

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 China furniture CGU in the financial year ended 31 December 2011, which reduced the carrying amount of goodwill allocated to the China furniture CGU 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 2011 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 \$350,000³.

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the China furniture CGU at 31 December 2011 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 respectively³.

(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, not recognised in these financial statements is \$3,500,000.

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 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 uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$1,250,000 and \$1,000,000 respectively³.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by \$800,000 and \$700,000 respectively³.

(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 and \$220,000 respectively³.

Notes to the Financial Statements

For the financial year ended 31 December 2011

3.1 Critical accounting estimates and assumptions (continued)

(e) Fair value estimation on unlisted securities

FRS 107(27B)(e)

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 credit spreads.

If the credit spread used in the discounted cash flow analysis is increased or decreased by 1% from management's estimates, the Group's carrying amount of available-for-sale financial assets will be reduced by \$196,000 or increased by \$209,000 respectively³.

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 2011, 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 available-for-sale financial assets

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 2011 financial statements, being the reclassification of the fair value loss included in the fair value reserve to profit or loss³.

Notes to the Financial Statements

For the financial year ended 31 December 2011

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

(c) Revenue recognition

The Group started to design and sell a new furniture line to a new customer during 2011. 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 2011. If the sale is rescinded, the Group will suffer an estimated loss of \$700,000 in its 2012 financial statements, \$665,000 being the reversal of 2011 profits and \$35,000 being the costs for returning the inventory to the warehouse³.

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 2011

4. Revenue

	<u>Group</u>		
	2011	2010	
	\$'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	
Reclassification from hedging reserve (Note 38(b)(iv)) ^{1,2}	128	50	FRS 107(23)(d)
Total sales	210,214	112,360	

Guidance notes

Revenue

1. FRS 39 does not prescribe the income statement line item in which reclassification from hedging reserve should be included. Accordingly, an entity can also elect to present the reclassification from hedging reserve under "Other losses - net". The elected presentation should however be applied consistently.
2. The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivatives (please refer to Note 8 to financial statements).

Notes to the Financial Statements

For the financial year ended 31 December 2011

5. Expenses by nature¹

	Group	
	2011 \$'000	2010 \$'000
Purchases of inventories	59,401	23,688
Amortisation of intangible assets (Note 29(d))	775	515
Depreciation of property, plant and equipment (Note 28)	17,675	9,582
Impairment loss of goodwill (Note 29(a))	4,650	–
Total amortisation, depreciation and impairment	23,100	10,097
Employee compensation (Note 6)	40,090	15,500
Sub-contractor charges ²	12,400	7,700
Advertising expense ²	10,871	6,952
Rental expense on operating leases	10,588	8,697
Research expense	473	200
Transportation expense ²	7,763	5,876
Reversal of inventory write-down/inventory write-down ²	(200)	350
Other expenses	1,478	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	158,685	76,782

Included in the Group's rental expense on operating leases is contingent rent amounting to \$40,000 (2010: \$45,000). The contingent rent was computed based on annual inflation rates published by the Singapore Department of Statistics.

FRS 17(31)(c,e)(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(104)

FRS 1(97,98)

Notes to the Financial Statements

For the financial year ended 31 December 2011

6. Employee compensation

	Group	2011	2010	
		\$'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

1. For Singapore entities, defined contribution plans include contributions to the Central Provident Fund. A number of countries in the region (e.g. 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 4 for an illustrated disclosure.

Notes to the Financial Statements

For the financial year ended 31 December 2011

7. Other income¹

FRS 1(97,98)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Interest income ²		
- Bank deposits	830	380
- Held-to-maturity financial assets	130	110
- Available-for-sale financial assets	70	30
- Loan to an associated company	60	30
- Loans and receivables from non-related parties	90	70
	1,180	620
Dividend income ²	2,230	400
Rental income from investment properties (Note 26)	488	146
	<u>3,898</u>	<u>1,166</u>

Included in the Group's interest income on loans and receivables from non-related parties is interest income of \$80,000 (2010: \$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 (2010: \$62,000). The contingent rent was computed based on sales by the lessees.

FRS 17(56)(b)

Guidance notes

Other income

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

FRS 39(55)(a)

Interest and dividend income

- As indicated in the guidance note under Accounting Policy Note 2.12(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 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.

FRS 39(55)(b)

This choice is not applicable to available-for-sale financial assets. Interest calculated using the effective interest method and dividends are recognised in profit or loss and are not part of the fair value gains or losses recognised in other comprehensive income.

FRS 39(55)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

8. Other losses - net

FRS 1(97,98)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Fair value gains/(losses)		
- Financial assets held for trading	(891)	(1,778)
- Financial assets designated as fair value through profit or loss at initial recognition	610	–
- Derivatives held for trading	424	226
	143	(1,552)
Available-for-sale financial assets		
- Impairment loss (Note 16)	(575)	–
- Reclassification from other comprehensive income on disposal (Note 38(b)(iii))	200	–
	(375)	–
Fair value gains/(losses) on fair value hedges		
- Hedged item: Firm commitments	117	133
- Hedging instrument: Currency forwards	(116)	(131)
	(123)	50
Ineffectiveness on cash flow hedges ¹	(11)	(3)
Currency translation loss - net ²	(90)	(116)
Gain on disposal of property, plant and equipment	17	8
Net fair value (losses)/gains on investment properties (Note 26)	(123)	50
Loss on disposal of subsidiary (Note 13)	(945)	–
	(1,383)	(1,611)

Guidance notes

Other losses - net

Ineffectiveness on hedges

1. Please see guidance notes on Note 4 to financial statements.

Currency translation differences

2. 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 2011

9. Finance expenses

	2011 \$'000	2010 \$'000	Group
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(18,19(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, reclassified from hedging reserve (Note 38(b)(iv))	102	304	FRS 107(23)(d)
Currency translation gains/(losses) - net	<u>2,578</u>	<u>(1,540)</u>	FRS 21(52)(a)
Less: Amount capitalised in investment property and property, plant and equipment (Note 26)	129	125	FRS 23(26)(a)
Finance expenses recognised in profit or loss	<u>(7,073)</u>	<u>(9,060)</u>	

Borrowing costs on general financing were capitalised at a rate of 6.2% (2010: 5.6%).

FRS 23(26)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

10. Income taxes

(a) Income tax expense

	Group		
	2011	2010	
	\$'000	\$'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	
	<u>14,542</u>	<u>4,983</u>	FRS 12(80)(a)
Deferred income tax (Note 36)	360	2,641	FRS 12(80)(c)
	<u>14,902</u>	<u>7,624</u>	
<i>From discontinued operations</i>			
Current income tax			
- Foreign (Note 11)	37	(187)	FRS 12(81)(h)
	<u>14,939</u>	<u>7,437</u>	
- Under provision in prior financial years:			
<i>From continuing operations</i>			
Current income tax			
	-	100	FRS 12(80)(b)
	<u>14,939</u>	<u>7,537</u>	

Tax expense is attributable to:

- continuing operations	14,902	7,724	
- discontinued operations (Note 11)	37	(187)	
	<u>14,939</u>	<u>7,537</u>	

Notes to the Financial Statements

For the financial year ended 31 December 2011

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

FRS 12(81)(c)

	Group	
	2011 \$'000	2010 \$'000
Profit before tax from		
- continuing operations	46,797	26,218
- discontinued operations (Note 11)	137	(667)
	<u>46,934</u>	<u>25,551</u>
Share of loss/(profit) of associated companies, net of tax	174	(145)
Profit before tax and share of loss/(profit) of associated companies	<u>47,108</u>	<u>25,406</u>
Tax calculated at tax rate of 17% (2010: 17%) ¹	8,008	4,319
Effects of:		
- different tax rates in other countries	5,143	2,451
- tax incentives	(60)	(33)
- expenses not deductible for tax purposes	2,873	977
- income not subject to tax	(966)	(225)
- utilisation of previously unrecognised		
- tax losses	(44)	(23)
- capital allowances	(26)	(15)
- other	11	(14)
Tax charge	<u>14,939</u>	<u>7,437</u>

(b) Movement in current income tax liabilities

DV

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Beginning of financial year	3,833	9,595	325	285
Currency translation differences	14	316	-	-
Acquisition of subsidiary (Note 47)	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	<u>2,942</u>	<u>3,833</u>	<u>235</u>	<u>325</u>

Included in the Company's current tax liabilities is consideration of \$132,000 (2010: \$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 2011

10. Income taxes (continued)

(c) The tax (charge)/credit relating to each component of other comprehensive income is as follows:

	2011			2010			FRS 12(81)(a)
	Before Tax \$'000	Tax (charge) /credit \$'000	After Tax \$'000	Before Tax \$'000	Tax (charge) /credit \$'000	After Tax \$'000	
Group							
Fair value gains and reclassification adjustments on available-for-sale financial assets	510	(92)	418	88	(16)	72	FRS 1R(90)
Fair value gains and reclassification adjustments on cash flow hedges	77	(14)	63	20	(4)	16	FRS 1R(90)
Currency translation differences arising from consolidation and disposal of subsidiary	1,134	–	1,134	(118)	–	(118)	FRS 1R(90)
Revaluation gains on property, plant and equipment	253	(46)	207	1,133	(239)	894	FRS 1R(90)
Share of other comprehensive income of associated companies	27	–	27	–	–	–	FRS 1R(90)
Other comprehensive income	2,001	(152)	1,849	1,123	(259)	864	

Notes to the Financial Statements

For the financial year ended 31 December 2011

10. Income taxes (continued)

(d) Income tax recognised directly in equity is as follows:

	Group	
	2011	2010
	\$'000	\$'000
Equity component of convertible bonds (Note 38(b)(vi))	(421)	–
Excess tax on employee share option scheme	114	–
	<u>(307)</u>	<u>–</u>

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 [date of budget announcement] 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 2012. The Group’s and Company’s tax expense for the financial year ended [31 December 2011] 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 2011

11. Discontinued operations and disposal group classified as held-for-sale

Following the approval of the Group's management and shareholders on 31 May 2011 to sell 50% out of its 70% interest 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 2012.

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

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

FRS 105(33)(b)

	<u>Group</u>	
	2011 \$'000	2010¹ \$'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)
Profit attributable to equity holders of the Company relates to:		
- Profit from continuing operations	29,376	17,521
- Profit from discontinued operations	70	(336)
Total	29,446	17,185

FRS 12(81)(h)(ii)

FRS 12(81)(h)(ii)

FRS 105 (33)(d)

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

FRS 105(33)(c)

	<u>Group</u>	
	2011 \$'000	2010 \$'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 2011

11. Discontinued operations and disposal group classified as held-for-sale (continued)

	Group 2011 \$'000	FRS 105(38)
(c) Details of the assets in disposal group classified as held-for-sale are as follows:		
Property, plant and equipment (Note 28)	1,563	
Intangible assets (Note 29(b))	100	
Inventory	1,670	
	<u>3,333</u>	
(d) 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>	
	Group 2011 \$'000	2010 \$'000
(e) Cumulative income/(expense) recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:		FRS 105(38)
- Currency translation differences	200	<u>(100)</u>

Guidance notes

Discontinued operations and disposal group classified as held-for-sale

Comparatives

- An entity shall re-present the prior period's results for the discontinued operations.

FRS 105(34)

Presentation of cash flows for discontinued operations

- 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 statement of cash flows. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements.

FRS 105(33)(c)

If the entity elects to present net cash flows on the face of the statement of cash flows, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Discontinued operations and disposal group classified as held-for-sale (continued)

Other disclosure requirements

3. Disclosures required by other standards do not apply to each of the non-current assets classified as held-for-sale or included in a disposal group except for those assets that are outside the scope of FRS 105 measurement requirements, which include:

- (i) deferred tax assets (FRS 12 *Income Taxes*).
- (ii) assets arising from employee benefits (FRS 19 *Employee Benefits*).
- (iii) financial assets within the scope of FRS 39 *Financial Instruments: Recognition and Measurement*.
- (iv) non-current assets that are accounted for in accordance with the fair value model in FRS 40 *Investment Property*.
- (v) non-current assets that are measured at fair value less estimated point-of-sale costs in accordance with FRS 41 *Agriculture*.
- (vi) contractual rights under insurance contracts as defined in FRS 104 *Insurance Contracts*.

FRS 105(5)
FRS 105(5B)

For example, disclosures requirements in FRS 107 are required for financial assets within the scope of FRS 39 and investment property and accounted for at fair value, even if they are classified as held-for-sale.

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)

	Continuing operations		Discontinued operations		Total	
	2011	2010	2011	2010	2011	2010
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,376	17,521	70	(336)	29,446	17,185
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
Basic earnings/(loss) per share (\$ per share)	1.31	0.90	* (0.02)		1.31	0.88

Notes to the Financial Statements

For the financial year ended 31 December 2011

12. Earnings per share (continued)

(b) Diluted earnings per share (continued)

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 than 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)

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	
	2011	2010	2011	2010	2011	2010
Net profit/(loss) attributable to equity holders of the Company (\$'000)	29,376	17,521	70	(336)	29,446	17,185
Interest expense on convertible bonds, net of tax (\$'000)	2,528	—	—	—	2,528	—
Net profit/(loss) used to determine diluted earnings per share (\$'000)	31,904	17,521	70	(336)	31,974	17,185
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
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
Diluted earnings/(loss) per share (\$ per share)	1.16	0.87	* (0.02)		1.16	0.85

* Less than \$0.01

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Earnings per share (“EPS”)

- 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.
- 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)

13. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	12,480	30,798	7,607	243
Short-term bank deposits ¹	9,530	5,414	8,645	2,734
	<u>22,010</u>	<u>36,212</u>	<u>16,252</u>	<u>2,977</u>

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

FRS 7(45)

	Group	
	2011	2010
	\$'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 statement of cash flows	<u>19,160</u>	<u>29,548</u>

FRS 7(8)

Bank deposits are pledged in relation to the security granted for certain borrowings. (Note 31(a)).

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Cash and cash equivalents

Cash equivalents for the purpose of presenting statement of cash flows

- 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 statement of cash flows.

FRS 7(7-9)

FRS 7(6)

The classification of the movement of cash subjected to restriction depends on the nature of the item and the restriction in force. For example, where the cash deposited is placed as collateral for a performance bond, the movement in the cash deposit would form part of operating cash flows.

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 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 cash and cash equivalents are bank deposits amounting to \$[] (2010: \$[]) which are not freely remissible for use by the Group because of currency exchange restrictions.”

Classification of borrowing costs capitalised into cost of qualifying assets

- The classification of payments of interest that are capitalised shall be classified in a manner consistent with the classification of the underlying asset to which those payments were capitalised. For example, payments of interest that are capitalised as part of cost of property, plant and equipment should be classified as part of an entity’s investing activities; payments of interest that are capitalised as part of the cost of inventories should be classified as part of an entity’s operating activities.

Notes to the Financial Statements

For the financial year ended 31 December 2011

13. Cash and cash equivalents (continued)

Acquisition and disposal of subsidiaries

Please refer to Note 47 for the effects of acquisitions of subsidiaries on the cash flows of the Group. DV

On 28 June 2011, the Company disposed of its entire interest in PwC Logistics Pte Ltd for a cash consideration of \$983,000. Please refer to Note 41(b) for details of additional consideration receivable. The effects of the disposal on the cash flows of the Group were¹:

	<u>Group</u>	
	2011	
	\$'000	
<i>Carrying amounts of assets and liabilities disposed of</i>		
Cash and cash equivalents	(804)	FRS 7(40)(c)
Trade and other receivables	(4,404)	FRS 7(40)(d)
Property, plant and equipment (Note 28)	(1,380)	FRS 7(40)(d)
Goodwill (Note 29(a))	(100)	FRS 7(40)(d)
Other current assets	(114)	FRS 7(40)(d)
Total assets	(6,802)	
Trade and other payables	1,257	FRS 7(40)(d)
Current income tax liabilities (Note 10(b))	80	FRS 7(40)(d)
Deferred income tax liabilities (Note 36)	2,037	FRS 7(40)(d)
Total liabilities	3,374	
Net assets derecognised	(3,428)	
Less: Non-controlling interests	300	
Net assets disposed of	(3,128)	

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 were¹:

	Group
	2011
	\$'000
Net assets disposed of (as above)	3,128
– Reclassification of currency translation reserve (Note 38(b)(v))	(1,200)
	<u>1,928</u>
Loss on disposal (Note 8)	(945)
Cash proceeds from disposal	983
Less: Cash and cash equivalents in subsidiaries disposed of	(804)
Net cash inflow on disposal	<u>179</u>

FRS 7(40)(a,b)
FRS 7(40)(c)

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	
	2011	2010
	\$'000	\$'000
<i>Held for trading</i>		
Listed securities:		
– Equity securities - Singapore ¹	5,850	4,023
– Equity securities - US ¹	3,997	4,303
	<u>9,847</u>	<u>8,326</u>
<i>At fair value on initial recognition</i>		
Listed securities:		
– Equity securities - US ¹	938	–
	<u>10,785</u>	<u>8,326</u>

FRS 107(8)(a)(ii)
FRS 107(8)(a)(i)

Guidance notes

Financial assets, at fair value through profit or loss

- 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)

Notes to the Financial Statements

For the financial year ended 31 December 2011

15. Derivative financial instruments

	Group			Company			FRS 107(31)	
	Contract notional amount	Fair value		Contract notional amount	Fair value			
	\$'000	Asset	Liability	\$'000	Asset	Liability		
2011								
<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)	
Derivatives held for hedging		1,054	(575)		266	(47)		
<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)			
2010								
<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)	
Derivatives held for hedging		454	(255)		84	(47)		
<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 transacted to hedge variable quarterly interest payments on borrowings that will mature on 31 December 2013. Fair value gains and losses on the interest rate swaps recognised in the other comprehensive income are reclassified to profit or loss as part of interest expense over the period of the borrowings.

FRS 39(100)

Notes to the Financial Statements

For the financial year ended 31 December 2011

15. Derivative financial instruments (continued)

(b) Currency forwards

Currency forwards are transacted 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 other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period or periods during which the hedged forecast transaction affects profit or loss. This is generally 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 2011

16. Available-for-sale financial assets

	Group		Company		DV
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
Beginning of financial year	12,937	11,958	1,218	1,124	
Currency translation differences ¹	47	200	—	—	
Acquisition of subsidiary (Note 47)	473	—	—	—	
Additions	3,956	691	316	—	
Fair value gains/(losses) recognised in other comprehensive income (Note 38(b)(iii))	710	88	(34)	94	FRS 107(20)(a)(ii) FRS 107(20)(e)
Impairment losses (Note 8)	(575)	—	—	—	
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:

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

	Group		Company		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'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 2013 ²	288	—	—	—	
	11,901	7,673	1,500	1,218	
Unlisted securities					
- SGD corporate variable rate notes due 30 November 2013 ²	5,347	5,264	—	—	
Total	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 (2011: 4.2%, 2010: 4.0%).

FRS 107(27)(a,b)

During the financial year, the Group recognised an impairment loss of \$575,000 (2010: Nil) against an equity security in Singapore whose trade prices had been below cost for a prolonged period.

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Available-for-sale financial assets

- These currency translation differences arise from debt securities. Please refer to Accounting Policy Note 2.12(d). FRS 107(31)
- 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)

17. Trade and other receivables – current

FRS 1(77,78(b))

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance lease receivables (Note 21)	156	218	–	–
Trade receivables				
- Associated companies	188	217	–	–
- Subsidiaries	–	–	1,200	600
- Non-related parties	17,240	14,779	6,412	1,531
	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	–	–
- Retentions (Note 19)	60	40	–	–
	1,444	1,228	–	–
Loan to an associated company	2,668	1,276	–	–
Less: Non-current portion (Note 20)	(2,322)	(1,240)	–	–
	346	36	–	–
Staff loans (Note 22)	60	25	30	20
Deposits	345	221	–	–
Pre-payments	200	105	50	50
Other receivables	40	40	20	15
	19,510	16,399	7,612	2,166

Notes to the Financial Statements

For the financial year ended 31 December 2011

17. Trade and other receivables – current (continued)

Certain subsidiaries of the Group have factored trade receivables with carrying amounts of \$1,260,000 (2010: \$1,340,000) to a bank in exchange for cash during the financial year ended 31 December 2011. 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 2013. Interest is fixed at 2.2% per annum.

FRS 24(18)(b)

FRS 107(31)

18. Inventories

FRS 1(78)(c)

FRS 2(36)(b)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Raw materials	7,622	7,612	–	–
Work-in-progress	1,810	1,796	–	–
Finished/trading goods	14,826	7,686	2,200	335
	<u>24,258</u>	<u>17,094</u>	<u>2,200</u>	<u>335</u>

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$37,842,000 (2010: \$20,738,000).

FRS 2(36(d), 38)

Inventories of \$1,200,000 (2010: \$1,000,000) of the Group and \$600,000 (2010: \$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 (2010: Nil), being part of an inventory write-down made in 2010, as the inventories were sold above the carrying amounts in 2011.

FRS 2(36)(f,g)

Notes to the Financial Statements

For the financial year ended 31 December 2011

19. Construction contracts

	Group	2011	2010	
		\$'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		<u>262</u>	<u>147</u>	
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts				
Less: Progress billings		32,067	23,325	FRS 11(40)(a)
		<u>(30,763)</u>	<u>(22,197)</u>	
		<u>1,304</u>	<u>1,128</u>	
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)
		<u>1,304</u>	<u>1,128</u>	
Advances received on construction contracts (Note 30)		<u>541</u>	<u>262</u>	FRS 11(40)(b)
Retentions on construction contracts (Note 17)		<u>60</u>	<u>40</u>	FRS 11(40)(c)

Guidance notes

Construction contracts

1. 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 2011

20. Trade and other receivables – non-current

FRS 1(77,78(b))

	<u>Group</u>		<u>Company</u>		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
Finance lease receivables (Note 21)	600	600	–	–	FRS 17(47)(a)
Other receivables					
- Loan to an associated company (Note 17)	2,322	1,240	–	–	FRS 24(18(b),24) FRS 24(19)(d)
- Loans to subsidiaries	–	–	2,986	3,100	FRS 24(19)(c)
- Staff loans (Note 22)	200	150	150	100	
- Indemnification asset (Note 47)	200	–	–	–	
	<u>3,322</u>	<u>1,990</u>	<u>3,136</u>	<u>3,200</u>	

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 2013.

FRS 24(18)(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>	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 %	2010 %
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 2011

21. Finance lease receivables

The Group leases equipment to non-related parties under finance leases. The various agreements terminate between 2012 and 2017, and the non-related parties have options to extend the leases at market rates.

FRS 17(47)(f)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Gross receivables due		
- Not later than one year	236	316
- Later than one year but within five years	700	600
- Later than five years	146	147
	<u>1,082</u>	<u>1,063</u>
Less: Unearned finance income	(326)	(245)
Net investment in finance leases	<u>756</u>	<u>818</u>

FRS 17(47)(a)

FRS 17(47)(b)

The net investment in finance leases is analysed as follows:

FRS 17(47)(a)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Not later than one year (Note 17)	156	218
Later than one year but within five years (Note 20)	600	600
	<u>756</u>	<u>818</u>

22. Staff loans

	<u>Group</u>		<u>Company</u>		<small>DV</small>
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'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	
	<u>260</u>	<u>175</u>	<u>180</u>	<u>120</u>	

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 2013.

FRS 24(18,24)

	<u>Group</u>		<u>Company</u>	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Not later than one year	20	20	20	20
Later than one year but within five years	15	35	15	35
	<u>35</u>	<u>55</u>	<u>35</u>	<u>55</u>

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. Investments in associated companies

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Equity investment at cost			<u>1,000</u>	<u>1,000</u>
Beginning of financial year	<u>8,569</u>	<u>8,133</u>		
Currency translation differences	<u>(603)</u>	<u>291</u>		
Acquisition of subsidiary (Note 47)	<u>389</u>	<u>–</u>		
Share of (losses)/profits ¹	<u>(174)</u>	<u>145</u>		FRS 28(38)
Share of movement in fair value reserve (Note 38(b)(iii))	<u>27</u>	<u>–</u>		FRS 28(39)
End of financial year	<u><u>8,208</u></u>	<u><u>8,569</u></u>		FRS 28(38)

The summarised financial information of associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows^{2,3,4}:

- Assets	<u>59,774</u>	<u>36,918</u>
- Liabilities	<u>46,401</u>	<u>23,674</u>
- Revenue	<u>65,865</u>	<u>45,013</u>
- Net (loss)/profit	<u>(500)</u>	<u>800</u>

Share of associated companies' contingent liabilities incurred jointly with other investors

106 240 FRS 28(40)(a)

Contingent liabilities relating to liabilities of associates for which the Company is severally liable

60 100 FRS 28(40)(b)

Goodwill amounting to \$1,020,000 (2010: \$1,020,000) is included in the carrying amount of investments in associated companies.

DV

FRS 28(37)(g)

The Group has not recognised its share of losses of an associated company amounting to \$15,000 (2010: \$5,000) because the Group's cumulative share of losses exceeds its interest in that entity⁵ and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to \$27,000 (2010: \$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 (2010: \$20,000) because the Group's cumulative share of unrecognised losses with respect to that entity amounts to \$25,000 (2010: \$38,000) at the balance sheet date.

FRS 28(37)(g)

The Group's investments in associated companies include investments in listed associated companies with a carrying amount of \$800,000 (2010: \$800,000), for which the published price quotations are \$1,440,000 (2010: \$1,250,000) at the balance sheet date.

FRS 28(37)(a)

Details of significant associated companies are provided in Note 51.

Notes to the Financial Statements

For the financial year ended 31 December 2011

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. FRS 28 is also silent as to whether summarised financial information should be based on the book values of the assets and liabilities in the financial statement of the associate or their carrying values notionally recognised by the Group as a result of the notional purchase price allocation. Either approach is acceptable, provided that it is consistently applied.
4. Summarised financial information can be based on the book values in the financial statement of the associate or the carrying value notionally recognised by the Group as a result of the notional purchase price allocation. This needs to be consistently applied.

FRS 28(37)(i)

Interest in an associated company

5. 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 2011

24. Investment in a joint venture

The Company has a 60% equity interest at a cost of \$880,000 (2010: \$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 venturers¹.

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	
	2011	2010
	\$'000	\$'000
Assets		
- Current assets	803	717
- Non-current assets	<u>2,730</u>	<u>2,124</u>
	3,533	2,841
Liabilities		
- Current liabilities	(388)	(406)
- Non-current liabilities	<u>(1,081)</u>	<u>(1,073)</u>
	(1,469)	(1,479)
Net assets	2,064	1,362
Sales	1,100	778
Expenses	(354)	(509)
Profit before tax	746	269
Income tax	(224)	(160)
Profit after tax	522	109
Operating cash inflows	640	560
Investing cash (outflows)/inflows	(40)	70
Financing cash outflows	(20)	(110)
Total cash inflows	580	520
Capital commitments in relation to interest in joint venture		
	–	250
Proportionate interest in joint venture’s capital commitments		
	90	92

FRS 7(50)(b)

FRS 31(55)(a)

FRS 31(55)(b)

Details of the joint venture are included in Note 51.

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Investment in a joint venture

Legal subsidiary not required to be consolidated

- Under the Companies Act, a company is a subsidiary of another company if the latter owns more than 50% of the equity interest in the former. This definition is different from FRS 27, which defines subsidiary as an entity that is controlled by another entity. Accordingly, the Accounting and Corporate Regulatory Authority ("ACRA") issued Practice Direction No. 4 of 2006 to clarify that:
 - a 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;
 - 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
 - a holding company (under the Companies Act) which is not a parent (under FRS 27) must incorporate financial information relating to its legal subsidiaries in its financial statements in accordance with the relevant FRS (FRS 28, 31 or 39).

CA 5(1)
FRS 27(4)

The above is possible because ACRA's interpretation of the term "consolidated accounts" in Section 201(3A) of the Companies Act is 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

- 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.
- 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)

25. Investments in subsidiaries

	Company	
	2011	2010
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	96,460	96,460
Disposal	(300)	–
End of financial year	96,160	96,460

DV

Details of significant subsidiaries are included in Note 51.

Notes to the Financial Statements

For the financial year ended 31 December 2011

26. Investment properties

	Group	2011	2010	
		\$'000	\$'000	
Beginning of financial year		5,455	3,365	FRS 40(76)
Additions		–	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		<u>5,550</u>	<u>5,455</u>	FRS 40(76)

Investment properties are carried at fair values¹ 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	2011	2010	
		\$'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)	(6)	FRS 40(75)(f)(ii)
- Investment properties that did not generate rental income		<u>(40)</u>	<u>(8)</u>	FRS 40(75)(f)(iii)

Guidance notes

Investment properties

Adjustment to fair value

- When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example, to avoid double-counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment.

FRS 40(50,77)

Notes to the Financial Statements

For the financial year ended 31 December 2011

27. Held-to-maturity financial assets - non-current

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Unlisted debt securities		
- Bonds with fixed interest of 5.5% and maturity date of 31 May 2018 - Singapore	1,650	1,593
- Bonds with variable interest rates and maturity date of 28 June 2013 - Singapore	472	-
	<u>2,122</u>	<u>1,593</u>

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

FRS 107(25)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Bonds with fixed interest of 5.5% and maturity date of 31 May 2018	1,720	1,612
Bonds with variable interest rates and maturity date of 28 June 2013	475	-

The fair values are based on discounted cash flows using market interest rates for an equivalent bond as at the balance sheet date, as follows:

FRS 107(27)(a,b)

	<u>Group</u>	
	2011	2010
Bonds with fixed interest of 5.5% and maturity date of 31 May 2018	5.0%	5.2%
Bonds with variable interest rates and maturity date of 28 June 2013	6.5%	-

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. Property, plant and equipment

Group 2011	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Assets Total \$'000		FRS 1(78)(a)						
<i>Cost or valuation</i>															
Beginning of financial year															
Cost	–	–	–	84,703	2,700	–	87,403		FRS 16(73)(d)						
Valuation	8,400	8,061	21,453	–	–	–	37,914		FRS 16(73)(a)						
	<u>8,400</u>	<u>8,061</u>	<u>21,453</u>	<u>84,703</u>	<u>2,700</u>	<u>–</u>	<u>125,317</u>		FRS 16(73)(a)						
Currency translation differences									FRS 16(73)(e)(viii)						
Acquisition of subsidiary ⁵	–	12,012	37,060	18,199	513	–	67,784		FRS 16(73)(e)(iii)						
Additions	–	3,423	3,703	2,202	427	360	10,115		FRS 16(73)(e)(i)						
Reclassified to disposal group	–	–	–	(1,842)	–	–	(1,842)		FRS 16(73)(e)(ii)						
Disposals ¹	–	(594)	(1,526)	(4,887)	–	–	(7,007)		FRS 16(73)(e)(ii)						
Revaluation surplus ²															
(Note 38(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	<u>8,450</u>	<u>22,854</u>	<u>59,022</u>	<u>102,884</u>	<u>3,743</u>	<u>360</u>	<u>197,313</u>		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), SGX 1207(10)						
	<u>8,450</u>	<u>22,854</u>	<u>59,022</u>	<u>102,884</u>	<u>3,743</u>	<u>360</u>	<u>197,313</u>		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	<u>–</u>	<u>–</u>	<u>–</u>	<u>41,671</u>	<u>2,031</u>	<u>–</u>	<u>43,702</u>		FRS 16(73)(d)						
<i>Net book value</i>															
<i>End of financial year</i>	<u>8,450</u>	<u>22,854</u>	<u>59,022</u>	<u>61,213</u>	<u>1,712</u>	<u>360</u>	<u>153,611</u>								

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. Property, plant and equipment (continued)

Group 2010	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Assets Total \$'000		FRS 1(78)(a)
<i>Cost or valuation</i>									
Beginning of financial year				87,450	2,362	–	89,812		FRS 16(73)(d)
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	–	6,042		FRS 16(73)(e)(ii)
Disposals ¹	–	–	–	(5,737)	–	–	(5,737)		
Revaluation surplus ²									FRS 16(73)(e)(iv)
(Note 38(b)(vii))	100	235	798	–	–	–	1,133		FRS 16(73)(e)(iv)
Revaluation adjustments ²	–	(111)	(512)	–	–	–	(623)		FRS 16(73)(d)
End of financial year	8,400	8,061	21,453	84,703	2,700	–	125,317		
<i>Representing:</i>									
Cost	–	–	–	84,703	2,700	–	87,403		FRS 16(73)(a)
Valuation	8,400	8,061	21,453	–	–	–	37,914		SGX 1207(10)
	8,400	8,061	21,453	84,703	2,700	–	125,317		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)(viii)
- Continuing operations (Note 5)	–	75	461	8,514	532	–	9,582		
- Discontinued operations	–	–	–	80	–	–	80		
Reclassified to disposal group	–	–	–	(279)	–	–	(279)		FRS 16(73)(e)(ii)
Disposals ¹	–	–	–	(2,750)	–	–	(2,750)		FRS 16(73)(e)(iv)
Revaluation adjustments ²	–	(111)	(512)	–	–	–	(623)		FRS 16(73)(d)
End of financial year	–	–	–	26,177	1,250	–	27,427		
<i>Net book value</i>									
End of financial year	8,400	8,061	21,453	58,526	1,450	–	97,890		

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. Property, plant and equipment (continued)

	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000	FRS 1(78)(a)
Company				
2011				
<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)(vii)
Disposals	(20)	–	(20)	FRS 16(73)(e)(vii)
End of financial year	56	24	80	FRS 16(73)(d)
<i>Net book value</i>				
End of financial year	649	206	855	
2010				
<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)
<i>Net book value</i>				
End of financial year	370	30	400	

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. Property, plant and equipment (continued)

(a) Included within additions to the consolidated financial statements are plant and equipment, and motor vehicles acquired under finance leases amounting to \$400,000 (2010: Nil) and \$150,000 (2010: Nil) respectively.

FRS 7(43)

The carrying amounts of plant and equipment, and motor vehicles held under finance leases are \$745,000 (2010: \$450,000) and \$180,000 (2010: Nil) respectively at the balance sheet date⁴.

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	
	2011 \$'000	2010 \$'000
Freehold land	8,010	8,108
Leasehold land	28,455	7,800
Buildings	<u>51,609</u>	<u>21,529</u>

(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 (2010: \$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 2011

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.

FRS 16(35)

Revaluations

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be:

- (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Method (b) is illustrated in this publication.

FRS 16(81)

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.

Leased assets

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

FRS 17(31)(a)

Acquisition of subsidiary

5. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2011

29. Intangible assets

<u>Composition:</u>	<u>Group</u>		<u>Company</u>	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Goodwill arising on consolidation (Note (a))	11,468	12,000	–	–
Trademark and licences (Note (b))	12,648	7,000	1,000	1,000
Computer software licences (Note (c))	814	600	200	100
	24,930	19,600	1,200	1,100

(a) Goodwill arising on consolidation

	<u>Group</u>		FRS 38(118)(e)
	2011 \$'000	2010 \$'000	
<i>Cost</i>			
Beginning of financial year	12,000	12,150	FRS 103(B67)(d)
Acquisition of subsidiary (Note 47)	4,259	–	FRS 38(118)(e)(i)
Disposal of subsidiary (Note 13)	(100)	–	FRS 38(118)(e)(ii)
Currency translation differences	(41)	(150)	FRS 103(B67)(d)
End of financial year	16,118	12,000	FRS 103(B67)(d)
<i>Accumulated impairment</i>			
Beginning of financial year	–	–	FRS 103(B67)(d)
Impairment charge (Note 5)	4,650	–	FRS 38(118)(e)(iv)
End of financial year	4,650	–	FRS 103(B67)(d)
Net book value	11,468	12,000	FRS 103(B67)(d)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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:

	Group						FRS 36(134)(a)		
	2011			2010					
	Component	parts	Furniture	Total	Component	parts	Furniture	Total	
		\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	
Singapore	5,970	120	6,090		5,970	120	6,090		
China	4,372	27	4,399		125	4,680	4,805		
Philippines	270	90	360		300	100	400		
Other	539	80	619		625	80	705		
	11,151	317	11,468		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)

2011	Component parts				Furniture			
	Singapore	China	Philippines	Other	Singapore	China	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%	6.9%	6.5%	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 2011

29. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

2010	Component parts				Furniture			
	Singapore	China	Philippines	Other	Singapore	China	Philippines	Other
Gross margin ¹	60.0%	59.0%	60.0%	56.0%	29.3%	33.1%	32.5%	35.0%
Growth rate ²	5.8%	8.8%	7.8%	1.9%	1.3%	8.3%	1.9%	1.4%
Discount rate ³	7.3%	12.0%	11.7%	13.2%	6.8%	14.6%	13.0%	13.3%

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 market developments. The weighted average growth rates used were consistent with 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 (2010: Nil) is included within "Administrative expenses" in the statement of comprehensive income¹. The impairment charge has arisen from the furniture CGU in China following a decision to reduce the manufacturing output as a result of reducing customer demand³. 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 2011 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 \$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 being equal to its carrying amount².

FRS 36(134)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2011

29. Intangible assets (continued)

(b) Trademark and licences

	Group		Company		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
<i>Cost</i>					
Beginning of financial year	7,700	7,306	1,560	900	FRS 38(118)(c)
Currency translation differences	(19)	(306)	—	—	FRS 38(118)(e)(vii)
Acquisition of subsidiary (Note 47)	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)(c)
<i>Accumulated amortisation</i>					
Beginning of financial year	700	335	560	500	FRS 38(118)(c)
Amortisation charge					
- Continuing operations	655	315	100	60	FRS 38(118)(e)(vi)
- 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

	Group		Company		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'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)(vii)
Additions	366	—	120	—	FRS 38(118)(e)(i)
End of financial year	1,634	1,300	240	120	FRS 38(118)(c)
<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	FRS 38(118)(c)
Net book value	814	600	200	100	

Notes to the Financial Statements

For the financial year ended 31 December 2011

29. Intangible assets (continued)

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

FRS 38(118)(d)

	<u>Group</u>	
	2011 \$'000	2010 \$'000
Cost of sales	655	315
Administrative expenses	120	200
Total (Note 5)	<u>775</u>	<u>515</u>

Guidance notes

Intangible assets

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

- 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

- 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, the following should be disclosed:

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.

Impairment

- Entities are required to disclose the events and circumstances that led to the recognition of impairment losses.

FRS 36(130)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2011

30. Trade and other payables

FRS 1(77)

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Trade payables to:				
- non-related parties	958	528	86	140
- associated companies	2,202	1,095	40	200
- subsidiaries	-	-	20	14
- fellow subsidiaries	9,690	7,021	-	-
	12,850	8,644	146	354
Construction contracts				
- Advances received (Note 19)	541	262	-	-
- Due to customers (Note 19)	80	60	-	-
	621	322	-	-
Financial guarantees			160	-
Accruals for operating expenses	2,970	1,590	401	195
	16,441	10,556	707	549
<i>Non-current</i>				
Contingent consideration payable (Note 47)	350	-	-	-
Total trade and other payables	16,791	10,556	707	549

FRS 24(18(b),24)

FRS 24(19)(d)

FRS 24(19)(c)

FRS 24(19)(g)

FRS 11(40)(b)

FRS 11(42)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

31. Borrowings

	<u>Group</u>	<u>Company</u>		
	2011	2010	2011	2010
	\$'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
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
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
Total borrowings ¹	127,824	104,884	81,767	71,951
				FRS 1(60,69)

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 date are follows:

FRS 107(31)

	<u>Group</u>	<u>Company</u>	
	2011	2010	2011
	\$'000	\$'000	\$'000
6 months or less	2,710	6,501	3,500
6 - 12 months	6,814	9,169	–
1 - 5 years	87,995	59,104	48,267
Over 5 years	30,305	30,110	30,000
	127,824	104,884	81,767
			71,915

(a) Security granted

Total borrowings include secured liabilities of \$49,557,000 (2010: \$74,884,000) and \$3,500,000 (2010: \$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 2011

31. Borrowings (continued)

(b) Fair value of non-current borrowings

FRS 107(25)
FRS 107(29)(a)

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	\$'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)

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
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)

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Expiring within one year	24,900	16,600	9,010	9,060
Expiring beyond one year	14,000	8,400	6,000	5,220
	38,900	25,000	15,010	14,280

The facilities expiring within one year from the balance sheet date are facilities subject to annual review at various dates during 2012. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Default and breaches on borrowings

- FRS 107 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 5 includes an illustration.

FRS 1(74)
FRS 107(18)

Roll over and refinancing

- 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 (e.g. there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

FRS 1(73)

32. Convertible bonds

On 2 January 2011, 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 38(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	
	2011	2010
	\$'000	\$'000
Face value of convertible bonds issued on 2 January 2011	50,000	–
Equity conversion component on initial recognition (Note 38(b)(vi)) ¹	<u>(2,106)</u>	–
Liability component on initial recognition	47,894	–
Accumulated amortisation of interest expense (Note 9)	2,873	–
Accumulated payments of interest	<u>(2,500)</u>	–
Liability component at end of financial year (Note 31)	<u>48,267</u>	–

FRS 12 AppB(4)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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)

Conversion at or before maturity

2. On conversion of a convertible instrument at maturity, the Company derecognises the liability component and recognises it as equity. The original equity component remains in equity. There is no gain or loss on conversion at maturity.
3. Where a convertible debt is converted before maturity in accordance with the terms of the convertible instrument, the amount recognised in equity in respect of the shares issued should be the carrying amount of the liability as at the date of conversion.

FRS 32 (AG32)

Early redemption or repurchase

4. When the Company extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company should allocate the redemption consideration paid (including any transaction costs) to the instrument's liability and equity components at the date of repurchase or redemption. Any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:
 - the difference between the consideration allocated to the liability component and its carrying value is recognised in profit or loss; and
 - the amount of consideration relating to the equity component is recognised in equity.

FRS 32 (AG34)

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. Redeemable preference shares

On 4 January 2008, 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 2018 or by the Company at any time before that date. The shares pay fixed dividends of 6.5% per annum. These are classified as borrowings (Note 31).

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)

	<u>Group</u>		
	2011	2010	
	\$'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	
	1,296	630	
Less: Future finance charges	(371)	(180)	
Present value of finance lease liabilities	925	450	

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

FRS 17(31)(b)

	<u>Group</u>		
	2011	2010	
	\$'000	\$'000	
Not later than one year (Note 31)	120	75	
Later than one year (Note 31)			
- Between one and five years	500	265	
- Later than five years	305	110	
	805	375	
Total	925	450	

Notes to the Financial Statements

For the financial year ended 31 December 2011

35. Provisions

FRS 1(78)(d)

	Group		Company		FRS 1(61,69)
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
<i>Current</i>					
Warranty (Note (a))	1,026	2,300	100	210	
Restructuring (Note (b))	1,100	–	–	–	
	2,126	2,300	100	210	
<i>Non-current</i>					
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:

	Group		Company		FRS 37(84)(a)
	2011 \$'000	2010 ¹ \$'000	2011 \$'000	2010 ¹ \$'000	
Beginning of financial year	2,300	2,120	210	90	
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 2011. 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 2011, following the finalisation of certain restructuring costs in the second half of 2011. The provision for restructuring is expected to be fully utilised during the first half of 2012².

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 2011

35. Provisions (continued)

(c) Legal claims

Other than as disclosed in Note 47, 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 2013. 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 2011. The directors consider that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided.

FRS 37(85)(a)

FRS 37(92)

Movement in provision for legal claims is as follows:

	Group		Company		Reference
	2011 \$'000	2010 ¹ \$'000	2011 \$'000	2010 ¹ \$'000	
Beginning of financial year	1,585	1,342	95	90	FRS 37(84)(a)
Currency translation difference	(100)	(22)	—	—	
Acquisition of subsidiary (Note 47)	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

- Comparative information is encouraged, but not required for the movement of each class of provision.
- 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. Further, such an update is relevant only for entities that prepare interim financial reports in accordance with FRS 34 requirements.

FRS 37(84)

FRS 34(26)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 balance sheet as follows:

FRS 12(74)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred income tax assets				
- To be recovered within one year	(647)	(82)	–	–
- To be recovered after one year	(2,672)	(3,146)	–	–
	(3,319)	(3,228)	–	–
Deferred income tax liabilities				
- To be settled within one year	1,627	890	600	559
- To be settled after one year	10,019	7,516	2,179	1,492
	11,646	8,406	2,779	2,051

Movement in deferred income tax account is as follows:

DV

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Beginning of financial year	5,178	3,462	2,051	2,011
Currency translation differences	614	(1,184)	–	–
Acquisition of subsidiary (Note 47)	3,753	–	–	–
Disposal of subsidiary (Note 13)	(2,037)	–	–	–
Tax charge/(credited) to				
- profit or loss (Note 10a)	360	2,641	323	20
- equity (Note 10c, 10d)	459	259	405	20
End of financial year	8,327	5,178	2,779	2,051

Notes to the Financial Statements

For the financial year ended 31 December 2011

36. Deferred income taxes (continued)

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 (2010: \$5,244,000) and capital allowances of \$400,000 (2010: \$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 2012. The capital allowances will expire between 2013 and 2014.

FRS 12(82)

FRS 12(81)(e)

Deferred income tax liabilities of \$170,000 (2010: \$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 (2010: \$1,500,000) at the balance sheet date.

FRS 12(81)(f)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 \$'000	Fair value gains-net \$'000	Convertible bonds \$'000	Other \$'000	Total \$'000
2011					
Beginning of financial year	7,381	521	–	1,083	8,985
Currency translation differences	378	78	–	469	925
Acquisition of subsidiary	553	3,175	–	275	4,003
Disposal of subsidiary	(2,037)	–	–	–	(2,037)
Charged/(credited) to					
- profit or loss	436	5	(105)	227	563
- equity	–	152	421	–	573
End of financial year	<u>6,711</u>	<u>3,931</u>	<u>316</u>	<u>2,054</u>	<u>13,012</u>
2010					
Beginning of financial year	6,413	333	–	284	7,030
Currency translation differences	(818)	(77)	–	–	(895)
Charged to					
- profit or loss	1,786	6	–	799	2,591
- equity	–	259	–	–	259
End of financial year	<u>7,381</u>	<u>521</u>	<u>–</u>	<u>1,083</u>	<u>8,985</u>

Deferred income tax assets

	Provisions \$'000	Tax losses \$'000	Other \$'000	Total \$'000
2011				
Beginning of financial year	(734)	(1,960)	(1,113)	(3,807)
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	<u>(1,628)</u>	<u>(1,143)</u>	<u>(1,914)</u>	<u>(4,685)</u>
2010				
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	<u>(734)</u>	<u>(1,960)</u>	<u>(1,113)</u>	<u>(3,807)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2011

36. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gains-net \$'000	Convertible bonds \$'000	Total \$'000
2011				
Beginning of financial year	2,014	82	–	2,096
Charged to				
- profit or loss	366	–	21	387
- equity	–	4	421	425
End of financial year	2,380	86	442	2,908
2010				
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
2011			
Beginning of financial year	(41)	(4)	(45)
Charged/(credited) to			
- profit or loss	17	(81)	(64)
- equity	–	(20)	(20)
End of financial year	(24)	(105)	(129)
2010			
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 2011

37. Share capital and treasury shares

FRS 1(79,106(d))

	No. of		Amount	
	← ordinary shares →		← →	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
Group and Company				
2011				
Beginning of financial year	20,000	(725)	32,024	(900)
Treasury shares purchased	–	(1,000)	–	(2,072)
Shares issued	4,050	–	9,884	–
Share issue expenses	–	–	(413)	–
Treasury shares re-issued	–	750	–	1,554
End of financial year	<u>24,050</u>	<u>(975)</u>	<u>41,495</u>	<u>(1,418)</u>
2010				
Beginning of financial year	20,000	–	32,024	–
Treasury shares purchased	–	(725)	–	(900)
End of financial year	<u>20,000</u>	<u>(725)</u>	<u>32,024</u>	<u>(900)</u>

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

FRS 1(79)(a)(ii,iii)

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company, after paying dividends for the 6.5% redeemable preference shares, which are classified as liabilities (Note 33).

On 1 March 2011, 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(79)(a)(v)

Notes to the Financial Statements

For the financial year ended 31 December 2011

37. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 1,000,000 (2010: 725,000) of its shares in the open market during the financial year. The total amount paid to acquire the shares was \$2,072,000 (2010: \$900,000) and this was presented as a component within shareholders' equity.

FRS 32(33)

The Company re-issued 750,000 (2010: Nil) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 (2010: Nil) each. The cost of treasury shares re-issued amounted to \$1,554,000. The total consideration (net of expense) for the treasury shares issued is as follows:

	2011 \$'000	2010 \$'000
Exercise price paid by employees	983	–
Value of employee services (Note 38(b))	946	–
Less: Transaction costs	(1)	–
Total net consideration	1,928	–

Accordingly, a gain on re-issue of treasury shares of \$374,000 is recognised in the capital reserve (Note 38(b)(ii)).

(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 2008.

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 2011, 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 ("2011 Options"). The 2011 Options are exercisable from 1 January 2013 and expire on 31 December 2016.

FRS 1(79)(a)(vii)

Notes to the Financial Statements

For the financial year ended 31 December 2011

37. Share capital and treasury shares (continued)

(b) Share options (continued)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

FRS 102(45)(b-d)

<u>Group and Company</u>	No. of ordinary shares under option						<u>Exercise price</u>	<u>Exercise period</u>
	<u>Beginning of financial year</u>	<u>Granted during financial year</u>	<u>Forfeited during financial year</u>	<u>Exercised during financial year</u>	<u>End of financial year</u>			
2011								
2008							1.1.2010 –	
Options	1,850,000	–	(100,000)	(750,000)	1,000,000	\$1.31	31.12.2013	
2010							1.1.2012 –	
Options	1,732,000	–	(200,000)	–	1,532,000	\$1.28	31.12.2015	
2011							1.1.2013 –	
Options	–	964,000	–	–	964,000	\$2.95	31.12.2016	
	<u>3,582,000</u>	<u>964,000</u>	<u>(300,000)</u>	<u>(750,000)</u>	<u>3,496,000</u>			
2010								
2008							1.1.2010 –	
Options	2,050,000	–	(200,000)	–	1,850,000	\$1.31	31.12.2013	
2010							1.1.2012 –	
Options	–	1,965,000	(233,000)	–	1,732,000	\$1.28	31.12.2015	
	<u>2,050,000</u>	<u>1,965,000</u>	<u>(433,000)</u>	<u>–</u>	<u>3,582,000</u>			

Out of the unexercised options for 3,496,000 (2010: 3,582,000) shares, options for 1,000,000 (2010: 1,850,000) shares are exercisable at the balance sheet date. Options exercised in 2011 resulted in 750,000 treasury shares (2010: Nil) being re-issued at the exercise price of \$1.31 (2010: Nil) each. The weighted average share price at the time of exercise was \$3.20 (2010: Nil) per share. The related transaction costs amounting to \$500 (2010: Nil) were deducted against the proceeds received.

FRS 102(45)(b)(vii)

FRS 102(45)(c)

The fair value of options granted on 1 January 2011 (2010: 1 January 2010), determined using the Binomial Valuation Model, was \$600,000 (2010: \$780,000). The significant inputs into the model were the share price of \$2.95 (2010: \$1.28) at the grant date, the exercise price of \$2.95 (2010: \$1.28), standard deviation of expected share price returns of 30% (2010: 27%), the option life shown above and the annual risk-free interest rate of 5% (2010: 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.

FRS 102(46,47)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2011

38. Other reserves

FRS 1(106)(d)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) <u>Composition:</u>				
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) <u>Movements:</u>				
(i) <u>Share option reserve</u>				FRS 1(106)(d)
Beginning of financial year	1,892	1,270	1,892	1,270
Employee share option scheme				
- Value of employee services (Note 6)	690	622	690	622
- Share options exercised (Note 37(a))	(946)	–	(946)	–
End of financial year	1,636	1,892	1,636	1,892
(ii) <u>Capital reserve</u>				FRS 1(106)(d)
Beginning of financial year	–	–	–	–
Gain on re-issue of treasury shares (Note 37(a))	374	–	374	–
Tax on employee share option scheme ⁵	114	–	20	–
End of financial year	488	–	394	–
(iii) <u>Fair value reserve</u>				FRS 1(106)(d)
Beginning of financial year	127	55	130	55
Available-for-sale financial assets				
- Fair value gains/(losses) (Note 16)	710	88	(34)	94
- Tax on fair value changes	(128)	(16)	6	(19)
	582	72	(28)	75
Share of associated companies' fair value gains on available-for-sale financial assets, 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

Notes to the Financial Statements

For the financial year ended 31 December 2011

38. Other reserves (continued)

(b) Movement (continued):

	Group		Company		
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
(iv) Hedging reserve					
Beginning of financial year	24	8	12	6	FRS 1(106)(d)
Fair value gains	417	414	71	16	FRS 107(23)(c)
Tax on fair value gains	(75)	(83)	(13)	(3)	FRS 12(81)(a)
	342	331	58	13	
Reclassification to profit or loss					
- Revenue (Note 4)	(128)	(50)	–	–	FRS 107(23)(d)
- Finance expense (Note 9)	(102)	(304)	(10)	(9)	
Reclassification to inventories	(60)	(40)	–	–	FRS 107(23)(d)
Reclassification to property, plant and equipment	(50)	–	–	–	FRS 107(23)(e)
Tax on reclassification adjustments	61	79	2	2	FRS 107(23)(e)
	(279)	(315)	(8)	(7)	FRS 12(81)(a)
End of financial year	87	24	62	12	
(v) Currency translation reserve					
Beginning of financial year	2,376	2,454	–	–	FRS 1(106)(d)
Reclassification on disposal of a subsidiary (Note 13)	(1,200)	–	–	–	FRS 21(52)(b)
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: Non-controlling interests ²	(552)	40	–	–	
End of financial year	1,782	(78)	–	–	
	2,958	2,376	–	–	
(vi) Equity component of convertible bonds					FRS 1(106)(d)
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	–	

Notes to the Financial Statements

For the financial year ended 31 December 2011

38. Other reserves (continued)

(b) Movement (continued):

	<u>Group</u>		<u>Company</u>		FRS 1(106)(d)
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
(vii) Asset revaluation reserve³					
Beginning of financial year	2,000	1,259	–	–	FRS 16(39)
Revaluation gains (Note 28)	253	1,133	–	–	FRS 12(81)(a)
Tax on revaluation gains	(46)	(239)	–	–	
Less: Non-controlling interests ²	(5)	(153)	–	–	
	202	741	–	–	
End of financial year	2,202	2,000	–	–	FRS 16(77)(f)

Other reserves are non-distributable⁴.

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)

Non-controlling interests

- Non-controlling 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)

Distributable reserves

- The amount of reserves that are distributable 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 2011

Guidance notes

Other reserves (continued)

Tax on employee share option scheme

5. 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)

39. Retained profits

(a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies amounting to \$405,000 (2010: \$255,000) and the amount of \$1,418,000 (2010: \$900,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of \$1,418,000 (2010: \$900,000) utilised to purchase treasury shares.

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

FRS 1(79)(a)(v)

DV

	Company	
	2011 \$'000	2010 \$'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	<u>1,276</u>	<u>1,434</u>

Notes to the Financial Statements

For the financial year ended 31 December 2011

40. Dividends¹

	<u>Group</u>	
	2011 \$'000	2010 \$'000
<i>Ordinary dividends paid</i> Final dividend paid in respect of the previous financial year of 52.41 cents (2010: 78.68 cents) per share (Note 39)	<u>10,102</u>	<u>15,736</u>

At the Annual General Meeting on 5 April 2012, a final 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 2012.

FRS 1(107)
FRS 1(137)
FRS 12(81)(i)
FRS 10(12,13)

Guidance notes

Dividends

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)

41. Contingencies

(a) Contingent liabilities

Contingent liabilities, excluding those relating to business combinations (Note 47), 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 quantum of 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 (2010: Nil) at the balance sheet date.

FRS 37(89)

(b) Contingent assets

In respect of the disposal of PwC Logistics Pte Ltd ("PwC Logistics") on 28 June 2011 (Note 13), the Group will receive additional consideration of \$70,000 if the net profit of PwC Logistics for the 18-month period ending 31 December 2012 exceeds \$200,000.

Notes to the Financial Statements

For the financial year ended 31 December 2011

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:

	Group		Company		FRS 16(74)(c) FRS 38(122)(e)
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
Property, plant and equipment	4,193	4,117	800	600	
Intangible assets	460	474	200	100	
	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 rights¹.

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:

	Group		FRS 17(35)(a)(i) FRS 17(35)(a)(ii) FRS 17(35)(a)(iii)
	2011 \$'000	2010 \$'000	
Not later than one year	11,664	10,204	
Between one and five years	45,651	45,651	
Later than five years	15,710	27,774	
	73,025	83,629	

Notes to the Financial Statements

For the financial year ended 31 December 2011

42. Commitments (continued)

(c) Operating lease commitments - where the Group is a lessor

The Group and Company lease out retail space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

FRS 17(56)(c)

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

	Group and Company	
	2011 \$'000	2010 \$'000
Not later than one year	348	52
Between one and five years	182	—
Later than five years	—	—
	530	52

FRS 17(56)(a)(i)

FRS 17(56)(a)(ii)

FRS 17(56)(a)(iii)

Guidance notes

Commitments

Significant leasing arrangements

- When a lessee has any significant leasing arrangements, the entity is required to disclose a general description of the arrangement, such as the basis of contingent rent, existence and terms of the renewal/purchase options and escalation clauses, and any restrictions imposed (i.e. restrictions on dividends, additional debt, further leasing).

FRS 17(35)(d)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 any 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, 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 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 (2010: \$3,154,000) and a fair value of \$2,577,000 (2010: \$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 2011

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 follows²:

	SGD \$'000	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
<u>At 31 December 2011</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	7,717	4,716	6,100	4,099	22,632
Receivables from subsidiaries ⁸	15,507	5,351	2,310	100	23,268
Other financial assets	2,122	—	—	—	2,122
	47,677	28,760	14,196	7,432	98,065
Financial liabilities					
Borrowings	(80,182)	(30,982)	(11,250)	(5,410)	(127,824)
Payables to subsidiaries ⁸	(15,507)	(5,351)	(2,310)	(100)	(23,268)
Other financial liabilities	(4,876)	(6,801)	(2,384)	(2,213)	(16,274)
	(100,565)	(43,134)	(15,944)	(7,723)	(167,366)
Net financial liabilities	(52,888)	(14,374)	(1,748)	(291)	(69,301)
Add: Net non-financial assets	151,140	25,354	15,127	12,920	204,541
Net assets	98,252	10,980	13,379	12,629	135,240
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	(4,000)	(32,040)	(12,540)	1,395	(47,185)
Currency profile including non-financial assets and liabilities³	100,252	24,508	23,283	8,326	156,369
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies³	—	(11,800)	(1,333)	—	(13,133)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 2010</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
Receivables from subsidiaries ⁸	12,521	7,505	3,200	100	23,326
Other financial assets	1,593	—	—	—	1,593
	<u>41,926</u>	<u>37,925</u>	<u>15,503</u>	<u>5,324</u>	<u>100,678</u>
Financial liabilities					
Borrowings	(44,684)	(46,736)	(10,648)	(2,816)	(104,884)
Payables to subsidiaries ⁸	(12,521)	(7,505)	(3,200)	(100)	(23,326)
Other financial liabilities	(5,216)	(2,878)	(1,540)	(600)	(10,234)
	<u>(62,421)</u>	<u>(57,119)</u>	<u>(15,388)</u>	<u>(3,516)</u>	<u>(138,444)</u>
Net financial (liabilities)/assets					
Add: Net non-financial assets	(20,495)	(19,194)	115	1,808	(37,766)
Net assets	<u>92,519</u>	<u>25,064</u>	<u>17,125</u>	<u>934</u>	<u>135,642</u>
	<u>72,024</u>	<u>5,870</u>	<u>17,240</u>	<u>2,742</u>	<u>97,876</u>
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 liabilities³	<u>72,624</u>	<u>7,723</u>	<u>18,700</u>	<u>(185)</u>	<u>98,862</u>
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies³	<u>—</u>	<u>(15,750)</u>	<u>100</u>	<u>—</u>	<u>(15,650)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 follows²:

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

	2011			2010		
	SGD \$'000	USD \$'000	Total \$'000	SGD \$'000	USD \$'000	Total \$'000
Financial Assets						
Cash and cash equivalents, and available-for-sale financial assets	16,320	1,432	17,752	1,488	2,707	4,195
Trade and other receivables	10,698	–	10,698	5,316	–	5,316
	27,018	1,432	28,450	6,804	2,707	9,511
Financial Liabilities						
Borrowings	(81,767)	–	(81,767)	(33,200)	(38,751)	(71,951)
Other financial liabilities	(655)	(52)	(707)	(470)	(79)	(549)
	(82,422)	(52)	(82,474)	(33,670)	(38,830)	(72,500)
Net financial (liabilities)/ assets	(55,404)	1,380	(54,024)	(26,866)	(36,123)	(62,989)
Add: Net non-financial assets	98,000	981	98,981	57,502	40,042	97,544
Net assets	42,596	2,361	44,957	30,636	3,919	34,555
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 liabilities³	42,596	3,312	45,908	30,636	4,319	34,955
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies ³	–	(840)	(840)	–	(37,323)	(37,323)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 (2010: 2%) and 6%⁵ (2010: 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

	Increase/(Decrease)			
	2011		2010	
	Profit <u>after tax</u> \$'000	Other comprehensive income \$'000	Profit <u>after tax</u> \$'000	Other comprehensive income \$'000
Group				
USD against SGD				
- Strengthened	(891)	183	(349)	34
- Weakened	891	(183)	349	(34)
RMB against SGD				
- Strengthened	(80)	-	(4)	-
- Weakened	80	-	4	-
Company				
USD against SGD				
- Strengthened	(50)	-	(746)	-
- Weakened	50	-	746	-

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Financial risk management - currency risk

Qualitative disclosures on currency risk

1. The publication illustrates some disclosures that may be required for financial risk management. The matters and level of detail to be disclosed depend on the circumstances and the extent of financial risks faced by the entity.

FRS 107(7)

Quantitative disclosures on currency risk - based on management information

2. A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel.

FRS 107(34)(a)

Quantitative disclosures on currency risk - factors considered

3. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/ liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; and (d) net non-financial assets of foreign subsidiaries. These are summed up in the line item "*Currency profile including non-financial assets and liabilities*".

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.

The line item "*Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies*" measures the currency exposure under the scope of FRS 107 and is used as a basis for computing the currency sensitivity analysis required by FRS 107. This may not coincide with the currency exposure monitored by management. Disclosure of this line item is not mandated by FRS 107.

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

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Financial risk management - currency risk (continued)

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 2011, if the USD has strengthened/weakened by []% (2010: []%) against the SGD with all other variables including tax rate being held constant, the Group's and Company's other comprehensive income will be \$[] (2009: \$[]) higher/lower and \$[] (2010: \$[]) 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 would have been \$[] (2010: \$[]) higher/lower and \$[] (2010: \$[]) 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 other comprehensive income 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.

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 inter-company 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.

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Financial risk management - currency risk (continued)

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 (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

FRS 107(42), IG37-40

Changes in financial risk management/exposure from the previous period

11. An entity needs to include disclosures on the following if there are changes from the previous period:

- (a) the exposures to each type of risk arising from financial instruments;
- (b) the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk.

FRS 107(33)

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 2011

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 had changed by 15% (2010: 6%) and 14% (2010: 6%) respectively with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

FRS 107(40), AppB25-28

	Increase/(Decrease)		2010	
	2011		2010	
	Profit after tax \$'000	Other comprehensive income \$'000	Profit after tax \$'000	Other comprehensive income \$'000
Group				
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)	(220)	(68)
Company				
Listed in Singapore				
- increased by	-	186	-	60
- decreased by	-	(186)	-	(60)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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 had increased/decreased by 0.50% (2010: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$44,000 (2010: \$77,000) and \$18,000 (2010: \$51,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by \$313,000 (2010: \$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 - currency risk" where applicable.

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes 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)

	<u>Company</u>	
	2011	2010
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	<u>16,000</u>	—

The trade receivables of the Group and of the Company comprise 5 debtors (2010: 5 debtors) and 3 debtors (2010: 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)

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<u>By geographical areas²</u>				
Singapore	<u>7,770</u>	7,217	<u>3,680</u>	1,569
China	<u>4,800</u>	3,800	<u>2,432</u>	512
Philippines	<u>2,224</u>	1,000	—	—
Other countries	<u>2,125</u>	2,509	<u>1,400</u>	—
	<u>16,919</u>	14,526	<u>7,512</u>	2,081
<u>By types of customers²</u>				
Related parties	<u>188</u>	217	<u>1,200</u>	600
Non-related parties				
- Multi-national companies	<u>9,800</u>	7,767	<u>3,038</u>	295
- Other companies	<u>5,707</u>	5,142	<u>2,378</u>	926
- Individuals	<u>1,224</u>	1,400	<u>896</u>	260
	<u>16,919</u>	14,526	<u>7,512</u>	2,081

Notes to the Financial Statements

For the financial year ended 31 December 2011

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)

(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(36)(a,b)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'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 follows³:

FRS 107(37)(b)

FRS 107(16)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Past due 3 to 6 months	320	200	80	40
Past due 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. Certain goods sold to this wholesaler amounting to \$108,000 can be re-possessed⁴.

FRS 107(37)(b)

FRS 107(36)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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. An entity shall disclose by class of financial instrument a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit.

FRS 107(36)(b)

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 for such assets held at the reporting date can be considered:

FRS 107(38)

“As at xxx, the Group obtained assets by taking possession of collateral held as security as follows:

<u>Nature of assets</u>	<u>Carrying amount (\$'000)</u>
<i>Inventories</i>	20
<i>Property, plant and equipment</i>	1,290

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 2011

43. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes 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 (33,39(c))
FRS 107 AppB11E

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 the 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 (34)(a)

The table below analyses non-derivative financial liabilities of the Group and the Company 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 amounts as the impact of discounting is not significant.

Group	Between			
	Less than 1 year ⁴	1 and 2 years ⁴	2 and 5 years ⁴	Over 5 years ⁴
	\$'000	\$'000	\$'000	\$'000
At 31 December 2011				
Trade and other payables	(15,820)	(350)	—	—
Borrowings	(14,545)	(25,931)	(83,981)	(34,223)
At 31 December 2010				
Trade and other payables	(10,234)	—	—	—
Borrowings	(18,560)	(23,276)	(47,174)	(35,967)
Company				
At 31 December 2011				
Trade and other payables	(707)	—	—	—
Borrowings	(8,160)	(4,450)	(63,350)	(33,900)
Financial guarantee contracts	(16,000)	—	—	—
At 31 December 2010				
Trade and other payables	(549)	—	—	—
Borrowings	(12,762)	(35,606)	(5,850)	(35,850)

FRS 107 AppB11C(c)

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group intends to repay \$15,000,000 in the first quarter of 2012 for borrowings that are contractually repayable between two to five years (2010: Nil).³

FRS 107
AppB10A(a)

The table below analyses the derivative financial instruments of the Group and the Company 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.

FRS 107 (39)(b)

Group	Less than	Between	Between	Over
	1 year ⁴ \$'000	1 and 2 years ⁴ \$'000	2 and 5 years ⁴ \$'000	5 years ⁴ \$'000
At 31 December 2011				
Net-settled interest rate swaps				
- Cash flow hedges ²				
- Net cash outflows	(30)	(30)	(47)	–
Gross-settled currency forwards				
- Receipts	18,108	5,01	–	–
- Payments	(18,482)	(5,121)	–	–
At 31 December 2010				
Gross-settled currency forwards				
- Receipts	8,023	4,912	–	–
- Payments	(8,278)	(4,960)	–	(33,900)

FRS 107(39)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(c) Liquidity risk (continued)

Company	Less than	Between	Between	Over
	<u>1 year⁴</u> \$'000	<u>1 and 2 years⁴</u> \$'000	<u>2 and 5 years⁴</u> \$'000	<u>5 years⁴</u> \$'000
At 31 December 2011				
Gross-settled currency				
forwards – Cash flow hedges and fair value hedges				
– Receipts	1,123	99	–	–
– Payments	(1,170)	(110)	–	–
At 31 December 2010				
Gross-settled currency				
forwards – Cash flow hedges and fair value hedges				
– Receipts	640	50	–	–
– Payments	(687)	(52)	–	–

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(39)(b)

Group	Less than	Between	Between	Over
	<u>1 year⁴</u> \$'000	<u>1 and 2 years⁴</u> \$'000	<u>2 and 5 years⁴</u> \$'000	<u>5 years⁴</u> \$'000
At 31 December 2011				
Net settled currency forwards - held for trading				
	(10)	–	–	–

FRS 107(39)(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Financial risk management - liquidity risk

Contractual undiscounted cash flows

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

FRS 107(39)(a,b)

- the non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities; and
- 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:

- 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
- all loan commitments.

FRS 107 AppB11B

The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, e.g.:

FRS 107 AppB11D

- gross finance lease obligations (before deducting finance charges);
- prices specified in forward agreements to purchase financial assets for cash;
- net amounts for pay-floating/receive-fixed (or vice versa) interest rate swaps for which net cash flows are exchanged;
- contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and
- 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

- 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 AppB11D

Expected maturity dates

- 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 AppB10A

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Financial risk management - liquidity risk (continued)

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:

- (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 AppB11

FRS 107 AppB11C

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(b) Capital risk

FRS 1(135),IG10

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

FRS 1(135)(a)

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% (2010: 70%). The Group's and Company's strategies, which were unchanged from 2010, are to maintain gearing ratios within 45% to 50% and 60% to 70% respectively.

FRS 1(135)(a)

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 total equity plus net debt.

FRS 1(135)(c)

FRS 1(135)(d)

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net debt	122,605	79,228	66,222	69,523
Total equity	136,148	98,250	45,226	34,592
Total capital ³	258,753	177,478	111,448	104,115
Gearing ratio	47%	45%	59%	67%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2010 and 2011.

Guidance notes

Financial risk management - Capital risk

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 IG10

FRS 1(136)

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified 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 (i.e. as prices) or indirectly (i.e. 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)¹.

Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	FRS 107 (27B)(a)
2011					
<i>Assets</i>					
Financial assets at fair value through profit or loss	10,785	—	—	10,785	
Derivative financial instruments	—	1,353	111	1,464	
Available-for-sale financial assets	11,901	—	5,347	17,248	
Total assets	22,686	1,353	5,458	29,497	
<i>Liabilities</i>					
Contingent consideration payable	—	—	350	350	
Derivative financial instruments	—	575	—	575	
Total liabilities	—	575	350	925	
2010					
<i>Assets</i>					
Financial assets at fair value through profit or loss	8,326	—	—	8,326	
Derivative financial instruments	—	564	—	564	
Available-for-sale financial assets	7,673	—	5,264	12,937	
Total assets	15,999	564	5,264	21,827	
<i>Liabilities</i>					
Derivative financial instruments	—	284	—	284	

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(e) Fair value measurements (continued)

<u>Company</u> 2011	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
<i>Assets</i>				
Derivatives financial instruments	—	266	—	266
Available-for-sale financial assets	1,500	—	—	1,500
Total assets	1,500	266	—	1,766
<i>Liabilities</i>				
Derivative financial instruments	—	47	—	47
2010				
<i>Assets</i>				
Derivative financial instruments	—	84	—	84
Available-for-sale financial assets	1,218	—	—	1,218
Total assets	1,218	84	—	1,302
<i>Liabilities</i>				
Derivative financial instruments	—	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 107 (27)

The fair value of financial instruments that are not traded in an active market (e.g. 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 currency rates at the balance sheet date. These investments are classified as 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 classified as Level 3.

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

(e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments:

FRS 107 (27B)(c)

	Derivatives \$'000	Available-for- sale financial assets \$'000	Contingent consideration \$'000	Total \$'000
2011				
Beginning of financial year	–	5,264	–	5,264
Transfers	115	–	–	115
Purchases	–	50	–	50
Acquisition of a subsidiary	–	–	(300)	(300)
Fair value gains/(losses) recognised in				
- other comprehensive income	–	33	–	33
- profit or loss	(4)	–	(50)	(54)
End of financial year	111	5,347	(350)	5,108
Total gains or (losses) for the period included in profit or loss for assets and liabilities held at the end of the reporting period	(4)	–	(50)	(54)
2010				
Beginning of financial year	–	5,000	–	5,000
Purchases	–	254	–	254
Fair value gains/(losses) recognised in				
- other comprehensive income	–	10	–	10
- profit or loss	–	–	–	–
End of financial year	–	5,264	–	5,264
Total gains/(losses) recognised in profit or loss for assets and liabilities held at the end of financial year	–	–	–	–

During the financial year ended 31 December 2011, the Group transferred a held-for-trading forward foreign exchange contract from Level 2 to Level 3 as the counterparty for the derivative encountered significant financial difficulties which resulted to 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 amount 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 107(29)(a)
FRS 107(27)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2011

43. Financial risk management (continued)

Guidance notes

Financial risk management - Fair value measurements

Sensitivity analysis

- For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, that fact shall be stated and the effect of these changes disclosed. Significance shall be judged with respect to profit or loss, total assets or liabilities or total equity. Such disclosure has been illustrated in this publication in Note 3.1(e).

FRS 107(27B)(e)

(f) Financial Instruments by category

FRS 107 (6)

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 14, Note 15, Note 16 and Note 27 to the financial statements, except for the following:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
- Held for trading	10,257	8,436	—	—
Loans and receivables	43,058	53,308	26,950	8,293
Financial liabilities at amortised cost	144,185	115,380	82,314	72,500

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(138)(c)

FRS 24(13)

CA 201(10)

Guidance notes

Immediate and ultimate holding corporation

Ultimate controlling party

- An entity shall disclose the name of the entity's parent and if different, the name of the ultimate controlling party, which can be an individual person or an entity that is not an incorporated entity.

FRS 24(13)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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(18,24)

	Group		
	2011 \$'000	2010 \$'000	
Sales of goods and/or services to			
- associated companies	1,800	1,792	FRS 24(19)(d)
- other related parties	470	729	FRS 24(19)(g)
	2,270	2,521	
Purchases of materials from			
- associated companies	16,286	17,504	FRS 24(19)(d)
- fellow subsidiaries	70,601	60,504	FRS 24(19)(g)
	86,887	78,008	
Purchase of plant and equipment from other related parties	600	—	FRS 24(19)(g)
Payments made on behalf and reimbursed by the immediate holding corporation	186	153	FRS 24(19)(a)
Professional fees received from other related parties	212	149	FRS 24(19)(g)
Technical fees received from other related parties	15	10	FRS 24(19)(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 2011, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 17 and 30 respectively.			FRS 24(17)(b)(i)

Notes to the Financial Statements

For the financial year ended 31 December 2011

45. Related party transactions (continued)

(b) Key management personnel compensation

FRS 24(17)

Key management personnel compensation is as follows:

	<u>Group</u>	2011 \$'000	2010 \$'000	
Wages and salaries	3,620	2,066		FRS 24(17)(a)
Employer's contribution to defined contribution plans, including Central Provident Fund	203	98		FRS 24(17)(b)
Termination benefits	100	—		FRS 24(17)(d)
Other long-term benefits	33	23		FRS 24(17)(c)
Share option expense	300	280		FRS 24(17)(e)
	<u>4,256</u>	<u>2,467</u>		

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

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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.

FRS108(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, China and the Philippines. All geographic locations are engaged in the manufacture and sale of electronic parts. In addition, 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.

FRS108(22)(b)

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

FRS108(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 2011

46. Segment information (continued)

The segment information provided to the Exco for the reportable segments are as follows:

	← Singapore →		← China →		← Philippines →				
	Component parts	Construction	Component Parts	Furniture	Component Parts	Furniture	All other segments	Total for continuing operations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2011									
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									
EBITDA ¹	25,858	11,341	17,000	12,729	840	8,316	806	76,890	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)
Segment assets²	51,103	35,581	83,023	39,919	5,637	26,086	10,782	252,131	FRS108(23)
Segment 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		8,259		1,219		473	11,072	FRS108(24)(b)
Segment liabilities²	(7,471)	(2,532)	(6,101)	(2,047)	(288)	(1,365)	(768)	(20,572)	FRS108(23)

Notes to the Financial Statements

For the financial year ended 31 December 2011

46. Segment information (continued)

	← Singapore →		← China →		← Philippines →				
	Component parts \$'000	Construction \$'000	Component Parts \$'000	Component Furniture \$'000	Component Parts \$'000	Component Furniture \$'000	All other segments \$'000	Total for continuing operations \$'000	
2010									
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 EBITDA¹	13,230	6,341	9,574	7,729	760	6,715	406	44,755	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)
Segment assets²	40,493	28,213	26,964	59,596	2,785	29,397	10,494	197,942	FRS108(23)
Segment 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	274	5,511	FRS108(24)(b)
- intangible assets	399	–	151	–	138	–	2,040	2,728	FRS108(24)(b)
Segment liabilities²	(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)

The Exco assesses the performance of the operating segments based on a measure of Earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA")¹. 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)

Notes to the Financial Statements

For the financial year ended 31 December 2011

46. Segment information (continued)

Guidance notes
Segment information
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.
Reporting segment assets and liabilities
2. The Annual Improvements 2009, effective for annual periods beginning on or after 1 January 2010, requires an entity to report a measure of total assets and liabilities for each reportable segment only if such amounts are regularly provided to the Chief Operating Decision Maker. This publication discloses the measure of total assets and liabilities for each reportable segment as this is regularly provided to the chief operating decision maker of PwC Holdings Ltd.

FRS 108(23)

(a) Reconciliations

(i) Segment profits

FRS 108(28)(b)

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

	2011 \$'000	2010 \$'000
Adjusted EBITDA for reportable segments	76,684	44,069
Other segments EBITDA	206	686
Depreciation	(17,652)	(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	46,797	26,218

(ii) Segment assets

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)

Notes to the Financial Statements

For the financial year ended 31 December 2011

46. Segment information (continued)

(a) Reconciliations (continued)

(ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	2011 \$'000	2010 \$'000
Segment assets for reportable segments	241,349	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
	299,932	230,004

(iii) Segment liabilities

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.

FRS108(27)(d)

Segment liabilities are reconciled to total liabilities as follows:

	2011 \$'000	2010 \$'000
Segment liabilities for reportable segments	19,804	13,541
Other segment liabilities	768	900
Unallocated:		
Liabilities associated with disposal group	220	–
Income tax liabilities	2,942	3,833
Deferred tax liabilities	11,646	8,406
Borrowings	127,824	104,884
Derivative financial instruments	575	284
	163,779	26,218

Notes to the Financial Statements

For the financial year ended 31 December 2011

46. Segment information (continued)

(b) Revenue from major products and services

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

FRS108(32)

	2011 \$'000	2010 \$'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

(c) Geographical information

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

FRS108(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;
- 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	FRS 108(33)(a)
	2011 \$'000	2010 \$'000
Singapore	103,420	73,894
China	84,749	31,298
Philippines	19,020	6,468
Other countries	3,025	700
	210,214	112,360

Notes to the Financial Statements

For the financial year ended 31 December 2011

46. Segment information (continued)

(c) Geographical information (continued)

	<u>Non-Current Assets</u>	FRS 108(33)(b)
	2011	2010
	\$'000	\$'000
Singapore	79,284	77,143
China	88,736	35,603
Philippines	24,163	18,340
Other countries	316	428
	192,499	131,514

Revenues of approximately \$23,460,000 (2010: \$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)

47. Business combinations

On 1 October 2011, the Group acquired a 70% equity interest in XYZ Electronics Pte Ltd (now known as PwC Components (China) Pte Ltd ("PwC China")). The principal activity of PwC China is that of manufacturing and trading of electronic components parts in China. 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 103 AppB64(a-d)

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration ^{1,2}	\$'000	
Cash paid	13,700	FRS 103 AppB64(f)(i)
Contingent consideration (Note (e) below)	<u>300</u>	FRS 103 AppB64(f)(iii); FRS 103 AppB64(g)(i)
Total purchase consideration	<u>14,000</u>	FRS 103 AppB64(f)
Less: Indemnification asset ³ (Note (i) below)	<u>(200)</u>	FRS 103 AppB64(g)(i)
Consideration transferred for the business	<u>13,800</u>	
(b) Effect on cash flows of the Group		
Cash paid (as above)	13,700	FRS 7(40)(b)
Less: cash and cash equivalents in subsidiary acquired	<u>(300)</u>	FRS 7(40)(c)
Cash outflow on acquisition	<u>13,400</u>	FRS 7(40)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2011

47. Business combinations (continued)		At fair value \$'000	
(c)	Identifiable assets acquired and liabilities assumed		FRS 103 AppB64(j)
	Cash and cash equivalents	300	FRS 7(40)(d)
	Property, plant and equipment (Note 28)	67,784	
	Trademarks and licences (included in intangibles) (Note 29(b))	4,000	
	Investment in associated companies (Note 23)	389	
	Available-for-sale financial assets (Note 16)	473	
	Inventories	1,122	
	Trade and other receivables (Note (f) below)	1,585	
	Total assets	75,653	
	Trade and other payables	(15,000)	
	Borrowings	(41,359)	
	Contingent liability (included in provisions) (Note 35 and (h) below)	(300)	
	Current tax liabilities (Note 10(b))	(100)	
	Deferred tax liabilities (Note 36)	(3,753)	
	Total liabilities	(60,512)	
	Total identifiable net assets	15,141	
	Less: Non-controlling interest at fair value	(5,600)	FRS 103 AppB64(o)(i)
	Add: Goodwill (Note 29(a))	4,259	
	Consideration transferred for the business	13,800	
(d)	Acquisition-related costs		FRS 103 AppB64(m)
	Acquisition-related costs of \$550,000 are included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.		
(e)	Contingent consideration		FRS 103 AppB64(f)(iii) FRS 103 AppB64(g)
	The Group is required 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 or more for the period from 1 October 2011 to 30 September 2013.		
	The fair value of the contingent consideration as at the acquisition date was estimated to amount to \$300,000 based on an income approach. This fair value was based on an estimated cumulative net profit of PwC China ranging from \$5,000,000 to \$6,250,000 for the relevant period, discounted at 8% per annum.		
	As at 31 December 2011, the fair value of the contingent consideration is estimated to have increased by \$50,000, as the estimated cumulative net profit in pwc china for the relevant period has been revised to be in the region of \$5,300,000 to \$6,400,000. the increase in the fair value of the contingent consideration has been recognised in administrative expenses in the statement of comprehensive income.		FRS 103 AppB67(b)

Notes to the Financial Statements

For the financial year ended 31 December 2011

47. Business combinations (continued)

(f) Acquired receivables

FRS 103 AppB64(h)

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.

(g) Provisional fair values⁴

FRS 103 AppB67(a)

The fair value of the acquired identifiable intangible assets of \$4,000,000 (trademarks and licences) has been provisionally determined pending receipt of the final valuation reports from the independent valuers.

(h) Contingent liability

FRS 103 AppB64(j),
FRS 103 AppB67(c)
FRS 37(84, 85)

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 defective products. It is expected that a decision on this case will be reached by the relevant court of law by the end of 2013. The potential undiscounted amount of all future payments that the Group could be required to make is estimated to be between \$200,000 and \$500,000, if an adverse decision is made. As at 31 December 2011, there has been no change in the amount recognised for the liability since the acquisition date, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

(i) Indemnification asset³

FRS 103(27,57)
FRS 103 AppB64(g)

The seller of PwC China has contractually agreed to indemnify the Group for the claim that may become payable in respect of the lawsuit disclosed in (e) above, up to a maximum amount of \$200,000. As is the case with the indemnified liability there has been no change in the amount recognised for the indemnification asset since the acquisition date.

(j) Non-controlling interests

FRS 103 AppB64(o)

The Group has chosen to recognise the 30% non-controlling interest at its fair value of \$5,600,000. The fair value was estimated by applying a market approach and an income approach. The fair value estimates are based on:

- an assumed discount rate of 8% per annum;
- an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;
- long-term sustainable growth rate of 2.2%;
- assumed financial multiples of companies deemed to be similar to PwC China; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider

Notes to the Financial Statements

For the financial year ended 31 December 2011

47. Business combinations (continued)

(k) Goodwill

FRS 103 AppB64(e)

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

(l) Revenue and profit contribution

FRS 103 AppB64(q)

The acquired business contributed revenue of \$4,500,000 and net profit of \$675,000 to the Group from the period from 1 October 2011 to 31 December 2011.

Had PwC China been consolidated from 1 January 2011, consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been \$230,214,000 and \$35,276,000 respectively.

Guidance notes

Equity interests issued as purchase consideration

- When equity interests are issued or issuable as part of the cost of acquisition, the entity shall disclose the number of instruments or interests issued and the method of determining their fair value.

FRS 103 AppB64(f)(iv)

Business combination achieved in stages

- Where the business combination was achieved in stages, the fair value of the previously held interest immediately before the acquisition date shall form part of the total purchase consideration. That acquisition-date fair value shall be disclosed together with the amount of any gain or loss recognised as a result of remeasuring to fair value the previously held interest, and the line item in the statement of comprehensive income where that gain or loss is included.

FRS 103 AppB64(p)

Indemnification assets

- When the seller agrees to contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to a specific asset or liability, the acquirer recognises an indemnification asset with an equivalent amount deducted from the consideration transferred for the business combination. The amount recognised, a description of the arrangement and an estimate of the range of outcomes shall be disclosed.

FRS 103(27)
FRS 103 AppB64(g)

Notes to the Financial Statements

For the financial year ended 31 December 2011

Guidance notes

Provisional fair values and subsequent adjustments during the measurement period

4. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.

FRS 103(45)

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The acquirer shall disclose information that enables users of financial statements to evaluate the financial effects of adjustments recognised.

48. Events occurring after balance sheet date

On 25 February 2012, 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 2016.

FRS 10(21)

On 1 March 2012, 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 has been provisionally determined at \$2,500,000. Acquisition-related costs of \$120,000 have been incurred and will be included in administrative expenses in the Statement of Comprehensive Income for the year ended 31 December 2012. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of PwC Hong Kong and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue. PwC Hong Kong will be consolidated with effect from 1 March 2012¹.

FRS 10(21)
FRS 10(22)(a)
FRS 103 AppB66

Guidance notes

Business combinations occurring after balance sheet date but before the financial statements are authorised for issue

1. FRS 103 (revised) requires an acquirer to disclose the same information for business combinations occurring after balance sheet date but before the financial statements are authorised for issue as what is disclosed for business combinations occurring during the reporting period. The only exception is if the accounting for such business combination is incomplete at the time the financial statements are authorized for issue, in which case the acquirer shall describe which disclosures could not be made and the reasons why.

Notes to the Financial Statements

For the financial year ended 31 December 2011

49. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published¹, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 101 - Secure Hyperinflation and Removal of Fixed Prices of First-time Adopters (effective for annual periods beginning on or after 1 July 2011)
- Amendments to FRS 107 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)

FRS 8(30)(a)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

FRS 8(30)(b)

Guidance notes

New or revised accounting standards and interpretations published at the date of issuance of the financial statements but not yet effective

FRS 8(30)

1. FRS 8 requires an entity to disclose the possible effects of future adoption of new or revised Accounting Standards and Interpretations that have been issued up to the date of issuance of the financial statements but are not yet effective.
2. It is not required to list all FRSs, INT FRSs and amendments to FRS that have been issued but are not effective at date of authorization of financial statements. Only those relevant to the entity's operations should be indicated.
3. The list of FRSs issued but not effective yet is complete as of 31 July, 2011. The potential impact of any new or revised FRSs, INT FRSs and amendments to FRS issued after that date but before the issue date of the financial statements should also be covered and disclosed.

50. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Limited on 19 March 2012.

FRS 10(17)

Notes to the Financial Statements

For the financial year ended 31 December 2011

51. Listing of significant¹ companies in the Group

SGX 715-718

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2011	2010
<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	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	China	80	80
PwC Components (China) Pte Ltd ^{(d),(g)}	Manufacture of component parts	China	70	–
PwC Furniture (Philippines) Pte Ltd ^(b)	Sale of furniture	Philippines	70	70
PwC Logistics (PRC) Co. Ltd ^(d)	Provision of logistics services	China	–	100
PwC Glass Sdn Bhd ^(c)	Manufacture of glass	Malaysia	70	70
<u>Significant joint venture held by the Company</u>				
PwC JV Logistics (PRC) Co., Ltd ^{(d),(f)}	Provision of logistics services	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) Audited⁶ by PricewaterhouseCoopers LLP, Singapore⁽ⁱ⁾

(b) Audited⁶ by PricewaterhouseCoopers LLP, Philippines⁽ⁱ⁾

(c) Audited⁶ by Tan & Co⁶, Malaysia

(d) Audited⁶ by Great Wall CPA Company Limited⁽ⁱ⁾, People's Republic of China

(e) Not required to be audited⁶ 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 year⁴

(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 27(41)(b)

FRS 27(41)(c), CA 200(1)

FRS 27(41)(a)

Notes to the Financial Statements

For the financial year ended 31 December 2011

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.
SGX 718
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.
SGX 717
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.
SGX 716
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.
CA 200(1)