(26)

In conjunction with the restructuring exercise, a goodwill impairment charge of \$4,650,000 is recognised (Note 29(a)).

FRS 36(130)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

35. Provisions for other liabilities and charges (continued)

(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 2011. 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 2009. 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)

At the date of acquisition of PwC China, the acquiree was the defendant in a pending lawsuit for maximum claims of up to \$1,000,000. The fair value of the contingent liability related to that lawsuit, which is estimated to be \$300,000 at the acquisition date, has been recognised as a provision for legal claims. In addition, the sale and purchase agreement contains an indemnification clause in which the previous owners of PwC China agreed to reimburse the Company up to an amount of \$200,000 for the lawsuit. This possible compensation from the selling shareholders of PwC China has not been recognised as an indemnification asset of the acquirer. However, it would be adjusted against goodwill once received from the vendor.

Movement in provision for legal claims is as follows:

	Group		Company		
	2009	2008 ¹	2009	2008 ¹	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,585	1,342	95	90	FRS 37(84)(a)
Currency translation difference	(100)	(22)	—	—	
Acquisition of subsidiary	300	—	—	—	
Provision made	100	200	85	5	FRS 37(84)(b)
Provision utilised	(300)	—	—	—	
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 2009

36. 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 statements of financial position as follows:

FRS 12(74)

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Deferred income tax assets					
- to be recovered within one year	(647)	(82)	-	-	FRS 1(52,60)
- to be recovered after one year	(2,672)	(3,146)	-	-	FRS 1(52,60)
	(3,319)	(3,228)	-	-	
Deferred income tax liabilities					
- to be settled within one year	1,627	890	600	559	FRS 1(52,60)
- to be settled after one year	10,043	7,516	2,179	1,492	FRS 1(52,60)
	11,670	8,406	2,779	2,051	

Movement in deferred income tax account is as follows:

DV

	Group		Company		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	5,178	3,462	2,051	2,011	
Effects of change in Singapore tax rate (Note 10a)					
- profit or loss (Note 10a)	(288)	-	(115)	-	
- equity (see note below)	(50)	-	-	-	
Currency translation differences	619	(1,178)	-	-	
Acquisition of subsidiary (Note 13)	3,753	-	-	-	
Disposal of subsidiary (Note 13)	(2,037)	-	-	-	
Tax charge/(credited) to					
- profit or loss (Note 10a)	667	2,635	438	20	
- equity (see note below)	509	259	405	20	
End of financial year	8,351	5,178	2,779	2,051	

Notes to the Financial Statements

For the financial year ended 31 December 2009

36. Deferred income taxes (continued)

Deferred income tax debited against/(credited) to equity (Note 39) are as follows:

FRS 12(81)(a)

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Share option reserve ¹ (Note 38(b)(ii))	(114)	–	(20)	–
Fair value reserve (Note 38(b)(iii))	92	16	(7)	19
Hedging reserve (Note 38(b)(iv))	14	4	11	1
Equity component of convertible bonds (Note 38(b)(vi))	421	–	421	–
Asset revaluation reserve (Note 38(b)(vii))	46	239	–	–
	459	259	405	20

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 (2008: \$5,244,000) and capital allowances of \$400,000 (2008: \$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 2010. The capital allowances will expire between 2011 and 2012.

FRS 12(82)

FRS 12(81)(e)

Deferred income tax liabilities of \$170,000 (2008: \$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 (2008: \$1,500,000) at the balance sheet date.

FRS 12(81)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2009

36. 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

	Accelerated tax depreciation	Fair value gains – net	Convertible bonds	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2009					
Beginning of financial year	7,381	521	–	1,083	8,985
Effect of change in Singapore tax rate					
- profit or loss	(411)	(29)	–	(60)	(500)
- equity	–	(50)	–	–	(50)
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					
- profit or loss	724	24	(105)	227	870
- equity	–	202	421	–	623
End of financial year	6,926	3,876	316	1,706	12,824
2008					
Beginning of financial year	6,413	333	–	284	7,030
Currency translation differences	(818)	(71)	–	–	(889)
Charged to					
- profit or loss	1,786	–	–	799	2,585
- equity	–	259	–	–	259
End of financial year	7,381	521	–	1,083	8,985

Deferred income tax assets

	Provisions	Tax losses	Other	Total
	\$'000	\$'000	\$'000	\$'000
2009				
Beginning of financial year	(734)	(1,960)	(1,113)	(3,807)
Effect of change in Singapore tax rate charged to profit or loss	41	109	62	212
Currency translation differences	(65)	(74)	(172)	(311)
Acquisition of subsidiary	(250)	–	–	(250)
(Credited)/charged to				
- profit or loss	(579)	891	(515)	(203)
- equity	–	–	(114)	(114)
End of financial year	(1,587)	(1,034)	(1,852)	(4,473)
2008				
Beginning of financial year	(977)	(1,500)	(1,091)	(3,568)
Currency translation differences	62	(460)	109	(289)
Charged/(credited) to				
profit or loss	181	–	(131)	50
End of financial year	(734)	(1,960)	(1,113)	(3,807)

Notes to the Financial Statements

For the financial year ended 31 December 2009

36. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gains – net \$'000	Convertible Bonds \$'000	Total \$'000
2009				
Beginning of financial year	2,014	82	–	2,096
Effect of change in Singapore tax rate credited to profit or loss	(117)	–	–	(117)
Charged to				
- profit or loss	483	–	21	504
- equity	–	4	421	425
End of financial year	2,380	86	442	2,908
2008				
Beginning of financial year	1,958	62	–	2,020
Charged to				
- profit or loss	56	–	–	56
- equity	–	20	–	20
End of financial year	2,014	82	–	2,096

Deferred income tax assets

	Provisions \$'000	Other \$'000	Total \$'000
2009			
Beginning of financial year	(41)	(4)	(45)
Effect of change in Singapore tax rate charged to profit or loss	2	–	2
Charged/(credited) to			
- profit or loss	15	(81)	(66)
- equity	–	(20)	(20)
End of financial year	(24)	(105)	(129)
2008			
Beginning of financial year	(15)	6	(9)
Credited to profit or loss	(26)	(10)	(36)
End of financial year	(41)	(4)	(45)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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.

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 profit or loss.

FRS 12(61,68A-68C)

Notes to the Financial Statements

For the financial year ended 31 December 2009

37. Share capital and treasury shares

FRS 1(76,97)(c))

Group and Company	No. of		Amount	
	← ordinary shares →		←	
	Issued share capital \$'000	Treasury shares \$'000	Share capital \$'000	Treasury shares \$'000
2009				
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 38(b)(i))	–	–	–	946
- Gain transferred to capital reserve (Note 38(b)(ii))	–	–	–	(374)
	–	750	–	1,554
End of financial year	24,050	(975)	41,495	(1,418)
2008				
Beginning of financial year	20,000	–	32,024	–
Treasury shares purchased	–	(725)	–	(900)
End of financial year	20,000	(725)	32,024	(900)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

FRS 1(76)(a)(ii)

On 1 March 2009, 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 2009

37. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2008: 725,000) of its new shares in the open market during the financial year. The total amount paid to acquire the shares was \$2,072,000 (2008: \$900,000) and this was presented as a component within shareholders' equity.

FRS 32(33)

The Company re-issued 750,000 (2008: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 (2008: Nil) each, for a total cash consideration (net of expense) of \$982,000 (2008: 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 2006.

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 they have vested, the options are exercisable during 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 2009, 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 ("2009 Options"). The 2009 Options are exercisable from 1 January 2011 and expire on 31 December 2014.

FRS 1(76)(a)(vii)

Notes to the Financial Statements

For the financial year ended 31 December 2009

37. 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		
<u>Group and Company</u>							
2009							
2006							1.1.2008 –
Options	1,850,000	-	(100,000)	(750,000)	1,000,000	\$1.31	31.12.2011
2008							1.1.2010 –
Options	1,732,000	-	(200,000)	-	1,532,000	\$1.28	31.12.2013
2009							1.1.2011 –
Options	-	964,000	-	-	964,000	\$2.95	31.12.2014
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>		
2008							
2006							1.1.2008 –
Options	2,050,000	-	(200,000)	-	1,850,000	\$1.31	31.12.2011
2008							1.1.2010 –
Options	-	1,965,000	(233,000)	-	1,732,000	\$1.28	31.12.2013
	<u>2,050,000</u>	<u>1,965,000</u>	<u>(433,000)</u>	<u>-</u>	<u>3,582,000</u>		

FRS 102(45)(b)(vii)

Out of the unexercised options for 3,496,000 (2008: 3,582,000) shares, options for 1,000,000 (2008: 1,850,000) shares are exercisable at the balance sheet date. Options exercised in 2008 resulted in 750,000 treasury shares (2008: Nil) being re-issued at the exercise price of \$1.31 (2008: Nil) each. The weighted average share price at the time of exercise was \$3.20 (2008: Nil) per share. The related transaction costs amounting to \$500 (2008: Nil) were deducted against the proceeds received.

FRS 102(45)(c)

FRS 102(46,47)(a))

The fair value of options granted on 1 January 2009 (2008: 1 January 2008), determined using the Binomial Valuation Model, was \$600,000 (2008: \$780,000). The significant inputs into the model were the share price of \$2.95 (2008: \$1.28) at the grant date, the exercise price of \$2.95 (2008: \$1.28), standard deviation of expected share price returns of 30% (2008: 27%), the option life shown above and the annual risk-free interest rate of 5% (2008: 4%). The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last three years.

Notes to the Financial Statements

For the financial year ended 31 December 2009

38. Other reserves

FRS 1(97)(c)

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Composition:				
Share option reserve	1,636	1,892	1,636	1,892
Capital reserve	488	–	394	–
Fair value reserve	572	127	96	130
Hedging reserve	87	24	62	12
Currency translation reserve	2,958	2,376	–	–
Equity component of convertible bonds	1,685	–	1,685	–
Asset revaluation reserve	2,202	2,000	–	–
	9,628	6,419	3,873	2,034
(b) Movements:				
(i) Share option reserve				
Beginning of financial year	1,892	1,270	1,892	1,270
Employee share option scheme				
- Value of employee services (Notes 6 and 37)	690	622	690	622
- Issue of treasury shares on exercise of share options (Note 37)	(946)	–	(946)	–
End of financial year	1,636	1,892	1,636	1,892
(ii) Capital reserve				
Beginning of financial year	–	–	–	–
Gain on re-issue of treasury shares (Note 37)	374	–	374	–
Tax on employee share option scheme (Note 36)	114	–	20	–
End of financial year	488	–	394	–
(iii) Fair value reserve				
Beginning of financial year	127	55	130	55
Effect of change in Singapore tax rate	5	–	–*	–
Financial assets, available-for-sale				
- Fair value gains/(losses) (Note 16)	710	88	(34)	94
- Tax on fair value changes	(133)	(16)	6	(19)
	577	72	(28)	75
Share of associated companies' fair value gains on financial assets, available-for-sale, net of tax (Note 23)	27	–	–	–
Reclassification to profit or loss (Note 8)	(200)	–	(7)	–
Tax on reclassification	36	–	1	–
	164	–	(6)	–
End of financial year	572	127	96	130

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)

*Less than \$1,000

Notes to the Financial Statements

For the financial year ended 31 December 2009

38. Other reserves (continued)

(b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
(iv) Hedging reserve					FRS 1(97)(c)
Beginning of financial year	24	8	12	6	
Effect of change in Singapore tax rate	3	–	–*	–	
Fair value gains	417	414	71	16	FRS 107(23)(c)
Tax on fair value gains	(78)	(83)	(13)	(3)	FRS 12(81)(a)
	339	331	58	13	
Reclassification to profit or loss					FRS 107(23)(d)
- Revenue (Note 4)	(128)	(50)	–	–	
- Finance expense (Note 9)	(102)	(304)	(10)	(9)	FRS 107(23)(d)
Transfer to inventories	(60)	(40)	–	–	FRS 107(23)(e)
Transfer to property, plant and equipment	(50)	–	–	–	FRS 107(23)(e)
Tax on transfers/reclassification adjustments	61	79	2	2	FRS 12(81)(a)
	(279)	(315)	(8)	(7)	
End of financial year	87	24	62	12	
(v) Currency translation reserve					FRS 1(97)(c)
Beginning of financial year	2,376	2,454	–	–	FRS 21(52)(b)
Reclassification on disposal of a subsidiary (Note 13)	(1,200)	–	–	–	
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associated companies	1,878	(338)	–	–	
Net currency translation difference on borrowings designated as hedges against foreign subsidiaries ¹	456	220	–	–	
Less: Minority interests ²	(552)	40	–	–	
	1,782	(78)	–	–	
End of financial year	2,958	2,376	–	–	
(vi) Equity component of convertible bonds					FRS 1(97)(c)
Convertible bond – equity component (Note 32)	2,106	–	2,106	–	
Tax on liability component	(421)	–	(421)	–	FRS 12(81)(a)
End of financial year	1,685	–	1,685	–	

*Less than \$1,000

Notes to the Financial Statements

For the financial year ended 31 December 2009

38. Other reserves (continued)

(b) Movements: (continued)

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
(vii) Asset revaluation reserve³					FRS 1(97)(c)
Beginning of financial year	2,000	1,259	–	–	
Effect of change in Singapore tax rate	42	–	–	–	
Revaluation gains (Note 28)	253	1,133	–	–	FRS 16(39)
Tax on revaluation gains	(88)	(239)	–	–	FRS 12(81)(a)
Minority interests ²	(5)	(153)	–	–	
	160	741	–	–	FRS 16(77)(f)
End of financial year	2,202	2,000	–	–	

Other reserves are non-distributable.⁴**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. Currency translation differences arising from such items shall be recognised (a) in profit or loss 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 profits when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained profits 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 2009

39. Retained profits

- (a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to \$405,000 (2008: \$255,000) and the amount of \$1,418,000 (2008: \$900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of \$1,418,000 (2008: \$900,000) utilised to purchase treasury shares.

FRS 1(76)(a)(v)

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

DV

	Company	
	2009	2008
	\$'000	\$'000
Beginning of financial year	1,434	6,384
Net profit	9,944	10,786
Dividends paid (Note 40)	(10,102)	(15,736)
End of financial year	1,276	1,434

40. Dividends¹

	Group and Company	
	2009	2008
	\$'000	\$'000

Ordinary dividends paid

Final exempt dividend paid in respect of the previous financial year of 52.41 cents (2008: 78.68 cents) per share (Note 39)

10,102	15,736
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FRS 1(95)

At the Annual General Meeting on 5 April 2010, 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 profits in the financial year ending 31 December 2010.

FRS 1(125)

FRS 12(81)(i)

FRS 10(12,13)

Guidance notes

Dividend

1. 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 2009

41. Contingencies

(a) Contingent liabilities

Contingent liabilities, excluding those relating to business combinations (Note 35(c)), investments in associated companies (Note 23) and the investment in a joint venture (Note 24), 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 \$16,000,000 (2008: Nil) at the balance sheet date.

(b) Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2009 (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 2010 exceeds \$200,000.

FRS 37(89)

Notes to the Financial Statements

For the financial year ended 31 December 2009

42. 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 23) and investment in a joint venture (Note 24), are as follows:

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Property, plant and equipment	4,193	4,117	800	600	FRS 16(74)(c)
Intangible assets	460	474	200	100	FRS 38(122)(e)
	4,653	4,591	1,000	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>		
	2009	2008	
	\$'000	\$'000	
Not later than one year	11,664	10,204	FRS 17(35)(a)(i)
Between one and five years	45,651	45,651	FRS 17(35)(a)(ii)
Later than five years	15,710	27,774	FRS 17(35)(a)(iii)
	73,025	83,629	

(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:

	<u>Group and Company</u>		
	2009	2008	
	\$'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)
	530	52	

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management¹

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.

(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 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 by entering into currency forwards with banks.

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 (2008: \$3,154,000) and a fair value of \$2,577,000 (2008: \$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 2009

43. 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:²

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
<u>At 31 December 2009</u>					
Financial assets					
Cash and cash equivalents and financial assets at fair value through profit or loss and available-for-sale	22,331	18,693	5,786	3,233	50,043
Trade and other receivables	7,517	4,716	6,100	4,099	22,432
Inter-company balances	15,507	5,351	2,310	100	23,268
Other financial assets	2,122	-	-	-	2,122
	<u>47,477</u>	<u>28,760</u>	<u>14,196</u>	<u>7,432</u>	<u>97,865</u>
Financial liabilities					
Borrowings	(80,182)	(30,982)	(11,250)	(5,410)	(127,824)
Inter-company balances	(15,507)	(5,351)	(2,310)	(100)	(23,268)
Other financial liabilities	(4,526)	(6,801)	(2,384)	(2,213)	(15,924)
	<u>(100,215)</u>	<u>(43,134)</u>	<u>(15,944)</u>	<u>(7,723)</u>	<u>(167,016)</u>
Net financial liabilities	(52,738)	(14,374)	(1,748)	(291)	(69,151)
Add: Net non-financial assets	150,532	25,354	15,127	12,920	203,933
Net assets	<u>97,794</u>	<u>10,980</u>	<u>13,379</u>	<u>12,629</u>	<u>134,782</u>
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	6,000	45,568	22,444	(5,698)	68,314
Less: Currency forwards ³	<u>(4,000)</u>	<u>(32,040)</u>	<u>(12,540)</u>	<u>1,395</u>	<u>(47,185)</u>
Currency profile including non-financial assets and liabilities	<u>99,794</u>	<u>24,508</u>	<u>23,283</u>	<u>8,326</u>	<u>155,911</u>
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>(11,800)</u>	<u>(1,333)</u>	<u>-</u>	<u>(13,133)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. 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
<u>At 31 December 2009</u>					
Financial assets					
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	7,050	4,001	5,300	1,933	18,284
Inter-company balances	12,521	7,505	3,200	100	23,326
Other financial assets	1,593	-	-	-	1,593
	41,926	37,925	15,503	5,324	100,678
Financial liabilities					
Borrowings	(44,684)	(46,736)	(10,648)	(2,816)	(104,884)
Inter-company balances	(12,521)	(7,505)	(3,200)	(100)	(23,326)
Other financial liabilities	(5,216)	(2,878)	(1,540)	(600)	(10,234)
	(62,421)	(57,119)	(15,388)	(3,516)	(138,444)
Net financial (liabilities)/ assets	(20,495)	(19,194)	115	1,808	(37,766)
Add: Net non-financial assets	92,519	25,064	17,125	934	135,642
Net assets	72,024	5,870	17,240	2,742	97,876
Add: Firm commitments and highly probable forecast transactions in foreign currencies ³	2,000	14,893	6,000	(3,876)	19,017
Less: Currency forwards ³	(1,400)	(13,040)	(4,540)	949	(18,031)
Currency profile including non-financial assets and liabilities	72,624	7,723	18,700	(185)	98,862
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	-	(15,750)	100	-	(15,650)

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. 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:²

FRS 107(31,34(a,c))

	← 2009 →			← 2008 →		
	SGD	USD	Total	SGD	USD	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
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
	<u>12,768</u>	<u>1,432</u>	<u>14,200</u>	<u>6,804</u>	<u>2,707</u>	<u>9,511</u>
Financial Liabilities						
Borrowings	(81,767)	-	(81,767)	(33,200)	(38,751)	(71,951)
Other financial liabilities	(655)	(52)	(707)	(470)	(79)	(549)
	<u>(82,422)</u>	<u>(52)</u>	<u>(82,474)</u>	<u>(33,670)</u>	<u>(38,830)</u>	<u>(72,500)</u>
Net financial (liabilities)/assets	(69,654)	1,380	(68,274)	(26,866)	(36,123)	(62,989)
Add: Net non-financial assets	112,250	981	113,231	57,502	40,042	97,544
Net assets	<u>42,596</u>	<u>2,361</u>	<u>44,957</u>	<u>30,636</u>	<u>3,919</u>	<u>34,555</u>
Add: Firm commitments ³	-	3,171	3,171	-	1,600	1,600
Less: Currency forwards ³	-	(2,220)	(2,220)	-	(1,200)	(1,200)
Currency profile including non-financial assets and liabilities	<u>42,596</u>	<u>3,312</u>	<u>45,908</u>	<u>30,636</u>	<u>4,319</u>	<u>34,955</u>
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>1,150</u>	<u>1,150</u>	<u>-</u>	<u>(14,800)</u>	<u>(14,800)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RMB change⁴ against the SGD by 6%⁵ (2008: 2%) and 6%⁵ (2008: 4%⁶) 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:⁷

FRS 107(40),

AppB23-24

	2009		2008	
	Increase/(Decrease)			
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group</u>				
USD against SGD				
- strengthened	(891)	183	(349)	34
- weakened	891	(183)	349	(34)
RMB against SGD				
- strengthened	(80)	-	4	-
- weakened	80	-	(4)	-
<u>Company</u>				
USD against SGD				
- strengthened	69	-	(592)	-
- weakened	(69)	-	592	-

Notes to the Financial Statements

For the financial year ended 31 December 2009

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.

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(34)(a)

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 2009, if the USD has strengthened/weakened by []% (2008: []%) against the SGD with all other variables including tax rate being held constant, the Group's and Company's equity will be \$[] (2008: \$[]) higher/lower and \$[] (2008: \$[]) 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 \$[] (2008: \$[]) higher/lower and \$[] (2008: \$[]) 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 2009

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. This is because even though the intra-group receivables and payables are eliminated in the consolidated balance sheet, the effect on profit or loss 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 separately for financial instruments that are non-monetary e.g. equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments would be considered and 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:

FRS 107(33)

- the exposures to each type of risk arising from financial instruments;
- 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.

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. 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. 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 15% (2008: 6%) and 14% (2008: 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

	2009		2008	
	Increase/(Decrease)			
	Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
<u>Group</u>				
Listed in Singapore				
- increased by	720	1,584	198	434
- decreased by	(720)	(1,584)	(198)	(434)
Listed in the United States				
- increased by	526	408	180	88
- decreased by	(712)	(222)	(200)	(68)
<u>Company</u>				
Listed in Singapore				
- increased by	-	186	-	60
- decreased by	-	(186)	-	(60)

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. 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% (2008: 0.50%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by \$44,000 (2008: \$77,000) and \$18,000 (2008: \$51,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by \$313,000 (2008: \$835,000) mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges of variable rate 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 2009

43. 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 classes¹ 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 or buying credit insurance 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	
	2009	2008
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	60,000	35,000

The trade receivables of the Group and of the Company comprise 5 debtors (2008: 5 debtors) and 3 debtors (2008: 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas²</u>				
Singapore	7,770	7,217	3,680	1,569
People's Republic of China	4,800	3,800	2,432	512
Philippines	2,224	1,000	–	–
Other countries	2,125	2,509	1,400	–
	16,919	14,526	7,512	2,081
<u>By types of customers²</u>				
Related parties	188	217	1,200	600
Non-related parties				
- Multi-national companies	9,800	7,767	3,038	295
- Other companies	5,707	5,142	2,378	926
- Individuals	1,224	1,400	896	260
	16,919	14,526	7,512	2,081

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. 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 (2008: \$320,000) and \$20,000 (2008: 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 class¹ 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	
	2009	2008	2009	2008
	\$'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
	5,036	2,580	2,000	975

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:³

FRS 107(37)(b)

FRS 107(16)

	Group		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Past due 3 to 6 months	320	200	80	40
Past over 6 months	480	400	120	40
	800	600	200	80
Less: Allowance for impairment	(509)	(470)	(100)	(50)
	291	130	100	30
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	509	470	100	50

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-possessed⁴, it is uncertain that the wholesaler is still in possession of those goods.

FRS 107(37)(b,c)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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 2009

43. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities (Note 31(c)) and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 13.

FRS 107 p33, 39(cb)

FRS 107 B11E

Management monitors rolling forecasts of the Group's and Company's liquidity reserve (comprises undrawn borrowing facility (Note 31) and cash and cash equivalents (Note 13)) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring liquidity ratios; and maintaining debt financing plans.

FRS 107 p34(a)

The table below analyses the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows¹. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
<u>Group</u>				
At 31 December 2009				
Trade and other payables	(15,820)	–	–	–
Borrowings	(14,545)	(25,931)	(83,981)	(34,223)
At 31 December 2008				
Trade and other payables	(10,234)	–	–	–
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)
<u>Company</u>				
At 31 December 2009				
Trade and other payables	(707)	–	–	–
Borrowings	(8,160)	(4,450)	(63,350)	(33,900)
Financial guarantee contracts	(16,000)	–	–	–
At 31 December 2008				
Trade and other payables	(549)	–	–	–
Borrowings	(12,762)	(35,606)	(5,850)	(35,850)

FRS 107 B11C(c)

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(c) Liquidity risk (continued)

Of the \$83,981,000 disclosed in the 2009 Group borrowings time band of 'Between 2 and 5 years' the Group intends to repay \$15,000,000 in the first quarter of 2010 (2008: Nil).

FRS 107 B10A(a)

The table below analyses the Group's and the Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

FRS 107 p39(b)

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
<u>Group</u>				
At 31 December 2009				
Net-settled interest rate swaps – cash flow hedges ²				
- Net cash outflows	(30)	(30)	(47)	–
Gross-settled currency forwards				
- Receipts	18,108			
- Payments	(18,482)			
At 31 December 2008				
Gross-settled currency forwards				
- Receipts	8,023			
- Payments	(8,278)			

FRS 107 p39(b)

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
<u>Company</u>				
At 31 December 2009				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	1,123	–	–	–
- Payments	(1,170)	–	–	–
At 31 December 2008				
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	640	–	–	–
- Payments	(687)	–	–	–

The table below analyses the group's trading portfolio derivative financial liabilities for which contractual maturities are not essential into relevant maturity groupings based on the remaining period from the balance sheet date to the expected settlement date. The amounts disclosed in the table are net fair values, as the amounts at which an orderly settlement of the transactions would take place between market participants at the balance sheet date.

FRS 107 p39(b)

	Less than 1 year ⁴ \$'000	Between 1 and 2 years ⁴ \$'000	Between 2 and 5 years ⁴ \$'000	Over 5 years ⁴ \$'000
At 31 December 2009				
Net settled currency forwards – held for trading	(10)	–	–	–

FRS 107p39(b)

Notes to the Financial Statements

For the financial year ended 31 December 2009

Guidance notes

Financial risk management – liquidity risk

Contractual undiscounted cash flows

1. Irrespective of whether they are reported to key management, a maturity analysis should be disclosed for:

FRS 107 39(a, b)

- (a) non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities; and
- (b) derivative financial liabilities that includes the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.

For derivative financial liabilities, it is judgemental as to whether the remaining contractual maturities would be essential for an understanding of the timing of the cash flows. FRS 107 specifies that contractual maturities would be essential in the following situations:

FRS 107 B11B

- (a) an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability; and
- (b) all loan commitments.

The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, for example:

FRS 107 B11D

- (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.

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.

Variable amount payable

2. 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 B11D

Expected maturity dates

3. An entity should disclose summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. If the outflows of cash (or another financial asset) included in that data could occur significantly earlier than indicated in the data, the entity should state this fact and provide quantitative information that enables this risk to be assessed.

FRS 107 B10A

Time buckets

4. In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. FRS 107 prescribes that:

FRS 107 AppB11

- (a) 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.
- (b) When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay.
- (c) For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

FRS 107 AppB11C

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(d) Capital risk

FRS 1(124A,
124B),IG5
FRS 1(124B)(a)

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.

Management monitors capital based on a gearing ratio^{1,2}. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 70% (2008: 70%). The Group's and Company's strategies, which were unchanged from 2008, 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Net debt	122,255	79,228	80,432	69,523
Total equity	135,671	98,156	45,226	34,592
Total capital ³	257,926	177,384	125,658	104,115
Gearing ratio	47%	45%	64%	67%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2008 and 2009.

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.
3. The word "capital" denotes the Company's overall funding; it does not mean "equity capital".

FRS 1 IG5

FRS 1(124C)

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(e) Fair value measurements

Effective 1 January 2009, the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (ie derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets and liabilities measured at fair value at 31 December 2009¹.

FRS 107p27B(a)

<u>Group</u>	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	–	299	111	410
- Trading securities	10,785	–	–	10,785
Derivatives used for hedging	–	1,054	–	1,054
Available-for-sale financial assets				
- Equity securities	11,613	–	–	11,613
- Debt investments	288	–	5,347	5,635
Total assets	22,686	1,353	5,458	29,497
Liabilities				
Derivatives used for hedging	–	575	–	575
 <u>Company</u>				
Assets				
Derivatives used for hedging	–	266	–	266
Available-for-sale financial assets				
- Equity securities	1,500	–	–	1,500
Total assets	1,500	266	–	1,766
Liabilities				
Derivatives used for hedging	–	47	–	47

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

FRS 107p27

Notes to the Financial Statements

For the financial year ended 31 December 2009

43. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is 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. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These investments are included in Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2009.

FRS 107p27B(c)

	Trading derivatives at fair value through profit or loss \$'000	Debt investments available- for-sale \$'000	Total \$'000
Opening balance	–	5,264	5,264
Transfers into level 3	115	–	115
Purchases of level 3 securities	–	83	83
Gains and losses recognised in profit or loss	(4)	–	(4)
Closing balance	111	5,347	5,458
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(4)	–	(4)

During the financial year ended 31 December 2009, the Group transferred a held-for-trading forward foreign exchange contract from Level 2 into Level 3 as the counterparty for the derivative encountered significant financial difficulties which resulted in a significant increase in the discount rate due to increased counterparty credit risk which is not based on observable inputs.

FRS 107.27B(c)(iv)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

FRS 107p29(a)

FRS 107p27(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

Guidance notes

Fair value measurements

1. The fair value measurement disclosures required by *Improving Disclosures about Financial Instruments* (amendments to FRS 107), issued in April 2009, are applicable for annual periods beginning on or after 1 January 2009. In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments.

FRS 107.44G

Notes to the Financial Statements

For the financial year ended 31 December 2009

44. Immediate and ultimate holding corporations¹

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)

45. 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		
	2009	2008	
	\$'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)
	<u>2,270</u>	<u>2,521</u>	
Purchases of materials from			
- associated companies	16,286	17,504	FRS 24(18)(d)
- fellow subsidiaries	70,601	60,504	FRS 24(18)(g)
	<u>86,887</u>	<u>78,008</u>	
Purchase of plant and equipment from other related parties	<u>600</u>	<u>—</u>	FRS 24(18)(g)
Payments made on behalf and reimbursed by the immediate holding corporation	<u>186</u>	<u>153</u>	FRS 24(18)(a)
Professional fees received from other related parties	<u>212</u>	<u>149</u>	FRS 24(18)(g)
Technical fees received from other related parties	<u>15</u>	<u>10</u>	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 2009, arising from sale/purchase of goods and services, are set out in Notes 17 and 30 respectively.			DV

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)

Notes to the Financial Statements

For the financial year ended 31 December 2009

45. Related party transactions (continued)

(b) Key management personnel compensation

FRS 24(16)

Key management personnel compensation is as follows:

	Group		
	2009	2008	
	\$'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)
	4,256	2,467	

Details on directors' remuneration are disclosed in the Corporate Governance Report.

DV

46. Segment information¹

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business within each geographic segment.

FRS 108(22)(a)

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas: Singapore, the People's Republic of China and the Philippines. All geographic locations are engaged in the manufacture and sale of electronic parts. In addition, the segments in the People's Republic of China and the Philippines also derive revenues from the sale of household and office furniture, while the Singapore segment derives revenue from construction of specialised equipment.

FRS 108(22)(b)

Other services included within Singapore, the People's Republic of China, the Philippines and Vietnam include investment holding and provision of logistics services; but these are not included within the reportable operating segments, as they are not included in the reports provided to the Exco. The results of these operations are included in the "all other segments" column.

FRS 108(16)

In the prior year, the Group carried out glass manufacturing operations in Malaysia. However, this was discontinued in the current period (see Note 11).

Notes to the Financial Statements

For the financial year ended 31 December 2009

46. Segment information (continued)

The segment information provided to the Exco for the reportable segments for the year ended 31 December 2009 is as follows:

	← Singapore →		← China →		← Philippines →				
	Component parts	Con-struction	Component parts	Furniture	Component parts	Furniture	All other segments	Total for continuing operations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Group Sales									
Total segment sales	87,928	29,808	59,682	39,355	2,845	25,737	8,659	254,014	FRS108(23)(b)
Inter-segment sales	(19,950)	–	(13,415)	(5,880)	(635)	(3,920)	–	(43,800)	
Sales to external parties	67,978	29,808	46,267	33,475	2,210	21,817	8,659	210,214	FRS108(23), (33)(a)
Adjusted EBITDA¹	25,858	11,341	17,600	12,729	840	8,316	806	77,490	FRS108(23)
Depreciation	6,248	2,255	4,221	2,789	202	1,859	101	17,675	FRS108(23)(e)
Amortisation	384	–	258	–	13	–	120	775	FRS108(23)(e)
Goodwill impairment	–	–	–	4,650	–	–	–	4,650	FRS36(129)(a)
Restructuring costs	–	–	–	1,100	–	–	–	1,100	FRS108(23)(i)
Share of loss of associated companies	–	–	–	–	–	–	(174)	(174)	FRS108(23)(g)
Total assets	51,103	35,581	82,215	39,919	5,637	26,086	10,782	251,323	FRS108(23)
Total assets includes:									
Investment in associated companies	–	–	–	–	–	–	8,208	8,208	FRS108(24)(a)
Additions to:									
- property, plant and equipment	1,999	1,250	70,314	1,427	810	1,005	1,094	77,899	FRS108(24)(b)
- investment property	288	–	–	–	–	–	–	288	FRS108(24)(b)
- intangible assets	1,121	–	7,651	–	1,219	–	473	10,464	FRS108(24)(b)
Total liabilities	(7,471)	(2,532)	(5,751)	(2,047)	(288)	(1,365)	(768)	(20,222)	FRS108(23)

Notes to the Financial Statements

For the financial year ended 31 December 2009

46. Segment information (continued)

The segment information provided to the Exco for the reportable segments for the year ended 31 December 2008 is as follows:

	← Singapore →		← China →		← Philippines →				
	Component parts	Con-struction	Component parts	Furniture	Component parts	Furniture	All other segments	Total for continuing operations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Group Sales									
Total segment sales	77,194	16,527	25,601	15,621	2,274	6,214	4,429	147,860	FRS108(23)(b)
Inter-segment sales	(21,356)	–	(7,049)	(5,075)	(637)	(1,383)	–	(35,500)	
Sales to external parties	55,838	16,527	18,552	10,546	1,637	4,831	4,429	112,360	FRS108(23),(33)(a)
Adjusted EBITDA									FRS108(23)
Depreciation	3,064	1,389	1,162	1,398	1,057	932	580	9,582	FRS108(23)(e)
Amortisation	235	–	89	42	81	28	40	515	FRS108(23)(e)
Share of loss of associated companies	–	–	–	–	–	–	(145)	(145)	FRS108(23)(g)
Total assets	40,493	28,213	26,964	59,596	2,785	29,397	10,494	197,942	FRS108(23)
Total assets includes:									
Investment in associated companies	–	–	–	–	–	–	8,569	8,569	FRS108(24)(a)
Additions to:									
- property, plant and equipment	2,324	530	882	420	801	280	2,314	7,551	FRS108(24)(b)
- intangible assets	399	–	151	–	138	–	–	688	FRS108(24)(b)
Total liabilities	(5,247)	(802)	(1,781)	(3,300)	(211)	(2,200)	(900)	(14,441)	FRS108(23)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of comprehensive income.

FRS108(27)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2009

46. Segment information (continued)

The Exco assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and goodwill impairment that are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the group. Since the Exco reviews adjusted EBITDA, the results of discontinued operations are not included in the measure of adjusted EBITDA.

FRS108(27)(b), (28)

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is provided as follows:

FRS 108(28)(b)

	2009 \$'000	2008 \$'000
Adjusted EBITDA for reportable segments	76,684	44,069
Other segments EBITDA	806	686
Depreciation	(17,675)	(9,582)
Amortisation	(775)	(515)
Restructuring costs	(1,100)	–
Goodwill impairment	(4,650)	–
Finance expense	(7,073)	(9,060)
Interest income	1,180	620
Profit before tax and discontinued operations	47,397	26,218

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Exco 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 Exco 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, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets.

FRS 108(27)(c)

	2009 \$'000	2008 \$'000
Segment assets for reportable segments	240,541	187,448
Other segment assets	10,782	10,494
Unallocated:		
Assets associated with disposal group	3,333	–
Deferred income tax assets	3,319	3,228
Short-term bank deposits	9,530	5,414
Derivative financial instruments	1,464	564
Financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets	30,155	22,856
	299,124	230,004

Notes to the Financial Statements

For the financial year ended 31 December 2009

46. Segment information (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Exco 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.

FRS 108(27)(d)

	2009 \$'000	2008 \$'000
Segment liabilities for reportable segments	19,454	13,541
Other segment liabilities	768	900
Unallocated:		
Liabilities associated with disposal group	220	–
Income tax liabilities	2,942	3,833
Deferred tax liabilities	11,670	8,406
Borrowings	127,824	104,884
Derivative financial instruments	575	284
	163,453	131,848

Revenue from major products and services

Revenue from external customers are derived mainly from the sale of electronic parts, sale of household and office furniture and construction of specialized equipment. Investment holding and provision of logistics services are included in "Others". Breakdown of the revenue is as follows:

FRS 108(32)

	2009 \$'000	2008 \$'000
<u>Sales for continuing operations</u>		
Component parts	116,455	76,027
Furniture	55,292	15,377
Construction	29,808	16,527
Others	8,659	4,429
	210,214	112,360

FRS 108(32)

Notes to the Financial Statements

For the financial year ended 31 December 2009

46. Segment information (continued)

Geographical information

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

FRS 108(33)

- 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.

	Sales for continuing operations	
	2009	2008
	\$'000	\$'000
Singapore	103,420	73,894
People's Republic of China	84,749	31,298
Philippines	19,020	6,468
Other countries	3,025	700
	210,214	112,360

FRS 108(33)(a)

	Non-current assets	
	2009	2008
	\$'000	\$'000
Singapore	79,284	77,143
People's Republic of China	87,928	35,603
Philippines	24,163	18,340
Other countries	316	428
	191,691	131,514

FRS 108(33)(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.

FRS 108(34)

Guidance notes

EBITDA

1. The measure of profit that is reported here depends on what the Chief Operating Decision Maker reviews. EBITDA should not be used if that is not the measure of profit that the CODM reviews.

Notes to the Financial Statements

For the financial year ended 31 December 2009

47. Events occurring after balance sheet date

On 25 February 2010, 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 2010, 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 2010.

FRS 10(21)

FRS 10(22)(a)

FRS 103(66)(b)

48. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published¹ and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 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) Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009)

This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group will apply this amendment from 1 January 2010, but it is not expected to have a material impact on the financial statements.

- (b) INT FRS 117 *Distributions of Non-Cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009)

FRS 8(30)(a)

INT FRS 117 clarifies how the Group should measure distributions of assets, other than cash, to its owners. INT FRS 117 specifies that such a distribution should only be recognised when appropriately authorised, and that the dividend should be measured at the fair value of the assets to be distributed. The difference between the fair value and the carrying amount of the assets distributed should be recognised in profit or loss. INT FRS 117 applies to pro rata distributions of non-cash assets except for distributions to a party or parties under common control.

The Group will apply INT FRS 117 from 1 January 2010, but it is not expected to have a material impact on the financial statements.

FRS 8(30)(b)

- (c) INT FRS 118 *Transfer of Assets to Customers* (effective for annual periods beginning on or after 1 July 2009)

FRS 8(30)(a)

INT FRS 118 prescribes the accounting requirements for arrangements where the Group receives an item of property, plant and equipment from a customer which must be used to provide an ongoing service to the customer. It also applies to cash received from a customer that must be used to acquire or construct such property, plant and equipment.

The Group will apply INT FRS 118 from 1 January 2010, but it is not expected to have a material impact on the financial statements.

FRS 8(30)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2009

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

- (d) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

FRS 8(30)(a)

FRS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (revised) prospectively to transactions with minority interests from 1 January 2010.

FRS 8(30)(b)

- (e) FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)

FRS 8(30)(a)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (revised) prospectively to all business combinations from 1 January 2010.

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 2009. 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)

49. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Limited on 18 March 2010.

FRS 10(17)

Notes to the Financial Statements

For the financial year ended 31 December 2009

50. Listing of significant¹ companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2009 %	2008 %
<u>Significant subsidiaries held by the Company</u>				
PwC Construction Pte Ltd ^(a)	Construction of specialised equipment	Singapore	100	100
PwC Property (Singapore) Pte Ltd ^(a)	Investment holding	Singapore	100	100
PwC Furniture (PRC) Co., Ltd ^(d)	Sale of furniture	People's Rep. of China	85	85
PwC Components (Singapore) Pte Ltd ^{(a),(h)}	Manufacture of component parts	Singapore	45	45
PwC Components (PRC) Co., Ltd ^(d)	Manufacture of component parts	People's Rep. of China	80	80
PwC Components (China) Pte Ltd ^{(d),(g)}	Manufacture of component parts	People's Rep. of China	70	–
PwC Furniture (Philippines) Pte Ltd ^{(b),(g)}	Sale of furniture	Philippines	70	70
PwC Logistics (PRC) Co. Ltd ^(d)	Provision of logistics services	People's Rep. of China	–	100
PwC Glass Sdn Bhd ^(c)	Manufacture of glass	Malaysia	100	100
<u>Significant joint venture held by the Company</u>				
PwC JV Logistics (PRC) Co., Ltd ^{(d),(f)}	Provision of logistics Services	People's Rep. of China	60	60
<u>Significant associated companies held by the Company</u>				
PwC A Property (Hong Kong) Limited ^(e)	Investment holding	Hong Kong	35	35
PwC A Furniture Sdn Bhd ^(c)	Sale of furniture	Malaysia	25	25

(a) Audited² by PricewaterhouseCoopers, Singapore⁹(b) Audited² by PricewaterhouseCoopers, Philippines⁹(c) Audited² by Tan & Co., Malaysia(d) Audited² by Great Wall CPA Company Limited, People's Republic of China(e) Not required to be audited² 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 year⁹

(h) Deemed to be a subsidiary as the Group controls the entity via veto rights

(i) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

FRS 31(56)

FRS 27(40)(d)

FRS 27(40)(e), CA 200(1)
FRS 27(40)(c)

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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 2009

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 LLP

8 Cross Street #17-00

PWC Building

Singapore 048424

Audit Partner : See Pea Ay

Year of appointment : 2005

SGX 713

(b) Material contracts¹

SGX 1207(8)

In 2008, 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 (2008: \$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 2009 (2008: 4% below the normal price).

(c) Directors' remuneration

SGX 1207(11-14)

Please refer to information disclosed in the Corporate Governance Report.

Additional Disclosure Requirements

For the financial year ended 31 December 2009

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:

	2009 \$'000	2008 \$'000	
Auditor's remuneration paid/payable to:			
- Auditor of the Company	440	386	DV
- Other auditors*	410	358	
Other fees paid/payable to ^{3,4}			SGX 1207(6)(a)
- Auditor of the Company	125	120	
- Other auditors*	210	212	

* Include PricewaterhouseCoopers firms outside Singapore

(e) Properties of the Group

Major properties held for development

SGX 1207(10)(a)

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

SGX 1207(10)(b)

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 2009

Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(f) Interested person transactions

SGX 1207(16)
SGX 907

<u>Name of interested person</u>	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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'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 2009

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. For annual general meetings held after 30 April 2009, a listed entity must make the additional disclosures recommended in the Code of Corporate Governance.

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 2009

Shareholders' information at 11 March 2010¹

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
	<u>5,858</u>	<u>100.00</u>	<u>24,050,000</u>	<u>100.00</u>

SGX 1207(9)(b)

Substantial shareholders

SGX 1207(9)(c)

As shown in the Register of Substantial Shareholders:

	← Number of ordinary shares →		
	<u>Direct interests</u>	<u>Deemed interests</u>	<u>Beneficial interests</u>
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	<u>3,609,905</u>	<u>–</u>	<u>3,609,905</u>

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 2009

Shareholders' information at 11 March 2010¹ (continued)

SGX 1207(9)(d)

Twenty largest ordinary shareholders

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 2010, 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

1. 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. Alternative presentations for statement of comprehensive income
2. Early adoption of FRS 103 (revised) and FRS 27 (revised)
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
9. Adoption of INT FRS 113 Customer Loyalty Programme

Appendix 2

Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income

Scenario 1: One-statement presentation of Statement of Comprehensive Income based on a classification of expenses by nature

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	4,018	1,166	FRS 1(102)
Other losses – net	8	(1,503)	(1,611)	
Expenses				
- Purchases of inventories		(59,401)	(23,688)	FRS 1(102)
- Amortisation, depreciation and impairment	5	(23,100)	(10,097)	FRS 1(102)
- Employee compensation	6	(40,090)	(15,500)	FRS 1(102)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
- Rental on operating leases		(10,588)	(8,697)	FRS 17 (35)(c)
- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(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		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations		32,476	18,500	
Discontinued operations				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit		32,576	18,020	FRS 1(82)(f)
Other comprehensive income:				
Financial assets, available-for-sale				
- Fair value gains		604	72	
- Reclassification		(164)	–	
Cash flow hedges				
- Fair value gains		339	331	
- Reclassification		(279)	(315)	
Currency translation differences arising on consolidation		2,334	(118)	
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	–	
Revaluation gains on property, plant and equipment		165	894	
Excess tax on employee share option scheme		114	–	
Change in tax rate		50	–	
Other comprehensive income for the year, net of tax		1,963	864	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,539	18,884	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

	Note	2009 \$'000	2008 \$'000	
Profit attributable to:				
Equity holders of the Company		30,028	17,096	FRS 1(83)(b)
Minority interests		2,548	924	FRS 1(83)(a)
		32,576	18,020	
Total comprehensive income attributable to:				
Equity holders of the Company		31,434	17,847	
Minority interests		3,105	1,037	
		34,539	18,884	
Earnings per share for profit from continuing operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
	12			
- Basic		1.33	0.90	
- Diluted		1.18	0.87	
Earnings/(loss) per share for profit from discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(68)
	12			
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 2: Two-statement presentation of Statement of Comprehensive Income based on a classification of expenses by function

Consolidated income statement

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Cost of sales		(77,366)	(46,682)	FRS 1(103)
Gross profit		132,848	65,678	FRS 1(103)
Other income	7	3,898	1,166	FRS 1(103)
Other losses – net	8	(1,383)	(1,611)	
Expenses				
- Distribution and marketing		(52,140)	(19,993)	FRS 1(103)
- Administrative		(28,579)	(10,107)	FRS 1(103)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
Share of (loss)/profit of associated companies		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations		32,476	18,500	
Discontinued operations				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit		32,576	18,020	FRS 1(82)(f)
Attributable to:				
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	
Earnings per share for profit from continuing operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
- Basic	12	1.33	0.90	
- Diluted		1.22	0.87	
Earnings/(loss) per share for profit from discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(68)
- Basic	12	0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

Statement of comprehensive income

	Note	2009 \$'000	2008 \$'000
Profit for the year		32,576	18,020
Other comprehensive income:			
Financial assets, available-for-sale			
- Fair value gains		604	72
- Reclassification		(164)	–
Cash flow hedges			
- Fair value gains		339	331
- Reclassification		(279)	(315)
Currency translation differences arising on consolidation		2,334	(118)
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	–
Revaluation gains on property, plant and equipment		165	894
Excess tax on employee share option scheme		114	–
Change in tax rate		50	–
Other comprehensive income for the year, net of tax		1,963	864
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,539	18,884
Total comprehensive income attributable to:			
Equity holders of the Company		31,434	17,847
Minority interests		3,105	1,037
		34,539	18,884

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 3: Two-statement presentation of Statement of Comprehensive Income based on a classification of expenses by nature

Consolidated income statement

	Note	2009 \$'000	2008 \$'000	
Continuing operations				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	3,898	1,166	FRS 1(91)
Other losses – net	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 compensation	6	(40,090)	(15,500)	FRS 1(91)
- Sub-contractors charges		(12,400)	(7,700)	
- Advertising		(10,871)	(6,952)	
- Rental on operating leases		(10,588)	(8,697)	FRS 17 (35)(c)
- Research		(473)	(200)	FRS 38 (126)
- Transportation		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down)		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(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		(174)	145	FRS 1(82)(c)
Profit before income tax		47,397	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations		32,476	18,500	
Discontinued operations				
Profit/(loss) from discontinued operations	11	100	(480)	FRS 1(82)(e) FRS 105(33)(a)
Total profit		32,576	18,020	FRS 1(82)(f)
Attributable to:				
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	
Earnings per share for profit from continuing operations attributable to equity holders of the Company (\$ per share)				FRS 33(66)
	12			
- Basic		1.33	0.90	
- Diluted		1.22	0.87	
Earnings/(loss) per share for profit from discontinued operations attributable to equity holders of the Company (\$ per share)				FRS 33(68)
	12			
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Alternative presentations for statement of comprehensive income (continued)

Statement of comprehensive income

	Note	2009 \$'000	2008 \$'000
Profit for the year		32,576	18,020
Other comprehensive income:			
Financial assets, available-for-sale			
- Fair value gains		604	72
- Reclassification		(164)	–
Cash flow hedges			
- Fair value gains		339	331
- Reclassification		(279)	(315)
Currency translation differences arising on consolidation		2,334	(118)
Reclassification of currency translation reserves on disposal of a subsidiary		(1,200)	–
Revaluation gains on property, plant and equipment		165	894
Excess tax on employee share option scheme		114	–
Change in tax rate		50	–
Other comprehensive income for the year, net of tax		1,963	864
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,539	18,884
Total comprehensive income attributable to:			
Equity holders of the Company		31,434	17,847
Minority interests		3,105	1,037
		34,539	18,884

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Early adoption of FRS 103 (revised) and FRS 27 (revised)

This illustrative example is based on the requirements in FRS 103 (revised) and FRS 27 (revised). FRS 103 (revised) is prospectively applicable for periods beginning on or after 1 July 2009 and may be early adopted from periods beginning on or after 30 June 2007. If this FRS is early adopted before 1 July 2009, FRS 27 (as amended in 2008) should be early adopted at the same time.

Note – Basis of preparation

Standards early adopted by the Group

FRS 8p28

FRS 103 (revised), 'Business combinations' was early adopted by the Group in 2009. The standard was applied to the acquisition of the controlling interest in XYZ Electronics Pte Ltd (now known as PwC Components (China) Pte Ltd ("PwC China") on 1 October 2009.

Contingent consideration of \$300,000 has been recognised at 1 October 2009, representing the fair value of the additional consideration of \$1,000,000 that the Company will have to pay to the former owners of PwC China if PwC China achieves certain targets. The contingent consideration would not have previously been recorded at the date of acquisition, as the probability of the payment to the former owners of PwC China was less than 50%. In addition, an additional provision of \$50,000 was recognised in profit or loss for the increase in the fair value of the contingent consideration liability at 31 December 2009, which would not have been recorded if the revised FRS 103 was not early adopted.

Acquisition-related costs of \$550,000 have been recognised in profit and loss, which previously would have been included in the consideration for the business combination.

The sale and purchase agreement contains an indemnification clause in which the previous owners of PwC China agree to reimburse the Company up to an amount of \$200,000 for a pending lawsuit in which PwC China is a defendant. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings. As the fair value of the contingent liability related to that lawsuit is estimated to be \$300,000 at the acquisition date, an indemnification asset of \$200,000 has been recognised by the Group with an equivalent amount deducted from consideration transferred for the business combination. This possible compensation from the selling shareholders of PwC China would not have previously been recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor.

The Group has chosen to recognise the 30% non-controlling interest at fair value of \$5,600,000 for this acquisition rather than the proportionate share of net assets of PwC China of \$4,542,000 which is also allowed. Previously there was no choice in this regard and the non-controlling interest would have been recognised at the proportionate share (30%) of the net assets of PwC China of \$4,542,000. See Notes 13 and 25 for further details of the business combination which was entered into in the year under review.

The early adoption of FRS 103 resulted in the following impact on the financial statements of the Group as at 31 December 2009:

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Early adoption of FRS 103 (revised) and FRS 27 (revised) (continued)

	Increase \$'000
Goodwill	608
Non-controlling interest	1,058
Other expenses	600
Indemnification asset	200
Provisions for other liabilities and charges	350

The early adoption of the revised FRS 103 resulted in basic and diluted earnings per share for the financial year ended 31 December 2009 being reduced by \$0.03 and \$0.02 per share respectively.

The early adoption of FRS 27 (revised) has no impact on the current period as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity (the transaction whereby the Group will sell 70% of PwC Glass Sdn Bhd in Malaysia and retain a 30% interest is expected to be completed only by April 2010 – refer to Note 11 for more details) and there have been no transactions with non-controlling interests.

Note – Accounting policies

2.3 Group accounting

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

FRS 1p112

FRS 27p12

FRS 27p14

FRS 27p20,21

FRS 27p30

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

FRS 103p5

FRS 103p37

FRS 103p39

FRS 103p53

FRS 103p18

FRS 103p19

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss.

FRS 103p32

FRS 103p34

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Early adoption of FRS 103 (revised) and FRS 27 (revised) (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FRS 27p30,31

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the incremental share of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interest in subsidiaries to non-controlling interests that do not result in loss of control in the subsidiaries are also recorded in equity.

Note 26 – Investment in subsidiaries

Acquisition of a subsidiary

On 1 October 2009, the Group acquired 70% of equity interest of XYZ Electronics Pte Ltd (now known as PwC Components (China) Pte Ltd (“PwC China”)) and obtained the control of PwC China, a company manufacturing and selling electronic components parts in China mainly. As a result of the acquisition, the Group is expected to increase its presence in China. It also expects to reduce costs through economies of scale.

FRS 103pB64(a-d)

FRS 103pB64(e)

The goodwill of \$4,259,000 arising from the acquisition is attributable to the distribution network of the acquired business and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of PwC China.

FRS 103pB64(k)

The following table summarises the consideration paid for PwC China and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in PwC China.

	\$'000	
Consideration		
At 1 October 2009		
Cash	13,700	FRS 103pB64(f)(i)
Equity instruments	–	FRS 103pB64(f)(iv)
Contingent consideration	300	FRS 103pB64(f)(iii); FRS 103pB64(g)(i)
Total consideration transferred	14,000	
Indemnification asset	(200)	FRS 103pB64(f)
Fair value of equity interest in PwC China held before the business combination	–	FRS 103pB64(p)(i)
Consideration transferred for the business	13,800	
Acquisition-related costs (included in administrative expenses in the statement of comprehensive income for the year ended 31 December 2009)	550	FRS 103pB64(m)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Early adoption of FRS 103 (revised) and FRS 27 (revised) (continued)

Note 26 – Investment in subsidiaries (continued)

Acquisition of a subsidiary (continued)

	\$'000	
Recognised amounts of identifiable assets acquired and liabilities assumed		FRS 103pB64(i) FRS 103pB64(o)(i)
Cash and cash equivalents	300	
Property, plant and equipment (Note 28)	67,784	
Trademarks and licences (included in intangibles) (Note 29(b))	4,000	
Investment in associates (Note 23)	389	
Available-for-sale financial assets (Note 16)	473	
Inventories	1,122	
Trade and other receivables	1,585	
Total assets	<u>75,653</u>	
Trade and other payables	(15,000)	
Borrowings	(41,359)	
Contingent liability (included in provisions for other liabilities and charges)	(300)	
Current tax liabilities (Note 10(b))	(100)	
Deferred tax liabilities (Note 36)	(3,753)	
Total liabilities	<u>(60,512)</u>	
Total identifiable net assets	15,141	
Less: Non-controlling interest	(5,600)	
Identifiable net assets acquired	<u>9,541</u>	
Goodwill (Note 29(a))	4,259	
Consideration transferred for the business	<u>13,800</u>	

The contingent consideration arrangement requires the Group to pay the former owners of PwC China \$1,000,000 in cash if PwC China achieves a cumulative net profit of \$6,000,000 for the period from 1 October 2009 to 30 September 2011.

FRS 103pB64(f)(iii)
FRS 103pB64(g)

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between \$0 and \$1,000,000.

The fair value of the contingent consideration arrangement of \$300,000 was estimated by applying the income approach. The fair value estimates are based on a discount rate of 8% and an estimated cumulative net profit in PwC China for the period from 1 October 2009 to 30 September 2011 in the range of \$5,000,000 to \$6,250,000.

As of 31 December 2009, there was an increase of \$50,000 recognised in profit or loss for the contingent consideration arrangement as the estimated cumulative net profit in PwC China for the period from 1 October 2009 to 30 September 2011 was recalculated to be in the region of \$5,300,00 to \$6,400,000.

FRS 103B67(b)

The fair value of trade and other receivables is \$1,585,000 and includes trade receivables with a fair value of \$1,510,000. The gross contractual amount for trade receivables due is \$1,680,000, of which \$170,000 is expected to be uncollectible.

FRS 103pB64(h)

The fair value of the acquired identifiable intangible assets of \$4,000,000 (trademarks and licences) is provisional pending receipt of the final valuations for those assets.

FRS 103pB67(a)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 2: Early adoption of FRS 103 (revised) and FRS 27 (revised) (continued)

Note 26 – Investment in subsidiaries (continued)

Acquisition of a subsidiary (continued)

A contingent liability of \$300,000 has been recognised for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the relevant court of law by the end of 2010. The potential undiscounted amount of all future payments that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be between \$200,000 and \$500,000. As of 31 December 2009, there has been no change in the amount recognised for the liability at 1 October 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

FRS 103pB64(j),
B67(c) FRS37p84, 85

The selling shareholders of PwC China have contractually agreed to indemnify PwC Holdings Ltd for the claim that may become payable in respect of the above-mentioned lawsuit, up to a maximum amount of \$200,000. An indemnification asset of \$200,000 has been recognised by the Group with an equivalent amount deducted from the consideration transferred for the business combination. As is the case with the indemnified liability there has been no change in the amount recognised for the indemnification asset as at 31 December 2009, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

FRS 103p57
FRS 103pB64(g)

The fair value of the non-controlling interest in PwC China, an unlisted company, was estimated by applying a market approach and an income approach. The fair value estimates are based on:

FRS 103pB64(o)

- (a) an assumed discount rate of 8%;
- (b) an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;
- (c) long-term sustainable growth rate of 2.2%;
- (d) assumed financial multiples of companies deemed to be similar to PwC China; and
- (e) assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest in PwC China.

The revenue included in the comprehensive statement of income since 1 October 2009 contributed by PwC China was \$4,500,000. PwC China also contributed profit of \$675,000 over the same period.

FRS 103pB64(q)(ii)

Had PwC China been consolidated from 1 January 2009 the consolidated statement of comprehensive income would have shown revenue of \$230,214,000 and profit of \$35,276,000.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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 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, it is more likely than not that an outflow of resources will be required to settle the obligation and 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 profit or loss immediately.

INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

FRS 37(85)(a)

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 2010 and \$[] during 2011. Total expected costs to be incurred are \$[] (2008: \$[]).

Movement in this provision is as follows:

	<u>Group</u>		<u>Company</u>		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
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)

FRS 19(7)

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.

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting 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)

FRS 19(93-93D)

FRS 19(120A)(a)

Actuarial gains and losses¹ are recognised in other comprehensive income in the period when they arise.

FRS 19(96)

Past service costs are recognised immediately in profit or loss, 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.

(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 as used for defined benefit plans. Actuarial gains and losses¹ are recognised in other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries.

FRS 19(120A)(b)

FRS 19(120A)(a)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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 profit or loss over the expected average remaining working lives of the participants of the plan; FRS 19(92-93)
- (b) recognising all actuarial gains and losses in the period in which they occur, in other comprehensive income, provided that the entity does so for all of its defined benefit plans and all of its actuarial gains and losses. Such actuarial gains and losses should be presented in the statement of comprehensive income; and FRS 19(93A)
- (c) any systematic method that results in faster recognition of actuarial gains and losses than the corridor approach. Such permitted methods include immediate recognition of all actuarial gains and losses to profit or loss. Although this method introduces significant volatility to profit or loss, it is easy to implement. FRS 19(93)

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: FRS 19(122)

- (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.

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	
	2009	2008
	\$'000	\$'000
Obligations recognised in the statement of financial position for:		
Pension benefits	3,225	1,532
Post-employment medical benefits	1,410	701
	4,635	2,233
Expenses charged to profit or loss:		
Pension benefits	755	488
Post-employment medical benefits	149	107
	904	595

(a) Pension benefits

	Group	
	2009	2008
	\$'000	\$'000
The amount recognised in the statement of financial position is determined as follows:		
Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,991)	(2,797)
	164	146
Present value of unfunded obligations	3,206	1,549
Unrecognised past service cost	(145)	(163)
Liability recognised in the statement of financial position	3,225	1,532

FRS 19(120A)(d,f)

	Group	
	2009	2008
	\$'000	\$'000
The amounts recognised in profit or loss 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	–
	755	488

FRS 19(120A)(g)

Included in:		
Cost of goods sold	516	319
Administrative expenses	239	169
	755	488

FRS 19(120A)(g)

Actual return on plan assets	495	235
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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 financial statements: (continued)

Movement in the defined benefit obligation is as follows:

FRS 19(120A)(c)

	Group	
	2009	2008
	\$'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	
	2009	2008
	\$'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	
	2009	2008
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:

	2009	2008
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 (2008: 7.6%).

FRS 19(120A)(n)

The amount recognised in the statement of financial position is determined as follows:

FRS 19(120A)(d,f)

	Group	
	2009	2008
	\$'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 statement of financial position	1,410	701

The amounts recognised in profit or loss are as follows:

FRS 19(120A)(g)

	Group	
	2009	2008
	\$'000	\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
	149	107
Included in:		
Cost of goods sold	102	71
Administrative expenses	47	36
	149	107
Actual return on plan assets	51	24

FRS 19(120A)(g)

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 financial statements: (continued)

Movement in the defined benefit obligation for post-employment medical plan is as follows:

FRS 19(120A)(c)

	Group	
	2009	2008
	\$'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	2,030	1,003

Movement in the fair value of plan assets for post-employment medical plan is as follows:

FRS 19(120A)(e)

	Group	
	2009	2008
	\$'000	\$'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	Decrease
	\$'000	\$'000
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

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 other comprehensive income for pension and post-employment medical benefits were as follows:

	2009 \$'000	2008 \$'000	
Actuarial losses recognised during financial year	-	705	FRS 19(120A)(h)
Cumulative actuarial losses recognised	705	705	FRS 19(120A)(i)

Plan assets of pension and post-employment medical benefits comprise the following:

FRS 19(120A)(j)

	2009 \$'000	Group %	2008 \$'000	%
Equity securities	3,256	49	1,595	51
Debt securities	2,571	39	855	28
Other	784	12	649	21
	6,611	100	3,099	100

Plan assets include the Company's ordinary shares with a fair value of \$136,000 (2008: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2008: \$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 reporting 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)

	2009 \$'000	Group 2008 \$'000	2007 \$'000	2006 \$'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	4,780	2,396	1,716	1,715	FRS 19(120A)(p)
Experience adjustments on plan liabilities	(326)	125	55	-	
Experience adjustments on plan assets	(17)	(6)	(197)	-	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Defaults and breaches of loans payable

Scenario 1: Classification of loan as “current” at reporting date (Renegotiation of terms of loan agreement, after the reporting period)

Extracts of notes to the financial statements:

Borrowings

Default of loan payments

FRS 107(18)

Interest payments of \$[] on the Company’s bank borrowings with a carrying amount of \$[] was overdue as at 31 December 2009. 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 the 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 2009. Management commenced renegotiation of the terms of the loan agreement with the bank on [date].

FRS 1(75)

FRS 1(135(e))

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 2010.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Defaults and breaches of loans payable (continued)

Scenario 2: Classification of loan as “current” as at reporting date (New loan negotiated / renegotiation to settle an existing loan with different / same bank)

Extracts of notes to the financial statements:

Borrowings

Default of loan payments

FRS 107(18)

Interest payments of \$[] on the Company’s borrowings with Bank A with a carrying amount of \$[] was overdue as at 31 December 2009. The Company has 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 borrowing is due to be repaid, six months after the end of the financial year.

In the fourth quarter, the Company obtained a new loan with Bank B having a maturity of three years to settle its existing debt.

The Company has paid all the overdue amounts to Bank A (including additional interest and penalties for the late payment) during the fourth quarter.

The loan with Bank A was presented as a current liability as at 31 December 2009 whilst loan with Bank B was presented as a non-current liability.

Note:

The position would be different if the Company has renegotiated to have the loan rolled over with Bank A itself for another 3 years **by end of the reporting period**. In such a scenario, the original debt would be classified as **non-current**. Although the loan is due for repayment within six months at the end of the reporting period, the Company is entitled to roll over this borrowing into a new loan. The substance is, therefore, that the debt is not repayable until the three years after the end of the financial year.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: Defaults and breaches of loans payable (continued)

Scenario 3: Classification of existing loan as “Current” as at reporting date (Bank allows period of grace following a breach of loan covenant)

Extracts of notes to the financial statements:

Borrowings

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 \$[]. However, prior to the end of the financial year, the bank has agreed to a period of grace ending in first quarter of 2011.

FRS 1(75)

FRS 1(135(e))

The outstanding balance was presented as a non-current liability as at 31 December 2009.

Note:

If the breach occurs after the end of the reporting period, then the liability would still be shown as non-current, unless the breach was so serious that the financial statements could not be presented on a going concern basis.

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 39 AG28

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. 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.

Extracts of notes to the financial statements:

Other losses – net

	Group	
	2009	2008
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	<u>4,083</u>	-

FRS 107(20)(a)(v)

Finance expenses

	Group	
	2009	2008
	\$'000	\$'000
Interest expense:		
- Convertible bonds	<u>16,966</u>	-

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 (continued)

FRS 107(17,34)

On 1 October 2009, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2013. The bonds will be redeemed on 4 October 2013 at their nominal value or can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of US\$2.20 per share at any time on and after 14 November 2009 up to the close of business on 24 September 2013 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 statement of financial position are analysed as follows:

	\$'000
Face value of convertible bonds issued on 1 October 2009, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component as at initial recognition, 1 October 2009	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 2009 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

	Group		
	2009	2008	
	\$'000	\$'000	
<i>Unsold development properties:</i>			
Beginning of financial year	1,300	800	DV
Contract costs incurred during financial year	510	800	DV
Transfer to sold development properties	(666)	(300)	DV
End of financial year	1,144	1,300	FRS 2(36)(b)
<i>Sold development properties:</i>			
Aggregate costs incurred and profits recognised (less losses recognised) on sold development properties in progress	4,466	2,222	FRS 11(40)(a)
Less: Progress billings	(3,400)	(1,212)	
	1,066	1,010	
Presented as:			
- Due from customers (Note [])	1,333	1,820	FRS 11(42)(a)
- Due to customers (Note [])	(267)	(810)	FRS 11(42)(b)
	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:

RAP 11(10)

	Increase/(Decrease)		
	2009	2008	
	\$'000	\$'000	
<u>Statements of financial position as at 31 December</u>			
Retained profits at 1 January	(200)	(300)	
Due from customers			
- 1 January	60	30	
- 31 December	100	60	
Due to customers			
- 1 January	(30)	(10)	
- 31 December	(20)	(30)	
<u>Statement of Comprehensive Income</u>			
Revenue	2,000	1,200	
Profit after tax	60	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 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Adoption of INT FRS 113 Customer Loyalty Programme

INT FRS 113 is applicable for periods beginning on or after 1 July 2008.

INT FRS 113 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

Extracts of significant accounting policies:

Basis of preparation

Standards adopted by the Group

On adoption of INT FRS 113, the Group changed its policy for revenue recognition such that consideration received from the sale of goods is allocated to the goods sold and the voucher redeemable for future purchases. The consideration allocated to the voucher for future purchases is recognised as deferred revenue on the balance sheet and recognised as revenue when the vouchers are redeemed, have expired or are no longer expected to be redeemed. This change in accounting policy has been applied retrospectively.

FRS 8(28)(a)

The adoption of INT FRS 113 affected the following items:

FRS 8(28)(f,g)

Group

	Increase/(Decrease)		
	←	As at	→
	31.12.2009	31.12.2008	1.1.2008
	\$'000	\$'000	\$'000
<u>Statement of Financial Position</u>			
Deferred revenue	234	116	2,320
Deferred tax asset	39	20	417
Retained profits	(194)	(96)	(1,903)
	← For year ended →		
	31 December		
	2009	2008	
	\$'000	\$'000	
<u>Statement of Comprehensive Income</u>			
Revenue	(234)	(116)	
Tax expense	(39)	(20)	
Earnings per share (\$ per share)			
- basic	(0.01)	–	
- diluted	(0.01)	–	

Revenue Recognition

The Group operates a customer loyalty programme for its furniture retail stores. A customer who purchases from any of the Group's furniture retail store will be given a voucher entitling them to a discount on subsequent purchase. A portion of the revenue from the sale of furniture attributable to the award of voucher, estimated based on expected redemption of these vouchers, is deferred until they are redeemed. These are included under 'deferred revenue' on the balance sheet. Any remaining unutilised vouchers are recognised as revenue upon expiry.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 9: Adoption of INT FRS 113 Customer Loyalty Programme (continued)

Statement of financial position

When there is a retrospective adjustment, three balance sheets should be shown, as follows:

	Note	2009 \$'000	2008 (restated) \$'000	2007 (restated) \$'000
ASSETS				
Current assets				
Cash and cash equivalents	13	22,010	36,212	31,221
Financial assets, at fair value through profit or loss	14	10,785	8,326	9,571
Derivative financial instruments	15	1,069	452	410
Financial assets, available-for-sale	16	1,950	646	1,125
Trade and other receivables	17	19,510	16,399	17,305
Inventories	18	24,258	17,094	19,250
Construction contract work-in-progress	19	262	147	347
		79,844	79,276	79,229
Disposal group classified as held-for-sale	11	3,333	–	–
		83,177	79,276	79,229
Non-current assets				
Derivative financial instruments	15	395	112	215
Financial assets, available-for-sale	16	15,298	12,291	11,958
Trade and other receivables	20	3,122	1,990	2,512
Investments in associated companies	23	8,208	8,569	8,133
Investment properties	26	5,550	3,415	3,365
Financial assets, held-to-maturity	27	2,122	1,593	–
Property, plant and equipment	28	153,611	99,930	104,328
Intangible assets	29	24,322	19,600	19,966
Deferred income tax assets	36	3,358	3,248	1,995
		215,986	150,748	152,472
Total assets		299,163	230,024	231,701
LIABILITIES				
Current liabilities				
Trade and other payables	30	16,441	10,556	5,767
Current income tax liabilities	10	2,942	3,833	9,595
Derivative financial instruments	15	440	240	300
Borrowings	31	9,524	15,670	12,131
Provisions for other liabilities and charges	35	2,126	2,300	1,129
		31,473	32,599	28,922
Liabilities directly associated with disposal group classified as held for sale	11	220	–	–
		31,693	32,599	28,922
Non-current liabilities				
Derivative financial instruments	15	135	44	91
Borrowings	31	118,300	89,214	100,145
Deferred revenue		234	116	2,320
Deferred income tax liabilities	36	11,670	8,406	5,040
Provisions for other liabilities and charges	35	1,655	1,585	1,250
		131,994	99,365	108,846
Total liabilities		163,687	131,964	137,768
NET ASSETS		135,476	98,060	93,933
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	37	41,495	32,024	32,024
Treasury shares	37	(1,418)	(900)	–
Other reserves	38	9,628	6,419	5,046
Retained profits	39	78,583	58,756	55,589
		128,288	96,299	92,659
Minority interests		7,188	1,761	1,274
Total equity		135,476	98,060	93,933

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(122,125)

The following critical accounting estimates, assumptions and judgements may be applicable, among many other possible areas not presented in PwC Holdings Limited 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 to 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 profit or loss. The Group reviews the residual values and useful lives of property, plant and equipment at each reporting 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 2009 is \$153.8 million and the annual depreciation charge for the financial year ended 31 December 2009 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.

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- Illustrative Report 2009
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