

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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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	2010 ³ \$'000	2009 ³ \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	4,018	1,166	FRS 1(102)
Other losses – net ⁷	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 ⁷		(12,400)	(7,700)	
- Advertising ⁷		(10,871)	(6,952)	
- Rental on operating leases ⁷		(10,588)	(8,697)	FRS 17 (35)(c)
- Research ⁷		(473)	(200)	FRS 38 (126)
- Transportation ⁷		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down) ⁷		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(1,478)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(102)
Total expenses		(165,758)	(85,842)	
Share of (loss)/profit of associated companies ⁵		(174)	145	FRS 1(82)(c)
Profit before income tax		46,797	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations⁴		31,876	18,500	
Discontinued operations⁴				FRS 1(82)(e)
Profit/(loss) from discontinued operations	11	100	(480)	FRS 105(33)(a)
Total profit⁴		31,976	18,020	FRS 1(82)(f)
Other comprehensive income:				
Financial assets, available-for-sale				FRS 1(82)(g)
- Fair value gains		582	67	
- Reclassification		(164)	–	
Cash flow hedges				
- Fair value gains		342	328	
- 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		207	852	
Share of other comprehensive income of associated companies		27	–	
Change in tax rate		–	50	
Other comprehensive income for the year, net of tax		1,849	864	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,825	18,884	

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

	Note	2010 ³ \$'000	2009 ³ \$'000	
Profit attributable to:				
Equity holders of the Company		29,428	17,096	FRS 1(83)(a)
Non-controlling interests		2,548	924	
		31,976	18,020	
Total comprehensive income attributable to:				FRS 1(83)(b)
Equity holders of the Company		30,720	17,847	
Non-controlling interests		3,105	1,037	
		33,825	18,884	
Earnings per share⁶ for profit from continuing operations attributable to equity holders of the Company (\$ per share)	12			FRS 33(66)
- Basic		1.31	0.90	
- Diluted		1.15	0.87	
Earnings/(loss) per share⁶ for profit from discontinued operations attributable to equity holders of the Company (\$ per share)	12			FRS 33(68)
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

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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	2010 ³ \$'000	2009 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		(29,179)	(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		46,797	26,218	
Income tax expense	10(a)	(14,921)	(7,718)	FRS 1(82)(d)
Profit from continuing operations⁴		31,876	18,500	
Discontinued operations⁴				FRS 1(82)(e)
Profit/(loss) from discontinued operations	11	100	(480)	FRS 105(33)(a)
Total profit⁴		31,976	18,020	FRS 1(82)(f)
Attributable to:				
Equity holders of the Company		29,428	17,096	FRS 1(83)(a)
Non-controlling interests		2,548	924	
		31,976	18,020	
Earnings per share⁶ for profit from continuing operations attributable to equity holders of the Company (\$ per share)	12			FRS 33(66)
- Basic		1.31	0.90	
- Diluted		1.15	0.87	
Earnings/(loss) per share⁶ for profit from discontinued operations attributable to equity holders of the Company (\$ per share)	12			FRS 33(68)
- Basic		0.01	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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

Consolidated statement of comprehensive income

	Note	2010 \$'000	2009 \$'000	
Profit for the year		31,976	18,020	
Other comprehensive income:				FRS 1(82)(g)
Financial assets, available-for-sale				
- Fair value gains		582	67	
- Reclassification		(164)	–	
Cash flow hedges				
- Fair value gains		342	328	
- 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		207	852	
Share of other comprehensive income of associated companies		27	–	
Change in tax rate		–	50	
Other comprehensive income for the year, net of tax		1,849	864	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,825	18,884	
Total comprehensive income attributable to:				FRS 1(83)(b)
Equity holders of the Company		30,720	17,847	
Non-controlling interests		3,105	1,037	
		33,825	18,884	

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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	2010 ³ \$'000	2009 ³ \$'000	
Continuing operations⁴				
Sales	4	210,214	112,360	FRS 1(82)(a)
Other income	7	4,018	1,166	FRS 1(102)
Other losses – net ⁷	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 ⁷		(12,400)	(7,700)	
- Advertising ⁷		(10,871)	(6,952)	
- Rental on operating leases ⁷		(10,588)	(8,697)	FRS 17 (35)(c)
- Research ⁷		(473)	(200)	FRS 38 (126)
- Transportation ⁷		(7,763)	(5,876)	
- Reversal of inventory write-down/(inventory write-down) ⁷		200	(350)	FRS 2(36)(e,f)
- Finance	9	(7,073)	(9,060)	FRS 1(82)(b)
- Other		(1,478)	(672)	
Changes in inventories and construction contract work-in-progress		7,279	2,950	FRS 1(102)
Total expenses		(165,758)	(85,842)	
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Profit from continuing operations⁴		31,876	18,500	
Discontinued operations⁴				FRS 1(82)(e)
Profit/(loss) from discontinued operations	11	100	(480)	FRS 105(33)(a)
Total profit⁴		31,976	18,020	FRS 1(82)(f)
Attributable to:				FRS 1(83)(a)
Equity holders of the Company		29,428	17,096	
Non-controlling interests		2,548	924	
Earnings per share⁴ for profit from continuing operations attributable to equity holders of the Company (\$ per share)	12	31,976	18,020	FRS 33(66)
- Basic		1.31	0.90	
- Diluted		1.15	0.87	
Earnings/(loss) per share⁶ for profit from discontinued operations attributable to equity holders of the Company (\$ per share)	12	0.01	(0.02)	FRS 33(68)
- Basic		*	(0.02)	
- Diluted		*	(0.02)	

* Less than \$0.01

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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	2010 \$'000	2009 \$'000	
Profit for the year		31,976	18,020	
Other comprehensive income:				FRS 1(82)(g)
Financial assets, available-for-sale				
- Fair value gains		582	67	
- Reclassification		(164)	–	
Cash flow hedges				
- Fair value gains		342	328	
- 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		207	852	
Share of other comprehensive income of associated companies		27	–	
Change in tax rate		–	50	
Other comprehensive income for the year, net of tax		1,849	864	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,825	18,884	
Total comprehensive income attributable to:				FRS 1(83)(b)
Equity holders of the Company		30,720	17,847	
Non-controlling interests		3,105	1,037	
		33,825	18,884	

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Example 2: 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.

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Example 3: 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 2011 and \$[] during 2012. Total expected costs to be incurred are \$[] (2009: \$[]).

Movement in this provision is as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Beginning of financial year	[]	[]	[]	[]
Provision made	[]	[]	[]	[]
Provision utilised	[]	[]	[]	[]
Amortisation of discount	[]	[]	[]	[]
End of financial year	[]	[]	[]	[]

FRS 37(84)(a)
FRS 37(84)(b)
FRS 37(84)(c)
FRS 37(84)(e)
FRS 37(84)(a)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: 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\(7\)](#)

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

[FRS 19\(44\)](#)

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\(7\)](#)

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

[FRS 19\(54\)](#)

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.

[FRS 19\(64\)](#)

[FRS 19\(78\)](#)

(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\(93-93D\)](#)

[FRS 19\(120A\)\(a\)](#)

[FRS 19\(96\)](#)

[FRS 19\(120A\)\(b\)](#)

[FRS 19\(120A\)\(a\)](#)

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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;
 - (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
 - (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.
2. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be more useful. It may be useful to distinguish groupings by criteria such as follows:
 - (a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or
 - (b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

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.

[FRS 19\(92-93\)](#)

[FRS 19\(93A\)](#)

[FRS 19\(93\)](#)

[FRS 19\(122\)](#)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements:

	<u>Group</u>	
	2010	2009
	\$'000	\$'000
Obligations recognised in the statement of financial position for:		
Pension benefits	3,225	1,532
Post-employment medical benefits	1,410	701
	<u>4,635</u>	<u>2,233</u>
Expenses charged to profit or loss:		
Pension benefits	755	488
Post-employment medical benefits	149	107
	<u>904</u>	<u>595</u>

(a) Pension benefits

	<u>Group</u>	
	2010	2009
	\$'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)
	<u>164</u>	<u>146</u>
Present value of unfunded obligations	3,206	1,549
Unrecognised past service cost	(145)	(163)
Liability recognised in the statement of financial position	<u>3,225</u>	<u>1,532</u>

FRS 19(120A)(d,f)

The amounts recognised in profit or loss are as follows:

	<u>Group</u>	
	2010	2009
	\$'000	\$'000
Included in:		
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Curtailment	65	–
	<u>755</u>	<u>488</u>

FRS 19(120A)(g)

Included in:
Cost of goods sold
Administrative expenses

Actual return on plan assets	495	235
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FRS 19(120A)(g)

FRS 19(120A)(m)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: 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)

	<u>Group</u>	
	2010	2009
	\$'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	<u>9,361</u>	<u>4,492</u>

Movement in the fair value of plan assets is as follows:

FRS 19(120A)(e)

	<u>Group</u>	
	2010	2009
	\$'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	<u>5,991</u>	<u>2,797</u>

The principal actuarial assumptions used were as follows:

FRS 19(120A)(n)

	<u>Group</u>	
	2010	2009
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%

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: 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:

	2010	2009
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 (2009: 7.6%).

FRS 19(120A)(n)

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

FRS 19(120A)(d,f)

	<u>Group</u>	
	2010	2009
	\$'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)

	<u>Group</u>	
	2010	2009
	\$'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)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: 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)

	<u>Group</u>	
	2010	2009
	\$'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)

	<u>Group</u>	
	2010	2009
	\$'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)

	<u>Group</u>	
	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)

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Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: 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:

	2010 \$'000	2009 \$'000	
Actuarial losses recognised during financial year	-	705	FRS 19(120A)(h)
Cumulative actuarial losses recognised	<u>705</u>	<u>705</u>	FRS 19(120A)(i)

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

EBS 10(130A)(i)

			<u>Group</u>	
	2010		2009	
	\$'000	%	\$'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 (2009: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2009: \$609,000).

EBS 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.

EBS 19(120A)(I)

Expected contributions to pension post employment medical benefit plans for the financial year ending 31 December 2010 are \$1,150,000.

FBS 19(120)(g)

	<u>Group</u>				FRS 19(120A)(p)
	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'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	
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 5: Defaults and breaches of loans payable

Defaults of loan payments

Scenario 1:

Default of loan payments – classification of loan as “current” at reporting date

Extracts of notes to the financial statements on Borrowings:

The Company has experienced a temporary shortage of funding because cash outflows in the second quarter for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] on the Company's loan with Bank A remained unpaid as at 31 December 2010. The carrying amount of the loan payable in default as at 31 December 2010 is \$[].

FRS 107(18)

In January 2011, the Company obtained a new loan with Bank B having a maturity of three years to settle its existing debt with Bank A. The loan with Bank A was settled on 27 January 2011.

The loan with Bank A is presented as current liability as at 31 December 2010.

FRS 1(73,74)

Scenario 2:

Default of loan payments – classification of loan as “non-current” at reporting date

Extracts of notes to the financial statements on Borrowings:

Interest payments of \$[] on the Company's bank borrowings with a carrying amount of \$[] was overdue as at 30 September 2010. 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.

FRS 107(18)

Subsequently during the fourth quarter the Company has paid all overdue amounts (including additional interest and penalties for the late payment). As a result, the outstanding balance is presented as a non-current liability as at 31 December 2010.

FRS 1(73,74)

Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward.

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 5: Defaults and breaches of loans payable (continued)

Breaches of loan covenants

Scenario 1:

Breaches of loan covenants – classification of loan as “current” at reporting date

FRS 107(19)

Extracts of notes to the financial statements on Borrowings:

Some of the Company’s loan agreements (classified as non-current during the year) 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 \$[].

FRS 1(73),(74)

FRS 1(135)(e))

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 is presented as a current liability as at 31 December 2010.

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 is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place in the second quarter of 2011.

Scenario 2:

Breaches of loan covenants – classification of loan as “non-current” at reporting date

FRS 107(19)

Extracts of notes to the financial statements on Borrowings:

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 \$[].

FRS 1(75)

FRS 1(135)(e))

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.

The outstanding balance is presented as a non-current liability as at 31 December 2010.

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 6: 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	
	2010	2009
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	4,083	-

FRS 107(20)(a)(v)

Finance expenses

	Group	
	2010	2009
	\$'000	\$'000
Interest expense: - Convertible bonds	16,966	-

FRS 107(20)(b)

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 6: 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 2010, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2014. The bonds will be redeemed on 4 October 2014 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 2010 up to the close of business on 24 September 2014 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, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component at initial recognition	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 2010 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 7: 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 7: Property under development for sale (continued)

Extracts of notes to the financial statements:

Development properties

	<u>Group</u>		
	<u>2010</u>	<u>2009</u>	
	<u>\$'000</u>	<u>\$'000</u>	
<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:

	<u>Increase/(Decrease)</u>		
	<u>2010</u>	<u>2009</u>	
	<u>\$'000</u>	<u>\$'000</u>	
<i>Statements of financial position as at 31 December</i>			
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)	
<i>Statement of Comprehensive Income</i>			
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 8: Third Balance Sheet disclosure under FRS 1R on reclassification

When an entity reclassifies items in its financial statements, three balance sheets should be shown as follows:

	Note	2010 \$'000	2009 (restated) \$'000	2008 (restated) \$'000	
ASSETS					
Current assets					
Cash and cash equivalents	13	22,010	36,212	31,221	FRS 1(60)
Financial assets, at fair value through profit or loss	14	10,785	8,326	9,571	FRS 1(54)(i)
Derivative financial instruments	15	1,069	452	410	FRS 1(54)(d)
Financial assets, available-for-sale	16	1,950	646	1,125	FRS 1(54)(d)
Trade and other receivables	17	19,510	16,399	17,305	FRS 1(54)(d)
Inventories	18	24,258	17,094	19,250	FRS 1(54)(h)
Construction contract work-in-progress	19	262	147	347	FRS 1(54)(g)
		79,844	79,276	79,229	
Disposal group classified as held-for-sale	11	3,333	–	–	FRS 105(38) FRS 1(54)(j)
		83,177	79,276	79,229	
Non-current assets					
Derivative financial instruments	15	395	112	215	FRS 1(60)
Financial assets, available-for-sale	16	15,298	12,291	11,958	FRS 1(54)(d)
Trade and other receivables	20	3,322	1,990	2,512	FRS 1(54)(d)
Investments in associated companies	23	8,208	8,569	8,133	FRS 1(54)(h)
Investment properties	26	5,550	5,455	3,365	FRS 1(54)(e)
Financial assets, held-to-maturity	27	2,122	1,593	–	FRS 1(54)(b)
Property, plant and equipment	28	153,611	97,890	104,328	FRS 1(54)(d)
Intangible assets	29	24,930	19,600	19,966	FRS 1(54)(a)
Deferred income tax assets	36	3,319	3,228	1,995	FRS 1(54)(c)
		216,755	150,728	152,472	FRS 1(54)(o)
		299,932	230,004	231,701	
Total assets					
LIABILITIES					
Current liabilities					
Trade and other payables	30	16,441	10,556	5,767	FRS 1(60)
Current income tax liabilities	10	2,942	3,833	9,595	FRS 1(54)(k)
Derivative financial instruments	15	440	240	300	FRS 1(54)(n)
Borrowings	31	9,524	15,670	12,131	FRS 1(54)(m)
Provisions	35	2,126	2,300	1,129	FRS 1(54)(m)
		31,473	32,599	28,922	FRS 1(54)(l)
Liabilities directly associated with disposal group classified as held for sale	11	220	–	–	FRS 105(38) FRS 1(54)(p)
		31,693	32,599	28,922	
Non-current liabilities					
Trade and other payables	30	350	–	91	FRS 1(60)
Derivative financial instruments	15	135	44	2,320	FRS 1(54)(k)
Borrowings	31	118,300	89,214	100,145	FRS 1(54)(m)
Deferred income tax liabilities	36	11,670	8,406	5,040	FRS 1(54)(m)
Provisions	35	1,655	1,585	1,250	FRS 1(54)(o)
		132,110	99,249	108,846	FRS 1(54)(l)
		163,803	131,848	137,768	
Total liabilities					
NET ASSETS					
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)	–	FRS 1(78)(e)
Other reserves	38	9,628	6,419	5,046	FRS 1(78)(e)
Retained profits	39	78,178	58,852	55,589	FRS 1(78)(e)
		127,883	96,395	92,659	FRS 1(78)(e)
		8,246	1,761	1,274	FRS 1(54)(r)
Non-controlling interests					
Total equity					FRS 1(54)(q)
		136,129	98,156	93,933	

Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 8: Third Balance Sheet disclosure under FRS 1R on reclassification (continued)

Extracts of notes to accounts¹:

The following reclassifications have been made to the prior year's financial statements so as to remove offsets in the statement of financial position

The restatement is as below:

GROUP	2010	2009 (restated)	2008 (restated)
	\$'000	\$'000	\$'000
ASSETS			
Trade and other receivables	(428)	(345)	(499)
LIABILITIES			
Trade and other payables - Advances from Customers	428	345	499

Guidance notes

Presentation of a 3rd balance sheet and related notes

1. FRS 1 (revised) *Presentation of Financial Statements* requires an additional balance sheet to be presented as at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. Paragraph 39 refers to the presentation of "related notes" when a third balance sheet is presented. The standard provides no further guidance in terms of how the above requirement should be interpreted.

FRS 1(10)(f)

FRS 1(39)

In our view, in such cases, it is sufficient for an entity to present only the notes to that additional statement that have been impacted by the restatement or reclassification, provided that the entity states in its financial statements that the other notes have not been impacted by the restatement or reclassification.

The materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statement and the omission of the unaffected notes to the additional statement is in our view, not material nor relevant for an understanding of the financial statements and hence is permitted.

Accordingly for the above illustration, an entity would need to show the balances at the beginning of the earliest comparative period for the following notes to accounts only: Trade and other receivables, Trade and other payables and Financial risk management.

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 judgment. The net book value of property, plant and equipment at 31 December 2010 is \$153.8 million and the annual depreciation charge for the financial year ended 31 December 2010 is \$17.7 million.

If the actual useful lives of the property, plant and equipment are longer or shorter than the management's estimate by one year on average, the Group's annual depreciation charge will be reduced by \$4.0 million and increased by \$6.0 million respectively.

(e) Share-based compensation

The Group's equity-settled, share-based compensation plan is significant and the amount of the employee services received in exchange for the grant of options recognised as an expense forms a significant component of total expenses charged to profit or loss. At each balance sheet date, the Group reviews and 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.

If the actual number of shares under options that are expected to become exercisable on the vesting date differ by 10% from management's estimates, total profit will be approximately \$70,000 higher or lower.